



## SOCIAL SECURITY

### MEMORANDUM

Date: August 2, 2004

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: Management Advisory Report: Summary of Fiscal Year 2003 Office of the Inspector General Audits of Representative Payees (A-13-04-14067)

Attached is a copy of our final report. Our objectives were to (1) summarize common findings and recommendations from six audits of representative payees and (2) identify significant issues related to the Social Security Administration's oversight of representative payees.

The individual reports on which this summary is based were issued to various Regional Commissioners and representative payees. This annual summary report is the vehicle through which the Office of the Inspector General provides the Commissioner an overview of common issues identified during the year. We believe the information in this report provides valuable insights to Agency management and is useful in assisting the Agency in improving its oversight of the Representative Payee Program. In addition, the Agency can use our summarized audit results to determine whether corrective actions contained in individual reports for specific representative payees also apply to others participating in the Representative Payee Program. To the extent that we continue to perform these reviews, our office will prepare an annual summary of the results. We believe this summary provides information that will assist the Agency in developing a strategy to meet its responsibilities under Public Law 108-203.

Since we have no new recommendations to report, further comments are not necessary. If you wish to discuss the report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

*Patrick P. O'Carroll Jr.*  
Patrick P. O'Carroll, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**SUMMARY OF FISCAL YEAR 2003  
OFFICE OF THE INSPECTOR GENERAL  
AUDITS OF REPRESENTATIVE PAYEES**

**August 2004                  A-13-04-14067**

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**MANAGEMENT  
ADVISORY REPORT**

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## **Mission**

**We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.**

## **Authority**

**The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:**

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

**To ensure objectivity, the IG Act empowers the IG with:**

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

## **Vision**

**By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.**

# *Executive Summary*

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## **OBJECTIVE**

Our objectives were to (1) summarize common findings and recommendations from six audits of representative payees and (2) identify significant issues related to the Social Security Administration's (SSA) oversight of representative payees.

## **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<sup>1</sup> payments. A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individual's interests. Representative payees are responsible for using benefits in the beneficiaries' best interests.

## **RESULTS OF REVIEW**

Of the six representative payees audited for Fiscal Year 2003, we determined that three generally (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. The three remaining representative payees had problems in both of these areas.

The Regional Commissioners agreed with 38 of our 39 recommendations. We have no new recommendations. See Appendices C-1 through C-6 for the specific recommendations for each of the six audits.

## **AGENCY COMMENTS**

The Agency is in the process, or has taken the necessary actions, to implement 38 of the 39 recommendations from the six previous Office of the Inspector General audits involving representative payees in the regions. The Agency acknowledges a problem with the Representative Payee System (RPS) and has plans for enhancements to RPS. (See Appendix E for the full text of SSA's comments.)

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<sup>1</sup> The term "beneficiary" is used generically in this report to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

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# *Introduction*

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## **OBJECTIVE**

Our objectives were to (1) summarize common findings and recommendations from six audits of representative payees and (2) identify significant issues related to the Social Security Administration's (SSA) oversight of representative payees.

## **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<sup>1</sup> payments.<sup>2</sup> A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individuals' interests.

Our prior audits of representative payees have identified weaknesses in SSA's monitoring of and accounting for representative payees. Problematic conditions identified during these audits included: internal control weaknesses; bank accounts were not properly titled; direct deposit of benefit payments was not used; representative payee reports were incorrectly prepared; improper endorsement of beneficiary checks; SSA could not always retrieve representative payee reports; and missing data in SSA's Representative Payee System (RPS). Many of these problematic conditions were also identified during our Fiscal Year (FY) 2003 audits.

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<sup>1</sup> We use the term "beneficiary" generically in this report to refer to both Old-Age, Survivors and Disability Insurance and Supplemental Security Income recipients.

<sup>2</sup> 42 U.S.C. §§ 405(j), 1383(a)(2).

# *Results of Review*

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The six audits revealed some problematic conditions that needed corrective action. The Regional Commissioners agreed with 38 of our 39 recommendations. After reviewing the results of our audits, we identified two issues related to SSA's oversight of representative payees that warrant the attention of Agency management.

## **Overview of Problematic Conditions**

Of the six representative payees audited for FY 2003, we determined that three generally (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. However, there were additional improvements that could be made. The three remaining representative payees had significant problems in both of these areas.

Our audits of these six representative payees found the following.

Findings	Representative Payee <sup>3</sup>						
	C-1	C-2	C-3	C-4	C-5	C-6	Total
Internal Control Weaknesses Existed	X		X	X	X	X	5
Bank Accounts Were Not Properly Titled	X			X		X	3
Direct Deposit of Benefit Payments Was Not Used	X		X	X			3
Representative Payee Reports Were Incorrectly Prepared		X	X				2
Improper Endorsements of Beneficiary Checks	X		X				2

Significant issues related to the oversight of the representative payee program include:

- SSA could not retrieve all the Representative Payee Reports (RPR) we requested for the five representative payees<sup>4</sup> required to complete such reports, and
- Agency's RPS was missing beneficiary data for 35 individuals.

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<sup>3</sup> Appendices C-1 through C-6.

<sup>4</sup> One representative payee (C-5) was a State mental institution participating in the On-site Review Program and exempt under Program Operations Manual System (POMS) GN 00605.001 from completing an annual Representative Payee Report. SSA is required to conduct an on-site review every 3 years for these institutions per POMS GN 00605.500.

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**Internal Control Weaknesses Existed**

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Representative payees should keep accurate and complete records to show how much they received in SSA benefits and how that money was used.<sup>5</sup> Annually, a representative payee is required to report this information to SSA by completing and returning the RPR.<sup>6</sup>

Five representative payees<sup>7</sup> we reviewed did not have adequate internal controls to ensure the accuracy and completeness of recorded benefit receipts and disbursements. Some of the reported weaknesses included: (1) the check disbursement approval process did not include an independent verification of original invoices; (2) documentation supporting all expenditures was not maintained; (3) beneficiary funds were commingled with representative payee's own operating funds; and (4) benefit payments were not always accounted for. These internal control weaknesses put about \$4 million of beneficiary funds at risk.

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**Bank Accounts Were Not Properly Titled**

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SSA policy states that a representative payee may establish collective checking and savings accounts to hold monies belonging to several beneficiaries. However, to protect the beneficiaries' funds, the account title must show that the funds belong to the beneficiaries and not the representative payee.<sup>8</sup>

Three of the representative payees<sup>9</sup> we reviewed held funds in bank accounts that were not properly titled. A properly titled account is important because if the representative payee has financial problems and/or bankruptcy occurs, beneficiary funds may not be protected from loss or theft. During our audit periods, the representative payees received about \$1.6 million in beneficiary funds.

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**Direct Deposit of Benefit Payments Was Not Used**

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Federal regulations generally require that all Federal payments be made by electronic funds transfer, otherwise known as direct deposit.<sup>10</sup> However, the requirement to receive payments by direct deposit can be waived if it would impose a hardship on the individual.<sup>11</sup> SSA's *Guide for Organizational Representative Payees* encourages the representative payee to have benefit payments directly deposited in a bank account. Direct deposit is a more secure way of receiving payments and protects beneficiaries from the loss, theft, or delays associated with mailing and forging paper checks. For a representative payee, direct deposit is an effective and efficient process that saves the time and effort of handling numerous benefit checks.

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<sup>5</sup> 20 C.F.R. §§ 404.2065, 416.665.

<sup>6</sup> POMS, GN 00605.001.

<sup>7</sup> Appendices C-1, C-3, C-4, C-5 and C-6.

<sup>8</sup> POMS, GN 00603.020.

<sup>9</sup> Appendices C-1, C-4, and C-6.

<sup>10</sup> 31 C.F.R. § 208.3.

<sup>11</sup> 31 C.F.R. § 208.4.

Three of the representative payees<sup>12</sup> we reviewed did not establish direct deposit for beneficiary payments, leaving about \$2.9 million in beneficiary checks vulnerable to loss and theft.

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**Representative Payee Reports Were Incorrectly Prepared**

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Representative payees are responsible for keeping records and reporting on the use of Social Security benefits by annually completing RPRs. SSA uses the RPR to monitor how the representative payee spent and/or saved the benefits on behalf of the beneficiary and identify situations where representative payment may no longer be appropriate or the representative payee may no longer be suitable.<sup>13</sup>

During our audits, we found that two representative payees<sup>14</sup> used estimated expenditures to complete the RPR. One representative payee used the same amounts for money spent and saved for the reporting periods. The other representative payee reported spending \$1,000 each on personal items for 12 of 19 RPRs reviewed. Our review of the accounting records for one of the beneficiaries showed that the representative payee actually spent over \$3,000 on personal items. Because of these practices, these two representative payees did not provide an accurate report of beneficiary funds spent on food, housing, clothing, medical, dental, recreation or personal items for the periods covered by our audits.

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**Improper Endorsement of Beneficiary Checks**

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According to SSA policy, a beneficiary's mailing address should generally be the address where the individual resides. Any other address is questionable and is not acceptable if it facilitates an assignment of benefits, directs checks to a location where the "check payee" cannot readily negotiate them, or permits the "check payee" to conceal information that would result in nonpayment of benefits.<sup>15</sup> SSA policy also states, "...if the mailing address is that of a hospital, nursing home, rest home, etc., the beneficiary may need a representative payee."<sup>16</sup>

For two representative payees<sup>17</sup> reviewed, we identified 25 beneficiaries who had their benefit payment checks sent directly to the reviewed representative payees. However, none of the 25 beneficiaries had a representative payee appointed and all of the checks were made payable to the beneficiaries. We found the representative payees improperly endorsed and deposited into their operating accounts at least 147 benefit payment checks, totaling approximately \$88,000, without the beneficiaries' signatures.

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<sup>12</sup> Appendices C-1, C3, and C-4.

<sup>13</sup> POMS, GN 00605.001.

<sup>14</sup> Appendices C-2 and C-3.

<sup>15</sup> Assignment is defined as the transfer of the right to, or payment of, benefits to a party other than the beneficiary or his/her representative payee. POMS GN 02410.001. The Social Security Act prohibits the assignment of benefits. 42 U.S.C. § 407(a).

<sup>16</sup> POMS, GN 02605.025.

<sup>17</sup> Appendix C-1 and C3.

As a result, there is a risk that beneficiary funds were improperly assigned to the representative payees, or these beneficiaries' may need a representative payee to manage their funds.

We requested SSA to determine whether these beneficiaries were capable of managing their own funds.

## **Significant Issues Related to SSA's Oversight of the Representative Payment Program**

Our audits identified two common issues related to SSA's oversight of representative payees that warrant the attention of SSA management. These issues concern the problems associated with the retrieval of RPRs and missing information in the RPS.

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### **SSA Could Not Retrieve All Representative Payee Reports**

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One method SSA uses to monitor representative payees is the RPR. The RPR is intended to assist SSA in determining the: (1) use of benefits during the proceeding 12-month reporting period; (2) continued suitability of the representative payee; and (3) continued need for representative payment.<sup>18</sup> Depending on the representative

payee's responses, SSA may contact the representative payees to determine their continued suitability.

As part of our six audits for FY 2003, we planned to review a sample of completed RPRs to determine whether the representative payee met its reporting responsibilities. We requested the most recently completed RPRs for 202 beneficiaries. SSA could not retrieve all representative payee reports for five of the six representative payees reviewed.<sup>19</sup> SSA only provided 116 (57 percent) of the RPRs we requested. For the remaining 86 (43 percent), we could not determine whether the representative payee properly submitted RPRs.

In January 2003, SSA established an electronic imaging system to image and electronically store all RPR forms. The imaging system should improve SSA's ability to timely obtain RPRs. In November 2003, we were advised that all RPRs received without attachments are being imaged and are electronically retrievable. We have not confirmed that all RPRs received after January 2003 are available electronically, but we plan to in future audits.

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<sup>18</sup> POMS, GN 00605.066, GN 00605.067, GN 00605.090, GN 00605.221.

<sup>19</sup> Appendices C-1, C-2, C-3, C-4, and C-6. One representative payee (Appendix C-5) is a State mental institution participating in the Onsite Review Program and is exempt under POMS GN 00605.001 from providing SSA with representative payee reports.

In April 2004, SSA management reported it had completed testing a concept to allow certain organizations serving as representative payees to file the RPRs electronically using the Internet. This concept is being evaluated to determine whether the concept can be implemented nationwide.

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**Representative  
Payee System  
Missing  
Beneficiary Data**

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The Omnibus Budget Reconciliation Act of 1990<sup>20</sup> requires SSA to develop a system to maintain data about all representative payees and the individuals they serve. As a result, SSA established the RPS, which is an on-line system for entering and retrieving information about representative payees and those applying to be representative payees. The RPS contains data about representative payee applicants; individuals in the representative payee's care; and the relationship between the representative payee and the individuals.

In addition, SSA uses the RPS to select representative payees for a site review. Specifically, SSA periodically selects from RPS all fee-for-service representative payees, all organizational representative payees serving more than 100 beneficiaries and individual representative payees serving more than 20 beneficiaries for site reviews. From the selected representative payees, SSA obtains a sample of beneficiaries for review.

We found that SSA had inaccurate information in RPS for three<sup>21</sup> of the six representative payees we audited. There were 35 beneficiaries in the representative payee's care that were not recorded in RPS.

Inaccurate information in RPS could result in a representative payee not being identified for a site review. In addition, all beneficiaries in a representative payee's care may not be properly identified for a selected review.

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<sup>20</sup> Public Law 101-508, Section 5105.

<sup>21</sup> Appendices C-1; C-2; and C-6.

# **Conclusions**

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Of the six representative payees audited for FY 2003, we determined that three generally had effective safeguards over the receipt and disbursement of Social Security benefits and ensured Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. However, there were additional improvements that could be made. The three remaining representative payees had problems in both of these areas. Recommendations for improvement were made for all six representative payees. The Regional Commissioners agreed with 38 of our 39 recommendations. See Appendix D for a summary of selected recommendations we previously reported to the appropriate SSA Regional Commissioner. See Appendices C-1 through C-6 for the specific recommendations for each of the six audits.

## **AGENCY COMMENTS**

The Agency is in the process, or has taken the necessary actions, to implement 38 of the 39 recommendations from the six previous Office of the Inspector General audits involving representative payees in the regions. The Agency acknowledges a problem with RPS and has plans for enhancements to the RPS. (See Appendix E for the full text of SSA's comments.)

# *Appendices*

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## **Appendix A**

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### **Acronyms**

C.F.R	Code of Federal Regulations
CMHC	Connecticut Mental Health Center
C4	Community Counseling Center of Chicago
FFA	Foster Family Agency
FO	Field Office
FY	Fiscal Year
IG	Inspector General
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RPR	Representative Payee Report
RPS	Representative Payee System
SFDHS	San Francisco Department of Human Services
SLA	Supported Living Arrangements
SRC	Sierra Regional Center
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

# **Background, Scope, and Methodology**

## **BACKGROUND**

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

Representative payees are responsible for using benefits in the beneficiary's best interests. Their duties include:

1. using benefits to meet the beneficiary's current and foreseeable needs;
2. conserving and investing benefits not needed to meet the beneficiary's current needs;
3. maintaining accounting records of how the benefits are received and used;
4. reporting events to SSA that may affect the individual's entitlement or benefit payment amount;
5. reporting any changes in circumstances that would affect their performance as a representative payee; and
6. providing SSA an annual Representative Payee Report (RPR) accounting for how benefits were spent and invested.

Our prior audits of representative payees have identified weaknesses in SSA's monitoring of and accounting for representative payees. Problematic conditions identified during these audits included: internal control weaknesses; bank accounts were not properly titled; direct deposit of benefit payments was not used; RPRs were incorrectly prepared; improper endorsement of beneficiary checks; SSA could not always retrieve RPRs; and missing data in SSA's Representative Payee System (RPS). Many of these problematic conditions were also identified during our Fiscal Year (FY) 2003 audits.

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<sup>1</sup> 42 U.S.C. §§ 405(j), 1383(a)(2).

We performed six audits of representative payees in FY 2003 (Appendix C). Five were organizational representative payees and one was a fee-for-service.

The objectives of these audits were to determine whether representative payees (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with SSA policies and procedures.

The six representative payees we audited were:

- Connecticut Mental Health Center, Money Management Program, an organizational representative payee for SSA in New Haven, Connecticut;
- Atlantis Rehabilitation and Nursing Center, an organizational representative payee in Carneys Point, New Jersey;
- Community Counseling Centers of Chicago, a Fee-For-Service representative payee in Chicago, Illinois;
- Cottonwood, Inc., an organizational representative payee in Lawrence, Kansas;
- Sierra Regional Center, an organizational representative payee in Sparks, Nevada; and
- San Francisco Department of Human Services, an organizational representative payee in San Francisco.

## **SCOPE AND METHODOLOGY**

To accomplish our objectives, we identified and summarized common findings and recommendations from six FY 2003 Office of the Inspector General's audits of representative payees.

We performed our review in Baltimore, Maryland from October 2003 through November 2003. We conducted our review in accordance with Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

## **Appendix C**

### **Office of the Inspector General Audits of Representative Payees**

- C-1 The Connecticut Mental Health Center, Money Management Program – An Organizational Representative Payee For The Social Security Administration (A-13-03-23009), Issued August 2003
- C-2 Audit of the Atlantis Rehabilitation And Nursing Center – A Representative Payee For The Social Security Administration (A-02-03-13013), Issued May 2003
- C-3 Audit of Community Counseling Centers of Chicago – A Fee-For-Service Representative Payee For The Social Security Administration (A-13-03-13002), Issued July 2003
- C-4 Audit of Cottonwood, Incorporated – An Organizational Representative Payee For The Social Security Administration (A-07-03-13024), Issued August 2003 (Limited Distribution)
- C-5 Sierra Regional Center – An Organizational Representative Payee For The Social Security Administration (A-09-03-23023), Issued June 2003
- C-6 San Francisco Department of Human Services – An Organizational Representative Payee For The Social Security Administration (A-09-03-13011), Issued November 2003

## **Appendix C-1**

***Connecticut Mental Health Center, Money Management Program – An Organizational Representative Payee For The Social Security Administration  
(A-13-03-23009), Issued August 2003.***

### **Background**

Connecticut Mental Health Center (CMHC) provides services to adults with mental health concerns. CMHC serves about 50 individuals and is the representative payee for about 35 SSA beneficiaries. The remaining 15 individuals voluntarily receive money management services. SSA paid CMHC approximately \$200,000 for the 35 beneficiaries from May 1, 2001 through April 30, 2002.

### **Results of Review**

Our audit showed that CMHC needed to (1) improve its safeguards over the receipt and disbursement of Social Security benefits and (2) ensure that Social Security benefit payments were used and accounted for in accordance with SSA's policies and procedures. Specifically, CMHC:

- did not have the representative payee bank account properly titled to show that funds deposited into the account belonged to SSA beneficiaries;
- did not place beneficiaries' conserved funds into an interest-paying account;
- had a check disbursement approval process, but did not include an independent verification against original invoices;
- did not establish direct deposit for beneficiary payments, leaving beneficiary checks vulnerable to loss and theft;
- improperly endorsed and deposited at least 76 benefit checks totaling about \$45,000 made payable to 8 beneficiaries for whom CMHC was not the representative payee; and
- did not ensure a beneficiary's medication needs were being met.

We also identified three areas for SSA's attention. SSA did not record in its Representative Payee System (RPS) two beneficiaries in CMHC's care. SSA could not provide 25 of the 35 RPRs we requested. We, therefore, could not determine whether CMHC properly reported to SSA how benefits were spent and invested for all cases. SSA did not reinstate a beneficiary's Title II benefits after being notified he was eligible for payments.

## **Recommendations**

CMHC had internal control and accounting weaknesses, which prevented it from fully meeting its responsibilities as a representative payee. We believe CMHC needs to improve several areas of its Representative Payee program. We recommend that SSA:

1. Require that CMHC change the bank account titling to show the funds belong to the beneficiaries.
2. Request CMHC to deposit conserved funds in an interest-paying account.
3. Ensure CMHC's check disbursement approval process includes verification with original invoices by a second person.
4. Request that CMHC establish direct deposit for all beneficiaries in its care.
5. Instruct CMHC to stop the practice of negotiating Social Security checks that are made payable to beneficiaries.
6. Determine whether CMHC should continue to serve as a representative payee because of its improper endorsement of benefit checks.
7. Determine whether the eight beneficiaries that have their Social Security checks sent directly to CMHC need a representative payee.
8. Correct RPS to include all beneficiaries for whom CMHC was selected as a representative payee.

## **Agency Comments**

SSA agreed with all our recommendations.

## **Appendix C-2**

### ***Audit of the Atlantis Rehabilitation and Nursing Center – A Representative Payee For The Social Security Administration (A-02-03-13013), Issued May 2003.***

#### **Background**

Atlantis is a for-profit, multi-purpose skilled nursing facility in Carneys Point, New Jersey. As a multi-purpose facility, Atlantis provides nursing home services (138 beds) and assisted living services (24 beds) to its residents. Before March 2002, Atlantis was named Parkview Healthcare Center. During our audit period, Atlantis was the representative payee for 134 individuals, who were receiving Social Security benefits.

Atlantis has a contractual arrangement with Broadway Healthcare Management to perform all of its accounting functions. Broadway Healthcare Management is located in Hackensack, New Jersey.

Atlantis provides residents receiving Old-Age, Survivors and Disability Insurance benefits \$35 per month from their benefits for their personal expenses. Atlantis uses the remaining amount for housing and food. Most Supplemental Security Income (SSI) program recipients are provided \$40 per month in payments from Social Security, and the entire amount is provided to the residents for their personal expenses. Medicaid per diem payments cover the SSI recipients' housing and food costs. SSI recipients residing in the assisted living section of the facility are paid a higher congregate care rate and receive \$78.50 (effective January 2002, \$80.50) per month for their personal expenses.

#### **Results of Review**

Our audit showed that Atlantis generally (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. However, Atlantis did not always prepare the RPRs accurately.

We also identified two areas where SSA needs to improve its monitoring of representative payees. Specifically, Atlantis was the representative payee for eight beneficiaries who were not recorded in SSA's Representative Payee System (RPS). Also, SSA could not provide 16 of the 25 RPRs we requested. We, therefore, could not determine whether Atlantis properly met its reporting responsibility for all cases.

#### **Recommendations**

Generally, Atlantis met its responsibilities. However, Atlantis should exercise more care in preparing the RPRs. Also, SSA could improve the information about Atlantis in its RPS. We recommend that SSA:

- Clarify procedures with the representative payee for preparing the RPRs.
- Correct the RPS to include all beneficiaries for whom Atlantis was selected as the representative payee.

### **Agency Comments**

SSA agreed with both of our recommendations. We also requested comments from the representative payee; however, Atlantis chose not to provide written comments.

## **Appendix C-3**

***Audit of Community Counseling Centers of Chicago – A Fee-For-Service Representative Payee For The Social Security Administration (A-13-03-13002), Issued July 2003.***

### **Background**

Community Counseling Center of Chicago (C4) is a nonprofit Social Service agency, whose mission is to deliver needs-based, comprehensive mental health and substance abuse treatment and support services to community residents. Services include behavioral health and supportive services for adults; child, adolescent and family services; crisis intervention and assessment; medical, mental health and substance abuse treatment; and case management. During our audit period from May 1, 2001 through April 30, 2002, SSA paid C4 approximately \$2.1 million for 418 beneficiaries in C4's care.

### **Results of Review**

Our audit showed that C4 needs to improve its safeguards over the receipt and disbursement of Social Security benefits and better ensure that Social Security benefit payments are used and accounted for in accordance with SSA's policies and procedures. Specifically, we found that:

- C4's representative payee bank account improperly included other funds along with Social Security benefits.
- C4's check disbursement approval process did not include an independent verification to original invoices.
- C4 did not establish direct deposit for beneficiary payments, leaving beneficiary checks vulnerable to loss and theft.
- C4 used estimated amounts to complete Representative Payee Reports (RPR).
- C4 charged representative payee fees to three beneficiaries when the representative payee application stated otherwise.
- C4 improperly endorsed and deposited at least 71 benefit checks totaling approximately \$43,000 made payable to 17 beneficiaries for whom C4 was not the representative payee.

We also identified three areas for SSA's attention. The Representative Payee System (RPS) included eight beneficiaries who were no longer in C4's care. Benefits were paid directly to a beneficiary by direct deposit when C4 was the representative payee of record. SSA could not provide 11 of the 30 RPRs we requested. We, therefore, could

not determine whether C4 properly reported to SSA how benefits were spent and invested for all cases.

## **Recommendations**

C4 has internal control and accounting weaknesses, which prevent it from fully meeting its responsibilities as a representative payee. We believe C4 needs to improve several areas of its Representative Payee program. We recommend that SSA:

1. Ensure that C4 identifies all sources of funds in its representative payee account and removes any non-beneficiary funds. In doing so, C4 should also determine whether there are any SSA funds that should be paid to beneficiaries.
2. Ensure that C4's check disbursement approval process includes verification to original invoices by a second person.
3. Require C4 to establish direct deposit for all beneficiaries in its care.
4. Provide training and clarify procedures with C4 for completing RPRs.
5. Determine whether C4 is permitted to collect fees from the three beneficiaries whose representative payee application stated no fees would be charged.
6. Instruct C4 to stop the practice of negotiating Social Security checks when they are not the official representative payee.
7. Determine whether the 17 beneficiaries that have their Social Security checks sent directly to C4 need a representative payee.
8. Correct the RPS to show C4 is no longer the representative payee for eight beneficiaries.
9. Determine whether benefit payments were properly deposited into a beneficiary's bank account and determine whether the beneficiary needs a representative payee.

## **Agency Comments**

SSA generally agreed with all our recommendations. However, SSA had additional comments to Recommendations 3, 5, 6, 7 and 9.

Recommendation 3 - SSA agreed the use of direct deposit should be considered but noted that C4's financial institution could not provide detailed individual deposit information quickly enough to ensure timely payments of beneficiary expenses.

Recommendation 5 - SSA requested specific information concerning the accounts involved so it may determine what additional actions may be necessary.

Recommendations 6 and 7- SSA stated that C4 serves as a kind of bank, as an "in care of" addressee, to individuals not confident of the security of their mail. As a result of our findings, C4 and the local SSA field office have obtained additional documentation to support this arrangement, which is made for the convenience, and at the request, of the beneficiaries.

Recommendation 9 - SSA stated despite inaccurate data on RPS, the Master Beneficiary Record indicates the beneficiary has been in direct payment. C4 did not receive any funds.

## **Appendix C-4**

### ***Audit of Cottonwood, Incorporated – An Organizational Representative Payee For The Social Security Administration (A-07-03-13024), Issued August 2003***

**This report contains restricted information for official use. Distribution is limited to authorized officials.**

#### **Results of Review**

We found that Cottonwood, Incorporated needed to strengthen and implement more effective safeguards over the receipt and disbursement of Social Security benefits and ensure SSA benefit payments were used in accordance with SSA policies and procedures. Specifically, Cottonwood:

- Had insufficient controls over cash disbursements that resulted in an employee theft of about \$27,000 in SSA beneficiaries' funds.
- Did not review or maintain receipts for items purchased by its employees from beneficiaries' funds.
- Allowed beneficiaries' unsupervised access to their checkbooks.
- Did not properly title beneficiaries' bank accounts.
- Did not receive all SSA benefit payments via direct deposit or hold beneficiaries' conserved funds in interest-bearing accounts.
- SSA only retrieved 68 of 82 RPRs requested.

#### **Recommendations**

The report contained six recommendations.

#### **Agency Comments**

SSA agreed to all the recommendations and outlined the corrective actions Cottonwood is taking to implement our recommendations.

## **Appendix C-5**

### ***Sierra Regional Center – An Organizational Representative Payee For The Social Security Administration (A-09-03-23023), Issued June 2003.***

#### **Background**

Sierra Regional Center (SRC) is a State mental institution that provides services to individuals with mental retardation and related conditions. SRC is an organizational representative payee located in Sparks, Nevada. As a representative payee, SRC provides services for individuals living within the institution. SRC also enters into contractual agreements with care providers for the daily care of individuals living outside the institution. These contracts are referred to as supported living arrangements (SLA). Although SRC contracts with care providers for individuals living outside the institution, it remains the representative payee for SSA beneficiaries.

From May 1, 2001 through April 30, 2002, SRC received \$383,669 in Social Security benefits on behalf of 90 beneficiaries. As a State mental institution, SRC is exempt from providing SSA with an annual Representative Payee Report, accounting for how benefits were spent and invested. Instead, SSA is required to perform an on-site review every 3 years. The SSA field office (FO) in Reno, Nevada, conducted on-site reviews of SRC in September 2001 and April 2002.

#### **Results of Review**

Generally, SRC (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured that Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. However, we identified three areas where SRC could improve its performance as a representative payee. SRC neither returned conserved funds in a timely manner, nor maintained supporting documentation for all expenditures. In addition, SRC did not ensure beneficiaries' earnings were properly reported.

#### **Recommendations**

We recommend that SSA direct SRC to (1) return conserved funds to the new representative payee or SSA for individuals no longer in its care; (2) maintain supporting documentation for the expenditures of beneficiaries who live outside the institution; and (3) strengthen its procedures for reporting the earnings of its beneficiaries.

#### **Agency Comments**

SSA agreed with all of our recommendations.

## **Appendix C-6**

***San Francisco Department of Human Services – An Organizational Representative Payee For The Social Security Administration (A-09-03-13011), Issued November 2003.***

### **Background**

San Francisco Department of Human Services (SFDHS) is a Social Services agency for the City and County of San Francisco, California. From May 1, 2001 through April 30, 2002, SFDHS received \$782,687 in Social Security benefits on behalf of 145 beneficiaries, including 124 children and 21 adults.

### **Results of Review**

Generally, SFDHS (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used in accordance with SSA's policies and procedures. However, we identified seven areas where SFDHS could improve its performance as a representative payee. Specifically, SFDHS did not always report Title IV-E payments, notify SSA of changes in custody, identify excess resources, cancel unnegotiated checks, conserve excess funds, maintain individual accounts, and properly title the bank account for its beneficiaries.

In addition, we identified one area where SSA needs to improve its monitoring of representative payees. Specifically, SSA did not update its Representative Payee System to accurately reflect the beneficiaries in SFDHS' care.

### **Recommendations**

During our audit, SFDHS refunded \$143,520 in overpayments to SSA. We recommend that SSA:

1. Ensure SFDHS develops procedures to identify and report changes in income for SSI recipients who receive Title IV-E payments;
2. Ensure SFDHS develops procedures to promptly report changes in custody for its child beneficiaries and return conserved funds if they no longer serve as representative payee;
3. Direct SFDHS to refund \$15,364 in overpayments for SSI recipients with conserved funds in excess of the \$2,000 resource limit;
4. Ensure SFDHS develops procedures to identify and report SSI recipients with excess resources in a timely manner;
5. Direct SFDHS to cancel its unnegotiated checks and refund \$12,733 in beneficiary funds to SSA;

6. Direct SFDHS to establish \$4,150 in conserved funds for the child beneficiaries placed in foster homes through an Foster Family Agency (FFA);
7. Ensure SFDHS develops procedures to identify and conserve funds in excess of current maintenance needs for child beneficiaries with FFA fees;
8. Direct SFDHS to establish \$4,064 in conserved funds for the child beneficiaries who received income in excess of expenses during our audit period;
9. Direct SFDHS to maintain individual accounts for child beneficiaries to ensure the benefits received and disbursed are properly accounted for;
10. Ensure SFDHS amends the title of its bank account for child beneficiaries to reflect their ownership interest in the funds; and
11. Update RPS to include all beneficiaries for whom SFDHS was selected as representative payee.

### **Agency Comments**

SSA agreed with all of our recommendations.

## **Appendix D**

### ***Summary of Previous OIG Recommendations***

Below are selected recommendations we previously reported to the appropriate SSA Regional Commissioners and are presented here for informational purposes only.

We recommended that SSA require the affected representative payees to:

1. Ensure check disbursement approval process includes verification with original invoices by a second person.
2. Change the bank account titling to show the funds belong to the beneficiaries.
3. Establish direct deposit of monthly benefits into a bank account as appropriate.
4. Clarify procedures with the representative payee for preparing the Representative Payee Reports.
5. Stop the practice of negotiating Social Security checks that are made payable to beneficiaries.

In addition, we recommended that SSA take corrective actions to update its Representative Payee System to include all beneficiaries in a representative payee's care.

## Appendix E

### Agency Comments



## SOCIAL SECURITY

MEMORANDUM

33308-24-1166

Date: July 12, 2004

Refer To: S1J-3

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

From: Larry W. Dye /s/  
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Management Advisory Report, "Summary of Fiscal Year 2003 Office of the Inspector General Audits of Representative Payees" (A-13-04-14067)--INFORMATION

We appreciate OIG's efforts in preparing this draft report. We are committed to ensuring that representative payees (Rep Payees) properly use and account for payments made on behalf of the beneficiaries in their care. We will continue to advise Rep Payees during our reviews of any questionable issue or identified weakness encountered and the action required to correct the situation.

The Agency is in the process, or has taken the necessary actions, to implement 38 of the 39 recommendations from the six previous OIG audits involving Rep Payees in the regions. The results of the report state that three of the six Rep Payees audited, in general, had effective safeguards over the receipt and disbursement of benefits and were in compliance with the Social Security Administration's (SSA) policies and procedures. The remaining three Rep Payees had problems in both of the above areas, and recommendations were made for improvements. We have determined that appropriate regional action has been taken to ensure these problems have been resolved. We note there are no new recommendations for SSA in the summary report.

The report indicates that SSA has inaccurate information in the Representative Payee System (RPS) for three of the six Rep Payees who were audited in the summary review. We acknowledge this problem and remind OIG of our plan for enhancements to the RPS, as discussed in a related audit recommendation (Representative Payee Accounting Systems Issues; A-13-96-52002), to improve the payee accounting process

and to add missing payees to the system. As discussed in our quarterly reporting, the final implementation date for the Phase 3 enhancement has not yet been determined.

Please let me know if we can be of further assistance. Staff questions can be referred to Candace Skurnik at 54636.

## **Appendix F**

# **OIG Contacts and Staff Acknowledgments**

### **OIG Contacts**

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Randy Townsley, Audit Manager, (410) 966-1039

### ***Acknowledgments***

In addition to the persons named above:

Alan Carr, Auditor-in-Charge

Cheryl Robinson, Writer-Editor

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[www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-13-04-14067.

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The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Chief Counsel to the Inspector General**

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

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OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.