
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE DEVELOPMENTAL DISABILITIES ASSOCIATION
OF NEW JERSEY, INCORPORATED – AN
ORGANIZATIONAL REPRESENTATIVE PAYEE
FOR THE SOCIAL SECURITY ADMINISTRATION**

February 2011 A-02-10-41084

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

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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.**

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We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: February 23, 2011

Refer To:

To: Beatrice M. Disman
Regional Commissioner
New York

From: Inspector General

Subject: The Developmental Disabilities Association of New Jersey, Incorporated - An Organizational Representative Payee for the Social Security Administration (A-02-10-41084)

OBJECTIVE

Our objectives were to determine whether the Developmental Disabilities Association of New Jersey, Incorporated (DDANJ), an organizational representative payee for the Social Security Administration (SSA), (1) had effective controls over the receipt and disbursement of Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) payments; and (2) managed payments in accordance with SSA's policies and procedures.

BACKGROUND

Congress granted SSA the authority to appoint representative payees to receive and manage the benefit payments of beneficiaries who cannot manage their finances because of their youth or mental and/or physical impairments.¹ A representative payee may be an individual or an organization. SSA selects representative payees for OASDI beneficiaries or SSI recipients when representative payments would serve the individuals' interests. Representative payees are responsible for managing benefits in the best interest of the beneficiary.² Refer to Appendix B for additional representative payee responsibilities.

DDANJ is a nonprofit organization that provides residential and vocational services to Social Security beneficiaries with developmental disabilities. The beneficiaries resided in 13 group homes in 8 counties in New Jersey. Each group home maintained a checking account, a petty cash account, and several company credit cards to make

¹ Social Security Act §§ 205(j) and 1631(a)(2); 42 U.S.C. §§ 405(j) and 1383(a)(2).

² We use the term "benefits" in this report to refer to both OASDI benefits and SSI payments.

purchases on behalf of beneficiaries. Group home staff was required to retain receipts and submit them to DDANJ’s main administrative office, which used an internally-developed ledger to account for each beneficiary’s benefit receipts, expenditures, and conserved fund balances. Once the administrative office reviewed receipts for expenditures paid on behalf of the beneficiaries, it replenished the funds to the group home account from DDANJ’s operating bank account.

DDANJ used its operating bank account to disburse funds for all beneficiary expenditures. DDANJ also maintained a separate collective bank account to deposit group home residents’ benefit receipts and other income. Although DDANJ was not representative payee for 13 of the residents in its group homes, any income received by DDANJ on behalf of these individuals was deposited into the beneficiary collective account. DDANJ reimbursed itself for beneficiary expenses by withdrawing funds from the beneficiaries’ collective account and depositing them into its operating account.

In July 2009, a periodic financial review³ conducted by an SSA contractor raised a number of questions about DDANJ’s management of beneficiary funds. The results of the review were brought to the attention of the Office of the Inspector General, which led to this audit.

SSA paid approximately \$597,000 to DDANJ during our 12-month audit period from March 2009 to February 2010 on behalf of 56 beneficiaries.⁴ We reviewed all 56 beneficiaries’ accounts to determine whether DDANJ properly managed their benefits. See Appendix C for our complete scope and methodology.

RESULTS OF REVIEW

Our review found that DDANJ (1) did not have effective controls over the receipt and disbursement of benefits; (2) did not manage payments in accordance with SSA’s policies and procedures; and (3) received and negotiated payments for beneficiaries for whom it was not the payee of record. Although we found deficiencies in DDANJ’s management of beneficiary funds, it appeared that DDANJ met the beneficiaries’ basic needs.

³ See Appendix C for a description of the representative payee review performed by SSA.

⁴ As of March 1, 2009, DDANJ was the representative payee of record for 55 beneficiaries, and it also received payments for 1 beneficiary who did not have a representative payee. In addition, there were 12 beneficiaries who lived in DDANJ’s group homes but had a representative payee other than DDANJ.

CONTROLS OVER RECEIPT AND DISBURSEMENT OF BENEFITS

DDANJ did not have effective controls over the receipt and disbursement of benefits. DDANJ did not reconcile bank statements to the beneficiary ledgers to ensure their accuracy. Additionally, we identified questionable transfers from the beneficiary collective account to DDANJ's operating account. Also, the disbursement of beneficiary funds at DDANJ's group homes lacked the segregation of duties needed to ensure the integrity of the funds.

Bank Reconciliation

DDANJ did not reconcile the bank statement balances of the beneficiaries' collective account to the beneficiaries' individual ledger balances. Without such reconciliation, DDANJ could not ensure the reliability of the ledgers used to record the amount of each beneficiary's funds and the accuracy of the beneficiaries' collective account.

At the beginning of our audit period, the bank balance exceeded the ledger balance by \$19,700. However, at the end of the audit period, the bank balance was \$6,732 less than the ledger balance (see Table 1). From the beginning of our audit period to the end, the bank statements showed a \$5,229 decrease in balance, while the beneficiary ledger balance increased by \$21,203.

Table 1: Bank Statement Reconciliation

	Bank Statement	Beneficiary Ledger	Difference ⁵
Balance as of March 1, 2009	\$67,222	\$47,522	\$19,700
Plus all deposits	\$668,686	\$676,734	(\$8,048)
Minus all withdrawals	\$673,915	\$655,531	\$18,384
Balance as of February 28, 2010	\$61,993 ⁶	\$68,725 ⁷	(\$6,732)
Changes⁸	(\$5,229)	\$21,203	

⁵ Bank statement balance minus the beneficiary ledger balance.

⁶ Bank statement balance as of February 26, 2010, the last business day of the month.

⁷ The beneficiary ledger balance as of February 28, 2010 equals the balance as of March 1, 2009 plus all deposits received on behalf of the beneficiaries and all withdrawals made from beneficiary funds. The resulting balance is \$68,725, though the beneficiary ledger maintained by DDANJ showed a different ending balance of \$71,477. We believe this difference was due to a mathematical error.

⁸ Changes for both the ledger and bank balances from March 1, 2009 to February 28, 2010.

DDANJ acknowledged it had not reconciled the bank statements and ledger balances and could not provide a complete explanation for the variance. We verified that there were no outstanding checks at the end of our audit period.

Since DDANJ had not performed reconciliations before our audit period, we could not conclusively determine what caused the variance or when the difference occurred. SSA's regulations require that representative payees maintain accurate and complete records of how benefits are received and used for each beneficiary.⁹ The bank statement balance of the beneficiaries' collective account should reconcile with the sum of each beneficiary's ledger balance. If DDANJ is unable to determine the cause of the variance, SSA and DDANJ need to determine the correct balance for each beneficiary and ensure the ledger balance of each beneficiary corresponds to his share in the collective bank account. DDANJ should regularly reconcile the beneficiary ledgers to the bank statement for the collective account from that point forward.

Transfer of Funds Between the Beneficiary Collective and Operating Accounts

While attempting to reconcile the beneficiaries' collective account and DDANJ's operating account, we identified questionable transfers between the two accounts. In all, DDANJ made 12 transfers totaling \$13,165. The transfers all occurred on August 31, 2009.

DDANJ maintained negative ledger balances for some of the beneficiaries it served. For example, 14 beneficiaries had negative ledger balances totaling \$4,167 as of March 31, 2009. In effect, beneficiaries with conserved funds were lending money to beneficiaries with negative ledger balances to fund monthly disbursements, which is not allowable.¹⁰ Additionally, since there was one collective beneficiary bank account, beneficiaries with a negative ledger balance prevented those with a positive ledger balance from receiving the full interest from the bank to which they were entitled.

DDANJ stated it was advised by SSA's contractor who conducted the triennial representative payee financial review to lend funds from its operating account to beneficiaries with a negative balance to ensure beneficiaries with positive balances received the proper bank interest. However, this recommendation did not appear in the contractor's audit report, and an SSA specialist who participated in the audit did not agree that the team recommended this practice.

The 12 transactions on August 31, 2009 resulted in a net transfer of \$13,165 from the beneficiaries' collective account to DDANJ's operating account.¹¹ The decreased balance of the beneficiaries' collective account resulted in a decrease in interest earned,

⁹ 20 C.F.R. §§ 404.2065 and 416.665. See also SSA, Guide for Organizational Representative Payee – Developing a Representative Payee Accounting System.

¹⁰ 20 C.F.R. §§ 404.2040 and 416.640. See also SSA, Guide for Organizational Representative Payee – Are There Limits to What a Representative Payee Can Do?

¹¹ See Appendix D for DDANJ's explanation of the 12 fund transfers.

rather than an increase in interest earned, which was the stated intent of the transfers per DDANJ. Regardless of the intent, these transfers were inappropriate.

Segregation of Duties

DDANJ did not adequately segregate the management of beneficiary funds in its group homes. Each group home maintained a checking account to make purchases on behalf of the beneficiaries. At the end of the month, the group homes submitted supporting documentation to the administrative office for checks written from their respective accounts. During our audit, we reviewed a sample of 52 checks written from these accounts. Although DDANJ policy stated that all checks have 2 signatures, 18 of these checks did not have a second signature. Furthermore, 11 of the 18 checks with 1 signature were paid to the individual who signed the check. An additional 22 checks had the required second signature, but were paid to 1 of the 2 individuals who signed the check. We also noted that some checks were signed by personnel who were not on a DDANJ list of those authorized to sign checks.

While group home employees had company checks and credit cards at their disposal to pay for beneficiary-related items, DDANJ stated that employees might pay for beneficiaries' expenditures from their own funds if these other forms of payment are unavailable at the time of a purchase. They would later be reimbursed by issuing checks in their own names. For example, one employee used his own credit card to buy clothing for a beneficiary and issued a check to reimburse himself.

Employees also issued checks to themselves to withdraw funds from the group home checking account to distribute cash to beneficiaries for spending money on trips. For example, one employee wrote a check to withdraw \$400 in cash from the group home checking account and distributed \$80 each to five beneficiaries for playing money in Atlantic City. Lastly, employees might also write checks to themselves and cash the checks to replenish the petty cash funds the group homes maintained.

We reviewed the 33 checks totaling \$7,476 signed by DDANJ group home employees who were also the payees on the checks. The lack of segregation of duties in the check signature process created the opportunity for fraud, waste, and abuse of beneficiary funds. To reduce the risk of fraud, a different person should be assigned to write and sign checks for approved disbursements.¹²

SSA POLICIES AND PROCEDURES FOR PAYMENTS MADE ON BEHALF OF BENEFICIARIES

DDANJ did not manage payments in accordance with SSA's policies and procedures. DDANJ charged beneficiaries more than actual costs incurred for trips it arranged. Additionally, funds allocated for future travel plans affected the SSI eligibility of seven recipients. Also, beneficiary funds for planned travel were comingled with those of

¹² SSA, Guide for Organizational Representative Payee – Separation of Employee Duties.

DDANJ's operating account. Furthermore, despite an agreement with the local field office to have expenditures over \$100 pre-approved, 12 of 15 expenditures over \$100 we reviewed were not pre-approved.

Benefit Funds Used for Travel

SSA policy requires that representative payees apply benefits received on behalf of a beneficiary only for the use and benefit of that beneficiary.¹³ DDANJ operates a travel program called Assisted Recreation and Vacation Travel Services (ARVTS), which provides all-inclusive travel assistance to individuals with developmental disabilities.¹⁴

While DDANJ staff reported they considered ARVTS a separate travel program, much like a private travel agency, they did not provide documentation to demonstrate that ARVTS was a separate entity. DDANJ did not maintain a separate bank account for ARVTS; it only maintained a separate ledger that showed the balance of each beneficiary who participated in the program. Also, the same staff who worked for DDANJ managed the travel planned as ARVTS trips.

We reviewed all 13 ARVTS trips taken by Social Security beneficiaries¹⁵ in 2009 and found that DDANJ charged beneficiaries approximately \$7,765 more than actual expenses for ARVTS trips. The trips were all-inclusive; each beneficiary paid a pre-determined amount based on the destination. In return, DDANJ provided transportation, hotel accommodations, meals, chaperones, and admission to attractions.

SSA policy states that a representative payee may be reimbursed for reasonable out-of-pocket expenses incurred on the beneficiary's behalf. The amount of reimbursement must correspond to the actual expense incurred.¹⁶ DDANJ was reimbursed for more than the actual expense incurred on all the trips. For example, the amount deducted from beneficiary accounts for a trip to Las Vegas, Nevada, exceeded the cost of the trip by \$1,888. The amount deducted from beneficiary accounts for a trip to Orlando, Florida, exceeded the cost of the trip by \$3,433.

The costs of both trips included lodging, food, transportation, and entertainment for all beneficiaries and chaperones. According to DDANJ's handwritten records of trip expenses, it also incurred \$2,500 in additional expenses for chaperone salaries. The chaperones were DDANJ employees. According to POMS, representative payees should never use beneficiary funds to pay for a staff member's salary or compensate the payee for these costs. Also, the expenses incurred by staff on the trips were paid

¹³ SSA, Program Operations Manual System (POMS), GN 00602.001.

¹⁴ This program is open to residents and non-residents of DDANJ run group homes.

¹⁵ SSA beneficiaries under the care of DDANJ.

¹⁶ SSA, Guide for Organizational Representative Payee – Out-of-Pocket Expenses.

from beneficiaries' funds. This is permissible only if the representative payee obtained SSA approval before the trips.¹⁷ DDANJ did not receive prior approval from SSA.

Commingling Beneficiaries' Funds

DDANJ commingled beneficiaries' funds with its operating funds. It transferred funds from the beneficiaries' collective account to its own operating account for prepaid/future trips under the ARVTS program. Management indicated these funds remained the property of the beneficiaries until they went on the intended trips. However, according to the travel program ledger, many beneficiaries paid for their trips months ahead of time. In one case, a beneficiary prepaid 7 months before DDANJ paid any vendors for the trip. SSA policy indicates a representative payee has a responsibility to keep any benefits received on behalf of beneficiaries separate from his or her own funds.¹⁸

SSI Eligibility

Funds transferred from the beneficiaries' collective account to DDANJ's operating account for ARVTS-planned trips were deducted from the beneficiaries' individual ledger balances. However, funds allocated for ARVTS trips remained the property of the beneficiaries. Therefore, we added the balances on the ARVTS ledger to the beneficiaries' individual ledgers to determine whether the conserved fund balances for SSI recipients exceeded the \$2,000 limit.¹⁹ We found that seven SSI recipients had balances over the \$2,000 limit in 52 separate months during our audit period.

As a representative payee, DDANJ is responsible for using the benefits in the beneficiaries' best interests and reporting when the beneficiaries' resources exceed the \$2,000 limit. Because they exceeded the \$2,000 limit, the beneficiaries were ineligible for SSI payments and, therefore, were overpaid for the 52 months when the limit was exceeded. Based on the beneficiaries' ledger records, seven beneficiaries were overpaid in 52 separate months, for a total of \$31,657.

Pre-Approval of Expenditures

DDANJ did not follow agreed-upon procedures with a local Social Security office to obtain approval before withdrawing expenditures over \$100 from beneficiaries' funds. SSA has the right and responsibility to identify any situation or practice that may work to the disadvantage of a beneficiary; and take corrective action in the interests of the beneficiary and improve payee performance.²⁰ In response to DDANJ's 2006 inquiry regarding the use of beneficiary funds, the Woodbridge Social Security Office advised DDANJ to follow the pre-approval process.

¹⁷ SSA, POMS, GN 00602.010B3g.

¹⁸ SSA, POMS, GN 00603.010.

¹⁹ 20 C.F.R. § 416.1205.

²⁰ SSA, POMS, GN 00602.010C.

We reviewed 15 transactions over \$100 and identified 8 instances where DDANJ did not request pre-approval; and 4 instances where DDANJ requested but did not receive pre-approval. In these latter cases, DDANJ made the purchases 2 months after its initial requests. The purchases were neither approved nor disapproved before or after the transactions.

- DDANJ submitted requests for pre-approval of expenditures for three beneficiaries on June 1, 2009. The anticipated cost was \$2,600 each for an ARVTS trip to Las Vegas. The local office did not render a decision on the requests, but the beneficiaries went on the intended trip in August 2009.
- DDANJ requested a pre-approval of expenditure for one beneficiary on June 1, 2009. The anticipated cost was \$1,300 to purchase furniture. The local office did not render a decision on the request, but DDANJ purchased the furniture for \$857 on August 2009.
- DDANJ did not request pre-approval of an expenditure for one beneficiary who went on an ARVTS trip to Nashville, Tennessee, in June 2009. The final cost of the trip was \$1,475.
- DDANJ did not request pre-approval of an expenditure of \$690 for one beneficiary to attend a football game in December 2009.

UNREPRESENTED BENEFICIARIES

DDANJ received Social Security payments totaling \$10,151 for two beneficiaries for whom it was not the representative payee of record. DDANJ endorsed and deposited the checks into the Social Security beneficiaries' collective account. Both beneficiaries resided in DDANJ's group homes. These arrangements constituted an assignment-like situation, which is prohibited by SSA policy.²¹ One beneficiary, who was entitled to OASDI and SSI, had no representative payee. The other beneficiary had no representative payee for his OASDI benefit, but DDANJ was the representative payee for his SSI payment. We informed DDANJ and SSA of our findings; and requested that SSA determine whether the beneficiaries were capable of managing their own funds, and, if not, assign an appropriate payee.

We also found that DDANJ served as the payee for the OASDI benefits of two other beneficiaries. However, a different organization served as the representative payee for their SSI payments. A beneficiary should not have multiple payees receiving his OASDI and SSI payments. SSA policy requires that if two payee applicants seem equally qualified, such factors as history of providing good service, eagerness to serve, and beneficiary's preference should be considered.²²

²¹ SSA, POMS, GN 02410.001D2.

²² SSA, POMS, GN 00502.130B.2.

In addition, there were 12 beneficiaries who lived in DDANJ's group homes, but who had a representative payee other than DDANJ.²³ In some cases, the representative payees of record lived in States hundreds of miles from New Jersey. According to SSA policy, one of the factors to consider when evaluating a payee is custody or how close the applicant lives to the beneficiary. Having payees who live far from beneficiaries may not serve the best interest and the beneficiaries' well-being.

**Table 2: DDANJ Beneficiary Structure
(March 2009 – February 2010)**

Type of Beneficiary	Number of Beneficiaries
OASDI only, DDANJ is the representative payee	24
SSI only, DDANJ is the representative payee	11
Concurrent, DDANJ is the representative payee for both OASDI and SSI	17
Concurrent, DDANJ is the representative payee for OASDI; The State of New Jersey Division of Developmental Disabilities is the representative payee for SSI	2
Concurrent, DDANJ is the representative payee for SSI; There is no representative payee for OASDI, but both checks are sent to DDANJ	1
Concurrent, there is no representative payee for OASDI or SSI, but both checks are sent to DDANJ	1
SSA beneficiaries reside in DDANJ but payments are sent to representative payees living elsewhere	12
Totals	68

CONCLUSION AND RECOMMENDATIONS

DDANJ had internal control and accounting deficiencies that prevented it from fully meeting its responsibilities as a representative payee. The lack of effective control over the disbursement of beneficiary funds in the group homes created opportunity for fraud, waste, and abuse of beneficiary funds. We believe DDANJ needs to improve several areas of its representative payee program. Accordingly, we recommend that SSA:

1. Work with DDANJ to reconcile the beneficiary ledger balances to their collective account bank statement. If DDANJ is unable to resolve the variance, determine the correct balance for each beneficiary and ensure the ledger balance of each beneficiary corresponds to his/her share in the collective bank account.
2. Instruct DDANJ to return the \$13,165 inappropriately withdrawn from the beneficiary collective account to correct negative beneficiary balances; and stop the practice of fund transfers between the beneficiaries' collective account and DDANJ's operating account.

²³ Two of these beneficiaries left DDANJ during the audit period.

3. Work with DDANJ to prohibit group home staff from issuing checks in their own names as a means of reimbursement for beneficiary expenditures. DDANJ staff should use the checks and credit cards provided by DDANJ to pay the providers of goods and services purchased for the benefit of the beneficiaries.
4. Determine whether improper use of benefits or misuse of benefits occurred as a result of DDANJ's use of benefits for its ARVTS travel program. If misuse occurred, SSA should take appropriate action.
5. Direct DDANJ to use the beneficiaries' collective account to administer all beneficiaries' receipt and disbursement transactions.
6. Review the records of the seven beneficiaries we identified who appeared to have exceeded the \$2,000 resource limit, and take appropriate action.
7. Instruct DDANJ to monitor the conserved fund balances of SSI recipients, and notify SSA if a balance exceeds \$2,000.
8. Instruct DDANJ to follow agreed-upon procedures with the Woodbridge Social Security Office before withdrawing expenditures over \$100 from beneficiaries' funds.
9. Ensure the Woodbridge Social Security Office responds to pre-approval requests from DDANJ timely.
10. Determine whether to assign DDANJ as the new representative payee for beneficiaries who reside in DDANJ group homes, whose current representative payee is not DDANJ, or who do not have a representative payee on record.
11. Conduct follow-up reviews of the representative payee to ensure it is complying with SSA's requirements.

AGENCY AND REPRESENTATIVE PAYEE COMMENTS AND OIG RESPONSE

SSA agreed with our recommendations (see Appendix E). DDANJ disagreed with some of our recommendations (see Appendix F). We continue to believe DDANJ should work with SSA to ensure proper management of beneficiaries' funds.



Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Representative Payee Responsibilities and Social Security Administration Oversight

[APPENDIX C](#) – Scope and Methodology

[APPENDIX D](#) – Developmental Disabilities Association of New Jersey’s 12 Fund Transfers on August 31, 2009

[APPENDIX E](#) – Agency Comments

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Appendix A

Acronyms

ARVTS	Assisted Recreation and Vacation Travel Services
BCA	Beneficiary Collective Account
C.F.R.	Code of Federal Regulations
DDANJ	Developmental Disabilities Association of New Jersey, Incorporated
OA	Operating Account
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Representative Payee Responsibilities and Social Security Administration Oversight

Representative Payee Responsibilities

Representative payees are responsible for using benefits to serve the beneficiary's best interests. The responsibilities include the following.¹

- Determine the beneficiary's current needs for day-to-day living and use his or her payments to meet those needs.
- Conserve and invest benefits not needed to meet the beneficiary's current needs.
- Maintain accounting records of how the benefits are received and used.
- Report events to the Social Security Administration (SSA) that may affect the individual's entitlement or benefit payment amount.
- Report any changes in circumstances that would affect their performance as a representative payee.
- Provide SSA an annual Representative Payee Accounting Report to account for benefits spent and invested.
- Return any payments to SSA for which the beneficiary is not entitled.
- Return conserved funds to SSA when no longer serving as the representative payee for the beneficiary.
- Be aware of any other income Supplemental Security Income recipients may have.
- Monitor beneficiaries' conserved fund balances to ensure they do not exceed resource limits.

SSA Oversight

To oversee its representative payees, SSA implemented the Expanded Monitoring Program for fee-for-service and volume payees 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.

¹ 20 C.F.R. §§ 404.2035 and 416.635.

Fee-for-service and volume payees are also subject to random reviews, quick response checks, and educational visits. The purpose of the Expanded Monitoring Program is to improve SSA's ability to (1) 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 efforts to educate representative payees about their duties and responsibilities, and (5) be responsive and proactive in determining what representative payees need from SSA.

Scope and Methodology

Our audit covered the period March 1, 2009 through February 28, 2010. To accomplish our objectives, we:

- Reviewed the *Social Security Act*, applicable Federal regulations, and the Social Security Administration's (SSA) policies and procedures pertaining to representative payees.
- Reviewed prior work performed by the Office of the Inspector General and SSA in the representative payee area.
- Contacted SSA New York Regional Office and New Jersey field office staffs to obtain background information and prior audits regarding the individual representative payee.
- Obtained from SSA's Representative Payee System (RPS) a list of individuals who were served by the Developmental Disabilities Association of New Jersey, Incorporated (DDANJ), during the audit period.
- Interviewed DDANJ management and obtained beneficiary information and available financial records, including a list of individuals who had DDANJ as a representative payee and had received SSA funds at some point during the audit period.
- Compared the RPS list, Master Beneficiary Record, Supplemental Security Record, and Treasury Check Information System and reconciled them to DDANJ's list to identify the population of SSA beneficiaries served by DDANJ during the audit period.
- Performed a 100-percent review of a population of 56 beneficiaries whose benefit payments were sent to DDANJ during the audit period. We performed the following tests for the 56 beneficiaries.
 - ✓ Compared and reconciled benefit amounts received according to DDANJ's records to benefit amounts paid according to SSA's records.
 - ✓ Reconciled the bank statement balances of the beneficiaries' collective account to their individual ledger balances to determine the completeness and reliability of beneficiaries' ledgers.
- Traced 200 recorded expenses to source documents and examined the underlying documentation for reasonableness and authenticity.

- Reviewed 52 checks issued from the 13 group home checking accounts to determine whether DDANJ had adequate segregation of duties.
- Reviewed the most current Representative Payee Accounting Reports for 20 beneficiaries to determine whether the representative payee properly reported to SSA how benefits were used.
- Reviewed trips conducted by DDANJ's Assisted Recreation and Vacation Travel Services (ARVTS) program to determine whether DDANJ appropriately spent beneficiary funds on planned trips. ARVTS conducted 14 trips during our audit period; we reviewed the 13 trips in which at least 1 SSA beneficiary under DDANJ's care participated.
- Added beneficiary fund balances on the ARVTS ledger to the beneficiaries' individual ledgers to determine whether the conserved fund balance for Supplemental Security Income recipients exceeded the \$2,000 limit.
- Reviewed 15 expenditure transactions over \$100 to determine whether DDANJ followed agreed-upon procedures to obtain SSA approval before withdrawing expenditures over \$100 from beneficiaries' funds.
- Observed the living conditions and interviewed 13 beneficiaries to determine whether their basic needs were being met.

We tested the data obtained for our audit and determined the data obtained from SSA's systems to be sufficiently reliable to meet our objective. As noted in the report, we were unable to reconcile the beneficiary ledgers to DDANJ's bank statements. We performed our fieldwork at DDANJ's administrative offices in Sewaren, New Jersey, between March and September 2010.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix D

Developmental Disabilities Association of New Jersey's 12 Fund Transfers on August 31, 2009

The Developmental Disabilities Association of New Jersey, Incorporated (DDANJ), identified all beneficiaries with a negative ledger balance and compared the sum of the negative balances to the previous month. If the total negative balance was higher from 1 month (\$4,501 in June 2009) compared to the subsequent month (\$5,793 in July 2009), DDANJ would lend the change in negative balance (\$1,292) to the beneficiaries' collective account. Conversely, if the negative balance was lower from 1 month (\$5,793 in July 2009) to the following month (\$4,084 in August 2009), the beneficiaries' collective account would return the difference (\$1,709) to DDANJ's operating account. However, DDANJ never made a transfer from the operating account to the beneficiary collective account to make a loan of the initial \$17,250 negative balance when they began this practice. Therefore, the 12 transfers on August 31, 2009 resulted in a net withdrawal of \$13,165 from the beneficiaries' collective account to DDANJ's operating account (see Table below). DDANJ stated the transfers were for adjustment of the previous 12 months, starting August 2009.

Table: DDANJ's explanation of the 12 fund transfers on August 31, 2009

Month	Total Negative Balance	Change in Total Negative Balance from Prior Month	Transaction
Aug. 2008	\$17,250	N/A	
Sep. 2008	\$13,437	-\$3,813	\$3,813 from Beneficiary Collective Account (BCA) to Operating Account (OA)
Oct. 2008	\$14,081	+\$644	\$644 from OA to BCA
Nov. 2008	\$15,578	+\$1,496	\$1,496 from OA to BCA
Dec. 2008	\$16,219	+\$641	\$641 from OA to BCA
Jan. 2009	\$8,649	-\$7,570	\$7,570 from BCA to OA
Feb. 2009	\$7,277	-\$1,371	\$1,371 from BCA to OA
Mar. 2009	\$4,166	-\$3,110	\$3,110 from BCA to OA
Apr. 2009	\$4,952	+\$785	\$785 from OA to BCA
May 2009	\$3,738	-\$1,213	\$1,213 from BCA to OA
Jun. 2009	\$4,501	+\$762	\$762 from OA to BCA
Jul. 2009	\$5,793	+\$1,292	\$1,292 from OA to BCA
Aug. 2009	\$4,084	-\$1,708	\$1,708 from BCA to OA
Net Total		-\$13,165	\$13,165 from BCA to OA

Appendix E

Agency Comments

January 11, 2011

Subject: Response Audit # 22010059 Draft Report, The Developmental Disabilities Association of New Jersey, Incorporated - An Organizational Representative Payee for the Social Security Administration

Thank you for the opportunity to review the draft report of the OIG Study of The Developmental Disabilities Association of New Jersey (DDANJ). We agree with the recommendations and will assist DDANJ in correcting the deficiencies.

Questions concerning this response may be directed to Angela Caruso of the Center for Programs Support at 212-264-3974.

/s/
Julio N. Infesta
NY Assistant Regional Commissioner, MOS

Appendix F

Representative Payee Comments

DEVELOPMENTAL DISABILITIES ASSOCIATION OF NEW JERSEY INC.

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AFFILIATED WITH:

Commercial Star Services, Inc., N.J.

Developmental Disabilities Association

of Florida, Inc.

TEL # (732) 636-6710 FAX # (732) 636-5936 E-MAIL - DDANJ@AOL.COM

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SEWAREN, NEW JERSEY 07077

January 4, 2011

Mr. Patrick P. O'Carroll, Jr.
Social Security Administration
Baltimore, MD 21235-0001

Re: Draft report, dated December 14, 2010 - (A-02-10-41084)

Dear Mr. O'Carroll,

In response to your draft audit report dated December 14, 2010 DDANJ finds several points of misinformation which I feel should be noted. Please be informed that DDANJ has our client funds account audited in the same manner and as part of our Federal single audit requirement. The auditor Vincent, who by the way was an absolute pleasure to work with, informed us, during his clarification review that he fully understood our financial process and was able to trace all of what he needed for clarification and information. Our client funds account, as part of our Single Audit, is reviewed and audited in the same manner as is our 9+ Million State Budget.

At this time however, DDANJ has focused on the conclusions and recommendations rather than address the individual points.

The following response corresponds to the conclusion and recommendation section:

- 1) DDANJ reconciles all beneficiary ledgers' monthly against their collective bank account statement. All discrepancies were explained to the inspector, who at the time indicated that he was satisfied with the explanation and backup provided. All beneficiaries' ledger balance's agreed to his/her share in the collective bank account.
- 2) All funds withdrawn from the clients account were proper. No funds have been inappropriately withdrawn from the beneficiary collective account. DDANJ was informed by Social Security and our own auditors that the client collective account could not go negative or it would impact the interest earned (presently .024%). DDANJ uses its own funds to bring any negative balance to \$0.00 to prevent the loss of interest to any beneficiary. DDANJ never



benefits from interest on our clients money. Our DDANJ funds are used to equalize the balance.

- 3) The checking accounts in question are in fact imprest petty cash accounts. They were designed for group home managers to pay general and miscellaneous expenses relating to the group home and its residents. As such, the only way they can be reimbursed for expenses (both cash and personal credit cards) would be to write themselves a check. This reimbursement and the invoices are always verified and approved upon replenishment of the account. At times staff find it necessary to purchase an item with their own (personal) credit card as a means of saving our clients money. If a store offers 25% off when you use the store credit card (our agency does not have any store credit cards), our managers may use their own personal card to save the 25% for the client. Again, DDANJ encourages all staff to use agency checks and or credit cards whenever possible, but makes all efforts not to have clients' spend more of their limited funds than necessary.
- 4) DDANJ's ARVTS program took over a previous vacation company (Special Assistance Services Inc.) who provided vacation and recreation services for some of our clients and many non DDANJ clients. DDANJ now operates this as an agency program and offers the same excursions to other agencies clients. We charge our clients the same fee as every other vacation and recreation traveler and send SSA a pre approval form for out of pocket expenses . All funds withdrawn from the clients account were proper. We followed the SSA guidelines to ensure that all expenditures were in accordance with Social Security guidelines.
- 5) DDANJ uses the beneficiary's collective account to administer all beneficiaries' receipt and disbursement transactions on a monthly basis.
- 6) DDANJ has examined the beneficiaries whose account balances are over \$2,000.00. DDANJ has taken appropriate action to lower the amount of these individuals and will ensure that all beneficiaries account remain under the \$2,000.00 limit.



- 7) As per your recommendation, DDANJ will contact SSA if any beneficiary's balances exceed the \$2000.00 limit.
- 8) DDANJ does follow the agreed upon procedure which the Woodbridge Social Security office provided. There were times that the Woodbridge Social Security office was unable to respond to the requests within the necessary time frame. When possible DDANJ waited. However, there were times that due to the essence of time were unable to follow the guidelines, (for example, there have been times that a beneficiary requested something for their birthday and or Christmas, the request was submitted in plenty of time, but we would have been unable to purchase it at the sale price had we waited for a response from the Woodbridge Office.) When we know that there is a time factor involved we are immediately in contact with the local office via fax to expedite the request. Historically DDANJ makes requests with as much notice as possible and the Woodbridge Office has replied in as timely a manner as possible. As with any system there are times that things do not go as planned. DDANJ has questioned and or reminded Social Security that these individuals live in a home and function as a family. That being said there are times that on any given weekend at the breakfast table someone suggests a last minute outing for the day (i.e. an amusement park, a play & dinner).

What happens when a beneficiary decides to go on an event at the last minute that exceeds the \$100.00 guidelines? We feel that guidelines are important, but also that the individuals who reside in our homes are entitled to as normal a social life as anyone else so there must be some room for spontaneity. There is a quality of life issue that should be considered. A Group Home should not be categorized as an institution. We consider a \$100.00 guideline unrealistic for a group home in these times and feel that in the State of NJ a \$500.00 limit more appropriate as shopping trips out to the mall could cause a breach in the guidelines .

- 9) See above.
- 10) DDANJ is in support of being assigned representative payee for all beneficiaries who reside within our agency.



11) DDANJ understands that follow up reviews of representative payees are necessary to ensure that all SSA's requirements are being met. However, it is essential that all inspectors understand the running (operation) of a group home so that inordinate amounts of time are not necessary to explain and re-explain the running of a group home for the Developmentally Disabled population.

In closing, we hope that you find these responses are sufficient in scope to resolve these questions and or concerns. Should you require additional information, please contact me at your convenience.

Sincerely,

James Casale

Executive Director
Developmental Disabilities
Association of NJ Inc.

Appendix G

OIG Contacts and Staff Acknowledgments

OIG Contacts

Tim Nee, Director, New York Audit Division

Christine Hauss, Audit Manager

Acknowledgments

In addition to those named above:

Vincent Huang, Program Analyst

Brennan Kraje, Statistician

William Kearns, IT Specialist

For additional copies of this report, please visit our Website at
www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-02-10-41084.

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