
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**REPRESENTATIVE PAYEE
ONSITE REVIEWS OF
STATE INSTITUTIONS**

April 2006 A-09-06-26010

**EVALUATION
REPORT**



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SOCIAL SECURITY

MEMORANDUM

Date: April 20, 2006

Refer To:

To: Peter D. Spencer
Regional Commissioner
San Francisco

From: Inspector General

Subject: Representative Payee Onsite Reviews of State Institutions (A-09-06-26010)

OBJECTIVE

Our objective was to evaluate the adequacy of the Social Security Administration's (SSA) Representative Payee Onsite Review Program for State institutions in the San Francisco Region.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments. A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients when representative payments would serve the individual's interests.¹

To oversee its representative payees, SSA implemented the Expanded Monitoring Program for fee-for-service² and volume payees³ and the Onsite Review Program for State institutions. Under the Expanded Monitoring Program, SSA conducts a site review of all fee-for-service and volume payees at least once every 3 years. Fee-for-service and volume payees are also subject to random reviews, quick response

¹ SSA, POMS, GN 00501.005.

² Fee-for-service representative payees are authorized by SSA to collect a fee for providing representative payee services. SSA, POMS, GN 00605.420 A.

³ Volume payees are organizational payees serving 50 or more beneficiaries and individual payees serving 15 or more beneficiaries. SSA, POMS, GN 00605.400 C.

checks, and educational visits. The purpose of the Expanded Monitoring Program is to (1) allow SSA to determine whether representative payees are performing satisfactorily, (2) deter potential misuse, (3) keep the lines of communication open between representative payees and local SSA offices, (4) reinforce SSA's efforts to educate representative payees about their duties and responsibilities, and (5) be responsive and proactive in determining what representative payees need from SSA.⁴

In Fiscal Year (FY) 2003, we conducted a review of SSA's Expanded Monitoring Program for fee-for-service and volume payees. Our review identified several areas for SSA to improve its site review methodology; the sufficiency and reliability of documentation gathered during site reviews; compliance with its site review requirements; and its follow-up actions when deficiencies are identified.⁵

Under the Onsite Review Program, SSA conducts a site review of all State institutions (for example, State hospitals, developmental centers, and adult mental health services) every 3 years. The purpose of the Onsite Review Program is to (1) explore how SSA and State institutions can improve mutual understanding and work toward resolving common problems applicable to the beneficiaries for whom the institution serves as representative payee, (2) determine whether a State institution's performance as representative payee conforms with SSA's policies regarding use of benefits and reporting of significant events, and (3) determine the extent to which recommendations made in prior reviews have been implemented and take appropriate action to ensure compliance with SSA's policies.⁶

In FY 2005, the San Francisco Regional Office (SFRO) conducted onsite reviews at 10 State institutions in Arizona, California, and Nevada. In April 2005, the Regional Commissioner requested our assistance in completing these reviews and evaluating its Representative Payee Onsite Review Program for State institutions. We agreed to conduct three of the onsite reviews and determine the adequacy of SSA's procedures for performing these reviews.

⁴ SSA, POMS, GN 00605.400.

⁵ SSA, OIG, *The Social Security Administration's Site Reviews of Representative Payees* (A-13-01-11042), April 2003.

⁶ SSA, POMS, GN 00605.500.

RESULTS OF REVIEW

Our evaluation disclosed the Onsite Review Program was generally effective in monitoring State institutions' performance as representative payee and their conformance with SSA's policies and procedures. However, we identified several areas where SFRO could improve the effectiveness and efficiency of its onsite reviews of State institutions. These improvements include best practices and procedures established for the Expanded Monitoring Program. Specifically, we found that:

- The number of beneficiaries in SSA's Representative Payee System (RPS) was not always reconciled with the State institution's records to ensure the accuracy of RPS.
- The sample size of beneficiary records for review was not specifically defined for the onsite reviews.
- The reviewers did not select any beneficiaries who were no longer in the State institution's care to ensure conserved funds were returned to SSA.
- The beneficiaries' identities were not verified during the onsite reviews.
- The internal controls at the State institutions were not reviewed to ensure the integrity of their financial records.
- The reviewers were not required to compare SSA's payment records to the representative payee's records to verify the SSA benefits paid to the beneficiary.
- The timeliness of the onsite reviews of State institutions in the San Francisco Region could be improved.

Accuracy of the Representative Payee System

The Omnibus Budget Reconciliation Act of 1990 requires that SSA provide for specific identification and control of all representative payees and the beneficiaries they serve.⁷ SSA established RPS to collect information about representative payees and the beneficiaries who have payees. RPS contains a list of current and terminated beneficiaries for each representative payee.

Under the Expanded Monitoring Program, SSA's procedures require that reviewers compare the representative payee's list of beneficiaries to the list of beneficiaries from RPS to ensure they agree. If not, reviewers should determine whether the representative payee made an omission or whether RPS needs to be updated.⁸

⁷ Pub. L. No. 101-508, § 5105; 42 U.S.C. § 405(j)(2).

⁸ SSA, POMS, GN 00605.415 C.3.c.

However, under the Onsite Review Program, SSA's procedures do not require that reviewers reconcile the number of beneficiaries in RPS with those at the State institution.

Based on our interviews with the SSA employees who conducted the onsite reviews, we determined 13 of the 16 reviewers believed a reconciliation would be beneficial. For the seven reviews SSA conducted, two reviewers had reconciled the number of beneficiaries in RPS with those at the State institution, even though such a reconciliation was not required.

For the three reviews we conducted, we obtained current beneficiary lists from the State institution and RPS to determine whether (1) the beneficiaries in RPS were in the State institution's care and (2) the beneficiaries in the State institution's care were properly recorded in RPS. These 3 State institutions served as representative payee for 1,024 beneficiaries. We identified 125 beneficiaries in the State institutions' records that were not recorded in RPS. Conversely, we identified 89 beneficiaries in RPS that were not in the State institutions' records. Of this amount, 57 beneficiaries were fully discharged, 30 had moved to another location while the institution remained the representative payee, and 2 were never in the State institution.

Sample Size of Beneficiary Records for Review

Under the Onsite Review Program, SSA's procedures state the sample size of beneficiary records for review shall be based on the population of beneficiaries at the State institution, number of institutions being visited, and amount of time available.⁹ In addition, SFRO established procedures for reviewers to obtain a list of beneficiaries from RPS with the State institution as representative payee and, based on the size of the institution, select a random sample of beneficiary records for each site, although no fewer than 10 records should be reviewed.

For the 7 reviews SSA conducted, we found the sample size ranged from 10 to 24 beneficiaries while the total population ranged from 23 to 555 beneficiaries per State institution. For example, SSA reviewed 24 of 550 beneficiaries at 1 State institution; whereas it only reviewed 12 of 555 beneficiaries at another State institution. Without additional guidance in determining the proper number of beneficiary records for review, the sample size may not provide sufficient information to evaluate the State institution's performance as a representative payee.

Under the Expanded Monitoring Program, SSA's procedures require that reviewers select a sample of 10 percent of the beneficiary records. However, reviewers must select 10 beneficiaries for representative payees with fewer than 100 beneficiaries and 25 beneficiaries for representative payees with more than 250 beneficiaries.¹⁰

⁹ SSA, POMS, GN 00605.521.

¹⁰ SSA, POMS, GN 00605.410 C.1.e.

On June 30, 2005, SSA's Office of Disability and Income Security Programs (ODISP) prepared a draft policy for the Onsite Review Program for State institutions. The draft policy also requires that the sample size be about 10 percent of the total beneficiary population, with a minimum of 10 beneficiaries and a maximum of 25 beneficiaries.

Beneficiaries No Longer in the State Institution's Care

Under the Expanded Monitoring Program, SSA's procedures state that, if possible, reviewers should select a sample of cases where the beneficiary's relationship with the representative payee has ended to ensure conserved funds are returned to SSA for reissuance to the new representative payee or direct payment to the beneficiary. For deceased beneficiaries, the reviewers should verify the representative payee turned over any conserved funds to the legal representative of the beneficiary's estate.¹¹ However, under the Onsite Review Program, SSA's procedures do not require that reviewers select any beneficiaries who are no longer in the State institution's care to ensure conserved funds are returned to SSA.

For the seven reviews SSA conducted, we found that none had selected a sample of beneficiaries who were no longer in the State institution's care. However, at two State institutions, SSA reviewed several beneficiaries whom RPS reported were still in the representative payee's care when, in fact, they had ended their relationship with the State institution.

The draft policy for the Onsite Review Program requires that reviewers select several terminated beneficiaries during the review period to verify that conserved funds were returned to SSA for reissuance or, if the beneficiaries had died, were turned over to their estate.

Verification of Identities During the Beneficiary Interviews

Under the Onsite Review Program, SSA's procedures state that reviewers should tour the facility and meet with as many beneficiaries as time permits.¹² Similarly, SFRO established procedures for reviewers to visit a sample of beneficiaries to observe their living quarters, verify the existence of any large purchases, and obtain general information about the beneficiary's environment and ability to spend money. In addition, the reviewers should interview a small number of beneficiaries who are able to communicate.

For the three reviews we conducted, we found that most beneficiaries were uncommunicative and did not respond to our questions. However, during our interviews, we verified the beneficiaries' identities by requesting and reviewing their

¹¹ SSA, POMS, GN 00605.410 C.2.b.

¹² SSA, POMS, GN 00605.524.

institutional identification cards or other forms of personal identification maintained by the State institution. We were able to verify beneficiaries' identities regardless of whether they verbally communicated with us.

For the seven reviews SSA conducted, we found that none of the reviewers had verified the beneficiaries' identities. Based on our interviews with the SSA employees who conducted the onsite reviews, some reviewers had expressed concerns about whether they were interviewing the correct individual because of the beneficiary's limited communication skills.

Based on our interviews with the representative payee coordinators in the other nine SSA regions, we determined that one region verified the beneficiaries' identities during its onsite reviews. In addition, four representative payee coordinators agreed that, subject to the availability of records, such verification may be useful.

Review of Internal Controls

Internal control is an integral component of an organization's management. A review of the internal controls is important in determining the organization's effectiveness and the efficiency of its operations, reliability of financial reporting, and compliance with applicable laws and regulations.¹³

Under the Expanded Monitoring Program, SSA's procedures require that reviewers determine whether the representative payee has internal controls in place to ensure the integrity of financial records. Examples of internal controls include (1) requiring that a second employee verify invoices before checks are disbursed, (2) performing monthly bank reconciliations, (3) prohibiting staff responsible for accounting or bookkeeping from withdrawing beneficiary funds, (4) limiting the number of people with authority to withdraw funds from a beneficiary's account, (5) establishing countersignature requirements for all disbursements, (6) establishing additional safeguards for large disbursements, (7) performing regular reviews of the financial records by another employee, (8) prohibiting staff or officers who are relatives from handling financial matters, and (9) having annual audits performed by an outside contractor or entity.¹⁴

We believe that reviewers should, at a minimum, interview the representative payees to assess the internal controls in place at the State institution. Such an assessment may be conducted during the introductory meeting to assist reviewers in understanding the institution's policies and practices and determining the reliability of its financial records. In addition, a review of internal controls may assist reviewers in identifying areas for additional emphasis during its financial review for a sample of beneficiaries.

¹³ Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1), November 1999.

¹⁴ SSA, POMS, GN 00605.415 B.2.g.

SSA Records of Benefits Paid

Under the Expanded Monitoring Program, SSA's procedures require that reviewers (1) query SSA's payment records for a sample of beneficiaries to ensure SSA is sending benefits to the representative payee and document when benefits were actually paid and (2) compare SSA's payment records to the representative payee's records to ensure the payee's records clearly reflect all payments made by SSA.¹⁵

Under the Onsite Review Program, SSA's procedures require that reviewers conduct a financial review to provide information on the effectiveness of the accounting system, funds available for personal use, level of spending, and amount of conserved funds.¹⁶ However, these procedures do not specify that SSA's payment records should be compared to the representative payee's records to verify the payments made by SSA.

The draft policy for the Onsite Review Program requires that reviewers examine a sample of beneficiary accounts and compare them with the beneficiary's payment records to verify the monthly benefit amount received and posted. For the seven reviews SSA conducted, we found that all of the reviewers had obtained the beneficiaries' payment records to determine whether SSA benefits were properly recorded by the State institution. Nevertheless, we encourage SSA to adopt this policy in its onsite reviews of State institutions to ensure consistency with the Expanded Monitoring Program.

Scheduling of Onsite Reviews

The Social Security Disability Benefits Reform Act of 1984 requires that State institutions be reviewed once every 3 years. If there are indications of unsatisfactory performance, more frequent reviews may be necessary.¹⁷

In the San Francisco Region, there are 10 State institutions (7 in California, 2 in Nevada, and 1 in Arizona) that are subject to triennial reviews. Generally, SFRO performs all of its onsite reviews in the same FY. Although SFRO conducted onsite reviews for all 10 State institutions in FY 2001, it was unable to conduct any onsite reviews in FY 2004 because of workload constraints. In April 2005, SFRO assembled staff from various SSA components to perform the onsite reviews. In May 2005, SFRO trained all employees conducting the onsite reviews. These reviews were completed from June to September 2005.

¹⁵ SSA, POMS, GN 00605.410 C.2.a and GN 00605.415 C.1.b.

¹⁶ SSA, POMS, GN 00605.524.

¹⁷ Pub. L. No. 98-460; SSA, POMS, GN 00605.500 A.

Based on our interviews with the representative payee coordinators in the other nine SSA regions, we determined that six regions had developed a schedule to divide the onsite reviews into different FYs during the 3-year cycle. These representative payee coordinators believed that a multi-year schedule was effective in alleviating the demands of conducting all of the onsite reviews in 1 year. In these six regions, the representative payee coordinators divided the workload by State and selected one or two States for review per year.

CONCLUSION AND RECOMMENDATIONS

We found the Onsite Review Program was generally effective in monitoring State institutions' performance as representative payee and their conformance with SSA's policies and procedures. However, we identified several areas where SFRO could improve the effectiveness and efficiency of its onsite reviews of State institutions. SFRO may elect to take appropriate action regionally or work with ODISP to address these issues nationally. We recommend that SFRO:

1. Obtain beneficiary lists from State institutions and reconcile these lists with RPS to ensure accuracy.
2. Ensure the sample size of beneficiary records selected for review is adequate to evaluate the State institution's performance as a representative payee.
3. Review a sample of beneficiaries who are no longer in the State institution's care to ensure conserved funds are returned to SSA.
4. Verify the identities of the beneficiaries during the onsite reviews.
5. Assess the State institution's internal controls over beneficiary receipts and disbursements.
6. Ensure SSA's payment records are compared to the State institution's records to verify the benefits paid to the beneficiaries.
7. Evaluate the feasibility of performing the onsite reviews of State institutions over different FYs of the 3-year cycle.

AGENCY COMMENTS

SSA agreed with all our recommendations. See Appendix C for the full text of SSA's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

FY	Fiscal Year
ODISP	Office of Disability and Income Security Programs
POMS	Program Operations Manual System
Pub. L.	Public Law
RPS	Representative Payee System
SFRO	San Francisco Regional Office
SSA	Social Security Administration
U.S.C.	United States Code

Scope and Methodology

We assisted the Social Security Administration (SSA) in conducting three onsite reviews of State institutions in the San Francisco Region. We also evaluated the adequacy of SSA's procedures for conducting its onsite reviews of State institutions.

To accomplish our objective, we:

- Reviewed the *Social Security Act*, Code of Federal Regulations, U.S. Code, and SSA's policies and procedures for the review of fee-for-service payees, volume payees, and State institutions.
- Reviewed the final reports for the onsite reviews of State institutions in the San Francisco Region during Fiscal Years (FY) 2001 and 2005.
- Conducted onsite reviews at three State institutions in the San Francisco Region in accordance with SSA's policies and procedures.
- Interviewed SSA employees who performed the onsite reviews of State institutions in the San Francisco Region in FY 2005 to obtain their comments and suggestions.
- Reviewed Intranet websites for each SSA region to obtain background information about their onsite review procedures.
- Interviewed the representative payee coordinators in each SSA region to evaluate their onsite review procedures and identify any best practices.
- Reviewed SSA's draft policy for the Onsite Review Program for State institutions.

Our work was conducted at Agnews Developmental Center in San Jose, California; Napa State Hospital in Napa, California; Sonoma Developmental Center in Eldridge, California; and San Francisco Regional Office in Richmond, California, between May and December 2005. We conducted the onsite reviews in accordance with SSA's policies and procedures. We conducted our evaluation of SSA's Representative Payee Onsite Review Program in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency, as applicable to the scope of our review. The entity reviewed was the San Francisco Regional Office under the Deputy Commissioner for Operations.

Appendix C

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: April 7, 2006

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Regional Commissioner
San Francisco

Subject: Draft Report on Representative Payee Onsite Reviews of State Institutions (A-09-06-26010) – REPLY

Thank you for asking for our comments on your recommendations in the draft report for Representative Payee Onsite Reviews of State Institutions in the San Francisco Region.

Your recommendations are as follows:

1. Obtain beneficiary lists from State institutions and reconcile these lists with RPS to ensure accuracy.
2. Ensure the sample size of beneficiary records selected for review is adequate to evaluate the State institution's performance as a representative payee.
3. Review a sample of beneficiaries who are no longer in the State institution's care to ensure conserved funds are returned to SSA.
4. Verify the identities of the beneficiaries during the onsite reviews.
5. Assess the State institution's internal controls over beneficiary receipts and disbursements.
6. Ensure SSA's payment records are compared to the State institution's records to verify the benefits paid to the beneficiaries.
7. Evaluate the feasibility of performing the onsite review of State institutions over different FYs of the 3-year cycle.

We agree with all seven of your recommendations. Since the first six recommendations impact the national protocol for conducting onsite reviews of state institutions, we shared the draft recommendations with our staff contacts in the Office of the Deputy Commissioner for Disability and Income Security Programs (ODISP). They are revising the national instructions at this time (POMS GN 00605.500ff) and hope to issue them soon.

We assume your intent is to send the recommendations formally to ODISP so that they can become part of the national protocols for the next cycle of reviews. We would be pleased to incorporate them into our regional procedures. Recommendation seven can be implemented at the regional level, i.e., we agree to perform the onsite reviews over a 3-year cycle.

If you wish to discuss our response, please call me at (510) 970-8400. Staff may contact Cheryl Jacobson, Center for Programs Support at (510) 970-8248.

/S/
Peter D. Spencer

OIG Contacts and Staff Acknowledgments

OIG Contacts

James J. Klein, Director, San Francisco Audit Division, (510) 970-1739

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Acknowledgments

In addition to those named above:

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Kimberly Beauchamp, Writer-Editor

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