



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Erosun, Incorporated,  
a Representative Payee for the  
Social Security Administration

A-13-16-50146 / September 2017

**MEMORANDUM**

**Date:** September 28, 2017 **Refer To:**

**To:** Terry Stradtman  
Regional Commissioner  
Philadelphia

**From:** Assistant Inspector General for Audit

**Subject:** Erosun, Incorporated, a Representative Payee for the Social Security Administration  
(A-13-16-50146)

The attached final report presents the results of our review. Our objectives were to determine whether Erosun, Incorporated, a representative payee for the Social Security Administration (SSA), (1) had effective safeguards over the receipt and disbursement of Social Security benefits, (2) used and accounted for Social Security benefits in accordance with SSA's policies and procedures, and (3) adequately protected beneficiaries' personally identifiable information.

If you wish to discuss the final report, please call me or have your staff contact Shirley Todd, Director, at (410) 966-9635.



Rona Lawson

Attachment

cc:  
Gary S. Hatcher, Senior Advisor for Audit Liaison Staff

# Erosun, Incorporated, a Representative Payee for the Social Security Administration

## A-13-16-50146



September 2017

Office of Audit Report Summary

### Objective

To determine whether Erosun, Incorporated (Erosun), a representative payee for the Social Security Administration (SSA), (1) had effective safeguards over the receipt and disbursement of Social Security benefits, (2) used and accounted for Social Security benefits in accordance with SSA's policies and procedures, and (3) adequately protected beneficiaries' personally identifiable information.

### Background

Some individuals cannot manage or direct the management of their finances because of their youth and/or mental and/or physical condition. Congress granted SSA the authority to appoint a representative payee to receive and manage these beneficiaries' payments. Representative payees are responsible for managing benefits in the beneficiary's best interests.

Erosun is an organizational representative payee in Baltimore, Maryland, that provides residential and daily professional care to adults who have such developmental disabilities as autism, behavioral problems, and cerebral palsy.

### Findings

Erosun adequately protected beneficiaries' personally identifiable information. However, Erosun did not always have effective safeguards over the receipt and disbursement of Social Security benefits or use and account for Social Security benefits in accordance with SSA policies and procedures. Specifically, Erosun (1) commingled beneficiary funds with its operating funds; (2) used a collective bank account without SSA's approval; (3) inadequately maintained accounting records over the receipt and disbursement of beneficiary funds; and (4) did not always use funds for the beneficiaries' best interests. In addition, Erosun did not notify SSA when beneficiaries' resources exceeded the allowable limit.

### Recommendations

We made eight recommendations to SSA, including ensuring Erosun staff establishes and maintains procedures and guidelines that manage and record beneficiaries' funds in compliance with SSA's policies.

The Agency agreed with the recommendations. Erosun generally agreed with the recommendations.

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## **ABBREVIATIONS**

FI	Financial Institution
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income

## OBJECTIVE

Our objectives were to determine whether Erosun, Incorporated (Erosun), a representative payee for the Social Security Administration (SSA), (1) had effective safeguards over the receipt and disbursement of Social Security benefits, (2) used and accounted for Social Security benefits in accordance with SSA's policies and procedures, and (3) adequately protected beneficiaries' personally identifiable information.

## BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth and/or mental and/or physical condition. Congress granted SSA the authority to appoint a representative payee 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 (OASDI)<sup>2</sup> and/or Supplemental Security Income (SSI)<sup>3</sup> beneficiaries<sup>4</sup> when representative payments would serve the individual's interests.<sup>5</sup> Representative payees are responsible for managing benefits in the beneficiary's best interests.<sup>6</sup> See Appendix A for a list of representative payee responsibilities.

Erosun is an organizational representative payee in Baltimore, Maryland, that provides residential and daily professional care to adults who have such developmental disabilities as autism, behavioral problems, and cerebral palsy. During our audit period, January 1 to December 31, 2015, Erosun served as representative payee for 22 beneficiaries and received approximately \$180,000 in Social Security payments. We reviewed the controls over, and accounting records for, the receipts and disbursements pertaining to beneficiaries for that period. In addition, we conducted a detailed review of the disbursements made in May 2015 and examined the reasonableness and authenticity of supporting documentation for disbursements. See Appendix B for the scope and methodology of our review.

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<sup>1</sup> *Social Security Act*, 42 U.S.C. § 405(j)(1), 1383(a)(2)(A)(ii).

<sup>2</sup> The OASDI program provides retirement and disability benefits to qualified individuals and their dependents as well as to survivors of insured workers. *Social Security Act*, 42 U.S.C. § 401.

<sup>3</sup> The SSI program provides payments to individuals who have limited income and resources and who are age 65 or older, blind, or disabled. *Social Security Act*, 42 U.S.C. § 1381.

<sup>4</sup> We use the term "beneficiary" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

<sup>5</sup> *Social Security Act*, 42 U.S.C. § 405(j)(1), 1383(a)(2)(A)(ii).

<sup>6</sup> 20 C.F.R. §§ 404.2035(a), 416.635(a) (2006).

## **RESULTS OF REVIEW**

Erosun adequately protected beneficiaries' personally identifiable information. However, Erosun did not always have effective safeguards over the receipt and disbursement of Social Security benefits or use and account for Social Security benefits in accordance with SSA policies and procedures. Specifically, Erosun (1) commingled beneficiary funds with its operating funds; (2) used collective bank account without SSA approval; (3) inadequately maintained accounting records over the receipt and disbursement of beneficiary funds; and (4) did not always use funds for the beneficiaries' best interest. In addition, Erosun did not notify SSA when beneficiaries' resources exceeded the allowable limit.

### **Commingling Beneficiary Funds with Operating Funds**

Erosun commingled beneficiary funds with its operating funds. SSA policy prohibits commingling beneficiary funds with the payee's money, the organization's money, or any money belonging to the organization's officers.<sup>7</sup>

Erosun transferred operating funds to and from the master-sub account<sup>8</sup> that received and held beneficiaries' funds. For example, Erosun transferred \$10,000 from the master-sub account to an operating account on January 5, 2015 and transferred \$23,430 into the master-sub account from another operating account on January 7, 2015.

Erosun charged each beneficiary \$375 for room and board before it transferred funds to individual sub-accounts. Erosun staff acknowledged that funds it charged each beneficiary for room and board remained in the master-sub account until it needed the funds. Erosun staff also acknowledged it did occasionally transfer those funds from an operating account back into the master account.

In addition, Erosun held beneficiaries' conserved funds in an operating account before it transferred them to a collective account. According to Erosun, it opened a collective account in August 2015 and used the account to conserve beneficiaries' and other residents' funds for vacation purposes. However, SSA did not approve the collective account. Representative payees are required to obtain SSA approval before they deposit beneficiary funds into a collective bank account.<sup>9</sup>

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<sup>7</sup> SSA, *POMS, GN-General*, ch. GN 006, subch. GN 00603.020, sec. A.2 (February 16, 2017).

<sup>8</sup> A master-sub account is held at a financial institution (FI) established to receive deposits on behalf of a group of individuals. Sub-accounts are then set up at the FI, at another FI, or on the individual ledgers maintained by the master account holder. See SSA, *POMS, GN-General*, ch. GN 024, subch. GN 02402.050, sec. A. (June 28, 2013).

<sup>9</sup> SSA, *POMS, GN-General*, ch. GN 006, subch. GN 00603.020, sec. B.1.b. (February 16, 2017).

## Collective Bank Account

Erosun began transferring funds from the individual sub-accounts of 17 beneficiaries to a collective bank account<sup>10</sup> in August 2015 without SSA approval. In addition, Erosun did not title the collective bank account to show beneficiaries' ownership of the funds in the account. SSA requires that representative payees (1) obtain SSA approval before depositing beneficiary funds into a collective bank account and (2) title collective accounts to show the payee holds the account in a fiduciary capacity on behalf of the beneficiaries.<sup>11</sup>

Erosun provided a record of each beneficiaries' share in the collective account as of October and December 2015. Available accounting records indicated each beneficiary's share in the account ranged from \$686 to \$8,483 as of December 31, 2015. Erosun did not provide a record of each beneficiary's share in the collective account for August, September, and November 2015. We also found Erosun did not keep accounting records that clearly documented each beneficiary's expenses and applicable dollar amount of any collectively paid expense made from the collective account, as required by SSA policy.<sup>12</sup>

Erosun reported it no longer transferred beneficiary funds to the collective account and maintained conserved funds in beneficiaries' individual accounts. Erosun transferred the conserved funds of 11 beneficiaries from the collective account to the beneficiaries' individual sub-accounts in August 2016. Erosun did not provide documentation that it transferred the remaining six beneficiaries' conserved funds.

## Accounting Records of Receipts and Disbursements

Erosun did not always maintain adequate accounting records over the receipts and disbursements it made on behalf of the beneficiaries in its care. SSA policy requires that representative payees keep detailed and accurate records of how they use benefits.<sup>13</sup> Erosun's accounting records did not (1) show each beneficiary's share in the master-sub account; (2) provide supporting documentation for disbursements; or (3) provide accurate representative payee reports.

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<sup>10</sup> According to SSA policy, a collective account is one checking or savings account that a payee uses to collect and manage Social Security benefits entrusted to the payee for each beneficiary it represents. See SSA, *POMS, GN-General*, ch. GN 006, subch. GN 00603.020, sec. A.1 (February 16, 2017).

<sup>11</sup> See Footnote 9.

<sup>12</sup> SSA, *POMS, GN-General*, ch. GN 006, subch. GN 00603.020, sec. A.1 (February 16, 2017).

<sup>13</sup> SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00502.114, sec. A (February 27, 2014).

## *Beneficiaries' Individual Share in Master-sub Account*

Erosun accounting records indicated about \$13,514 of beneficiary funds remained in the master-sub account as of December 31, 2015. However, Erosun did not provide a record of each beneficiary's share in the master-sub account.

We determined Erosun did not transfer beneficiary funds totaling \$5,003 from the master-sub account to the individual sub-accounts for seven beneficiaries. For example, one beneficiary was entitled to \$5,580 for the period.<sup>14</sup> Subsequently, Erosun transferred \$4,352 to the beneficiary's individual sub-account. Erosun's accounting records did not show that about \$1,228 remained in the master-sub account for the beneficiary as of December 31, 2015.

Erosun transferred \$978 more to four beneficiaries' sub-accounts than SSA deposited into the master-sub account for the period. For example, a beneficiary was entitled to \$4,296 for the period.<sup>15</sup> Erosun transferred \$5,019 to the beneficiary's individual sub-account. Therefore, Erosun transferred \$723 more than the beneficiary received for the period.

Because Erosun did not maintain adequate records, we could not determine the total amount that remained in the master-sub account for each beneficiary. Such records are needed to ensure all the funds Erosun transferred into each beneficiary's sub-account belonged to the beneficiary.

## *Documentation Supporting Disbursements*

Erosun did not always maintain adequate documentation to support disbursements made from beneficiaries' Social Security payments. Of the 170 disbursements identified in May 2015, we reviewed the underlying documentation for 75 for reasonableness and authenticity. Of the 75 disbursements we reviewed, Erosun retained adequate documentation to support 57. However, Erosun could not provide documentation to support 18 disbursements totaling \$2,709. For example, Erosun withdrew \$350 from a beneficiary's account to purchase a television. Erosun provided supporting documentation for \$269 but did not record or provide support for the disposition of the remaining \$81.

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<sup>14</sup> SSA deposited \$10,802 into the master-sub account for the beneficiary between January 1 and December 31, 2015. Erosun charged the beneficiary \$5,222 for cost of care and room and board. After charges, the beneficiary had \$5,580 available for other expenses.

<sup>15</sup> SSA deposited \$8,796 into the master-sub account for one beneficiary from January to December 2015. Erosun charged the beneficiary \$4,500 for room and board. After charges, the beneficiary had \$4,296 available for other expenses.

## *Accurate Representative Payee Reports*

Erosun did not always complete accurate annual representative payee reports. SSA uses representative payee reports to monitor how the representative payee disbursed or conserved the benefits on the beneficiary's behalf for a 12-month period.<sup>16</sup>

Erosun completed 20 reports from January 1 to December 31, 2015. Of the 20, Erosun completed reports for 3 beneficiaries that matched the 12-month audit period ended December 31, 2015.<sup>17</sup> We compared the accounting records Erosun provided to the benefits paid, disbursed, and conserved according to the reports. We found Erosun completed the reports inaccurately. Specifically, Erosun reported \$6,801 more in "other expenses"<sup>18</sup> than it recorded in its accounting records for two of the three beneficiaries. Table 1 compares other expenses Erosun reported and the expenses it documented and supported in its accounting records.

**Table 1: Other Expenses Reported as of December 31, 2015**

Beneficiary	Other Expenses Reported to SSA	Other Expenses Recorded in Erosun's Accounting Records	Difference
Beneficiary 1	\$6,305	\$4,316	\$1,989
Beneficiary 2	\$9,277	\$4,465	\$4,812
<b>Total</b>	<b>\$15,582</b>	<b>\$8,781</b>	<b>\$6,801</b>

We also found that Erosun under-reported conserved funds for all three beneficiaries. For example, Erosun reported it saved \$1,713 of \$9,691 it received between January 1 and December 31, 2015 for one of the three beneficiaries. However, per Erosun's accounting records, it saved \$2,812 for the beneficiary. Erosun did not account for the \$1,000 of conserved funds it subsequently transferred to the collective account on the beneficiary's behalf.<sup>19</sup> See Table 2 for the funds saved that Erosun reported compared to the funds saved based on Erosun's accounting records.

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<sup>16</sup> See SSA, *POMS, GN-General*, ch. GN 006, subch. GN 00605.001, sec. B.1. (August 19, 2016).

<sup>17</sup> The remaining 17 reports were completed for funds used in various periods (for example, March 1, 2014 to February 28, 2015; August 1, 2014 to July 31, 2015; or July 1, 2014 to June 30, 2015).

<sup>18</sup> The representative payee is required to report how much it spent on other things for the beneficiary, such as clothing, education, medical and dental expenses, recreation, or personal items for the period.

<sup>19</sup> We were unable to identify the remaining \$99 of conserved funds that Erosun under-reported.

**Table 2: Funds Saved Per the Representative Payee Reports as of December 31, 2015**

Beneficiary	Funds Saved Per the Representative Payee Report	Funds Saved Per Erosun's Accounting Records	Difference
Beneficiary 1	\$915	\$2,918	\$(2,003)
Beneficiary 2	\$1,577	\$3,878	\$(2,301)
Beneficiary 3	\$1,713	\$2,812	\$(1,099)
<b>Total</b>	<b>\$4,205</b>	<b>\$9,608</b>	<b>\$(5,403)</b>

Based on our review of the accounting records, we question the accuracy of the disbursements and conserved funds reported on the remaining 17 reports.

## Use of Beneficiary Funds

Erosun did not always use funds in the beneficiaries' best interests. Erosun did not invest conserved funds in interest-bearing accounts and inappropriately allowed beneficiaries to pay bank fees for canceled checks. SSA policy requires that representative payees apply benefits received on a beneficiary's behalf only for that beneficiary's use and benefit.<sup>20</sup>

### *Invest Conserved Funds in Interest-bearing Accounts*

Erosun did not place conserved funds in interest-bearing accounts for its beneficiaries. As of December 2015, Erosun had conserved funds totaling \$84,947 for 22 beneficiaries in non-interest-bearing accounts. For example, Erosun conserved \$3,878 for one beneficiary in her individual sub-account. SSA policy states that funds not needed for the beneficiary's current maintenance may be deposited in an interest- or dividend-bearing account in a bank, trust company, credit union, or savings and loan association that is insured under either Federal or State law.<sup>21</sup>

### *Bank Fees for Returned Check Images*

Erosun used returned check images as documentation for some disbursements made on behalf of the beneficiaries and inappropriately allowed the bank to charge 19 beneficiaries \$5.00 a month for a total of \$1,095 in fees. Since Erosun used the check images for its accounting purposes, we question whether the bank fees were in the beneficiaries' best interests. The monthly bank fees for the option to receive check images are Erosun's responsibility and should be an operating

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<sup>20</sup> SSA, *POMS, GN-General*, ch. GN 006, subch. GN 00602.001, sec. A.1 (March 5, 2002).

<sup>21</sup> SSA, *POMS, GN-General*, ch. GN 006, subch. GN 00603.010, sec. A (July 11, 2013).

expense. Erosun staff reported, as of 2017, it uses online banking instead of requesting the check image return option.

## Beneficiaries Exceeded SSI Resource Limit

Erosun did not notify SSA that some beneficiaries' resources<sup>22</sup> exceeded the allowable limit established for individuals receiving SSI payments.<sup>23</sup> SSA requires that representative payees report events that may affect the beneficiary's eligibility or amount of payment.<sup>24</sup> SSI overpayments occur when a beneficiary's resources exceed the allowable resource limit.<sup>25</sup>

We identified 11 beneficiaries who exceeded the SSI resource limit. In December 2015, the beneficiaries exceeded the limit and incurred about \$39,000 in SSI overpayments. For example, one beneficiary exceeded the resource limit by \$8,763 in December 2015 because, in addition to the funds remaining in the beneficiary's individual sub-account, Erosun conserved \$8,483 in its collective account on the beneficiary's behalf.

## CONCLUSIONS

Erosun needs to improve its controls over the use, accounting, receipt, and disbursement of Social Security benefits. While it adequately protected personally identifiable information, Erosun did not always have effective safeguards over the receipt and disbursement of Social Security benefits or use and account for Social Security benefits in accordance with SSA policies and procedures. Erosun commingled beneficiary funds, used a collective account without SSA approval, and did not always maintain detailed and accurate accounting records. In addition, Erosun did not always use funds in the best interest of the beneficiaries it served or report funds that exceeded the allowable SSI resource limit.

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<sup>22</sup> Resources are cash or other liquid assets or any real or personal property an individual (or spouse) owns and could convert to cash to be used for his or her support and maintenance. See 20 C.F.R. § 416.1201 (1975).

<sup>23</sup> An individual with resources in excess of the limit is not eligible for SSI payments. The resource limit for SSI recipients is \$2,000 for an individual and \$3,000 for a married couple. See SSA, *POMS, SI-Supplemental Security Income*, ch. SI 011, subch. SI 0110.003, sec. A.1. and A.2. (December 8, 2010).

<sup>24</sup> SSA, *POMS, GN-General*, ch. GN 005, subch. GN 00502.114, sec. A (February 27, 2014).

<sup>25</sup> SSA, *POMS, SI-Supplemental Security Income*, ch. SI 011, subch. SI 01110.001, sec. B.3. (May 25, 2016).

## **RECOMMENDATIONS**

We recommend that SSA:

1. Inform Erosun staff that it must not commingle beneficiaries' funds with its personal or organizational operating funds.
2. Instruct Erosun staff to establish and maintain procedures and guidelines that manage and record beneficiaries' funds in compliance with SSA's policies.
3. Instruct Erosun staff to maintain detailed and accurate records of Social Security benefits for each beneficiary for whom it serves as representative payee, including each beneficiary's individual share in the master-sub account and all disbursements made on their behalf.
4. Remind Erosun staff to accurately complete representative payee reports. Specifically, Erosun should report beneficiary funds that were not spent and remain in the master account and/or it transfers to another account as conserved funds.
5. Remind Erosun staff to place beneficiaries' conserved funds in an interest-bearing account or relatively risk-free investment.
6. Determine whether the monthly charges for returned checks were in the best interest of the beneficiary or an operating expense, and, if applicable, instruct Erosun to reimburse \$1,095 to the beneficiaries we identified.
7. Compute and pursue collection of any overpayments that resulted from SSI recipients' account balances exceeding the resource limit.
8. Instruct Erosun to monitor beneficiaries' resources and inform the Agency in a timely manner when they exceed resource limits.

## **AGENCY AND REPRESENTATIVE PAYEE COMMENTS**

The Agency agreed with our recommendations. See Appendix C for the Agency's comments. Erosun generally agreed with our recommendations. See Appendix D for the representative payee's comments.



Rona Lawson  
Assistant Inspector General for Audit

# *APPENDICES*

## **Appendix A – REPRESENTATIVE PAYEE RESPONSIBILITIES**

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Representative payees are responsible for using benefits to serve the beneficiary's best interests.<sup>1</sup> Additional responsibilities include the following.

- Be aware of the beneficiary's current day-to-day needs and use his/her payments to meet the beneficiary's needs.
- Conserve any money left over, after meeting the beneficiary's current needs, in a checking or savings account (preferably interest-bearing), U.S. savings bonds, or other appropriate investment(s) that is titled in a way that clearly establishes the beneficiary's ownership.
- Report any event that may affect the beneficiary's entitlement to benefits or payment amount, such as a return to work.
- Return any of the beneficiary's funds conserved after serving as payee or any overpayment promptly (that is, any payment the Social Security Administration (SSA) determines the beneficiary is not due).
- Keep separate records for each beneficiary for at least 2 years.
- Keep records of all payments SSA makes, all bank statements, and receipts or cancelled checks for rent, utilities, and any major purchases made for the beneficiary.
- Notify SSA of any changes or circumstances that would affect performance as a payee.
- Be aware, if any beneficiaries receive Supplemental Security Income (SSI), of all the beneficiary's income and funds, and all items a beneficiary owns that could be converted to cash. Income and resources may affect the beneficiary's payments and eligibility for SSI.
- Notify SSA if a beneficiary dies and turn over any conserved funds owned by the beneficiary to the legal representative of the beneficiary's estate for disposition under State law. Any payments after the death of a beneficiary should be returned to SSA.
- Notify SSA if a beneficiary's condition improves to a point where he/she no longer needs a payee.
- Submit the appropriate forms for periodic reviews, or redeterminations, of SSI eligibility factors. SSA will ask for information about the beneficiary's income, resources, and living arrangements to help it determine whether the SSI recipient is still eligible for SSI and is receiving the correct payment amount.
- Promptly report misuse of beneficiary funds to SSA.

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<sup>1</sup> 20 C.F.R. § 404.2035(a) and 416.635(a) (2006).

## **Appendix B – SCOPE AND METHODOLOGY**

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Our audit covered the period January 1 through December 31, 2015. To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations and Social Security Administration (SSA) policies and procedures pertaining to representative payees.
- Reviewed prior Office of the Inspector General and SSA work in the representative payee area.
- Compared and reconciled an Erosun, Incorporated (Erosun), list of SSA beneficiaries in its care to a list obtained from SSA's Representative Payee System.
- Obtained an understanding of, and assessed the internal controls over, the receipt and disbursement of Social Security benefits.
- Reviewed 22 beneficiaries who were in Erosun's care during our audit period and performed the following tests.
  - Compared and reconciled benefit amounts received according to the payee's records to benefit amounts paid according to SSA's records.
  - Reviewed the payee's records to determine whether benefits were properly spent on the individual's behalf.
  - Traced room and board recorded expenses to source documents and examined the underlying documentation for reasonableness and authenticity.
- We reviewed 170 transactions during May 2015 that Erosun documented in its accounting records for all beneficiaries. Of the 170 transactions, we determined 75 appeared unreasonable and/or unusual and examined the underlying documentation for reasonableness and authenticity.
- Determined whether Erosun reported any changes or events for its beneficiaries that could affect the amount of, or entitlement to, Old-Age, Survivors and Disability Insurance benefits or Supplemental Security Income payments.
- Interviewed and observed the living conditions for all beneficiaries to determine whether their basic needs were being met.
- Reviewed the most recently completed *Representative Payee Report* (Form SSA-623) for all beneficiaries to determine the completeness and appropriateness of the information provided.
- Reviewed the *Request to be Selected as Payee* (Form SSA-11-BK) for all beneficiaries to determine the completeness and appropriateness of the information provided.

- Determined whether the organization was complying with its policies, and those set by SSA, for protecting personally identifiable information.

We conducted our review in Baltimore, Maryland, between June 2016 and June 2017. We tested the data obtained for this audit and determined them to be sufficiently reliable to meet our audit objectives. We conducted this performance 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Appendix C – AGENCY COMMENTS**

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September 14, 2017

**Subject:** Signed Draft Report (A-13-16-50146) - PHILADELPHIA RESPONSE

The Philadelphia Region has reviewed the OIG findings in the Signed Draft Report and agrees with its recommendations for Erosun Incorporated, a representative payee for SSA. We do not have any additional comments.

Terry M. Stradtman  
Regional Commissioner

## Appendix D– REPRESENTATIVE PAYEE COMMENTS

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### Erosun, Incorporated, a Representative Payee for the Social Security Administration (A-13-16-50146)

We have reviewed your findings and recommendations in respect of the above referenced audit exercise. Our comments are under listed:

#### 1. Commingling Beneficiary Funds with Operating Funds.

The \$375 Erosun charges the beneficiaries as room & board are left in the master-sub account until it's needed for operational use. This procedure has since stopped after Erosun was informed by the team that came for the audit that it was against SSA Policy. Erosun now transfers each beneficiary's fund as received from SSA to their respective personal account. It is from their respective personal account that we make the charge for room & board.

#### 2. Collective Bank Account

As reported, Erosun, Inc no longer transfers beneficiary funds to the collective bank account. All the conserved funds in the collective bank account have been transferred to the beneficiaries' individual accounts. The major reason for this conserved fund account is mainly to enable each beneficiary properly funds their Irrevocable Burial Account with Vaughn Greene and partly for vacation whenever the beneficiaries go on group activities.

#### 3. Accounting Records of Receipts and Disbursement

Erosun does not totally agree to this finding, specifically on the issue that Erosun did not show each beneficiary's share in the master-sub account. As explained to the team that came for the audit, based on our previous operational procedures, the funds remaining in the master-sub account at the end of each month is the sum of room & board which we net-off from each beneficiary's fund and this belongs to Erosun. The only issue then was that this fund should have been transferred out of the master-sub account at the end of each month, so that the master-sub account can always have a zero balance.

#### 4. Beneficiaries' Individual Share in Master –sub Account

As explained in note 4 above, the funds remaining in the master-sub account belongs to Erosun. However, where there are specific errors of under or over transfer of funds to any beneficiary's personal account, Erosun will be ready to correct such errors and make

*Caring for the Individuals Who Have Developmental Disabilities*

appropriate transfers as needed and necessary. As such, Erosun has mandated the Junior Accountant to review all funds received from SSA in 2015 and reconcile same with the disbursement to the beneficiaries' personal account after deduction of room and board. All over and under transfers detected will be compared with what the audit team has previously sent to Erosun and appropriate refunds will be done.

**5. Documentation Supporting Disbursements**

Erosun has always tried to ensure complete documentation supporting each disbursement. We have adequate internal control procedures to support this. However, we are sometimes constrained by the beneficiaries themselves, especially those that are highly functional and able to determine how and what they want and in which form they want it. For instance, they are very recalcitrant in bringing back both receipts and balance of funds given out for purchases. If our staff fails to hand over the balance to them, they may decide to have behaviors. We have now decided to be buying most stuff online so as to minimize this problem.

**6. Accurate Representative Payee Reports**

We reported based on what we have in our ledger accounts after we have done bank reconciliation. We did not include funds in beneficiaries' irrevocable burial account with Vaughn Greene as part of the conserved funds. With the new operational procedures currently in operation where total funds received from SSA are transferred to the beneficiaries' accounts before netting off room and board, we do not expect this issue to reoccur again.

**7. Use of Beneficiary Funds**

Erosun will request the bank to open interest bearing accounts for the beneficiaries. However, the main problems are: the banks are usually reluctant to open interest bearing account for Rep Payee Accounts. Their position is that any account that earns interest will be subject to monthly charges should the credit balance fall below their minimum balance threshold. Again, we have always and will continue to persuade banks to reverse any charges on the beneficiaries' account. In some cases, Erosun has reabsorbed these charges and refunded the beneficiaries, especially where the charges arose out of Erosun's negligence or inefficiency.

**8. Invest Conserved Funds in Interest-bearing Accounts**

We restate the comment stated in No. 7 above. In addition, the conserved funds were meant mainly for the Irrevocable Burial Account with Vaughn Greene and partly for vacation. In future, any conserved funds will be saved in interest bearing account as recommended.

**9. Bank Fees for Returned Check Images**

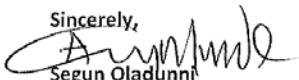
We now use online banking. This fee has been eliminated.

**10. Beneficiary Exceeded SSI Resource Limit**

Erosun will comply with this directive in future. As previously stated, since all funds are now in the beneficiary's individual account, it will be easier to verify those beneficiaries with resources exceeding the allowable limit. As at date, no beneficiary is in that category.

**CONCLUSIONS**

Since the audit team concluded their exercise, Erosun has since changed some of its operational procedures and started training the staff to ensure total compliance with SSA requirements and guidelines. Again, none of the staff currently in the Account Department was in Erosun during the audit period (January 1 to December 31, 2015), as such, it's not unlikely that this accounted for some of the shortcomings identified in this audit exercise. As a going-concern, we shall continue to upgrade our accounting processes and filling system in order to forestall this problem in future.

Sincerely,  
  
Segun Oladunni  
Chief Financial Officer

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