



SOCIAL SECURITY

March 19, 2010

The Honorable Charles E. Grassley
Ranking Member
Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Grassley:

This is in response to your March 6, 2009 letter asking that we assist in determining whether the Social Security Administration (SSA) has adequate oversight of its representative payees. Thank you for bringing your concerns to my attention. As you know, my office is committed to combating fraud, waste, and abuse in SSA's operations and programs. We provided much of the information you requested in our June 2009 Congressional Response Report, *The Social Security Administration's Oversight of Representative Payees*. In that report, we stated we would perform a separate review to determine whether certain payee-beneficiary relationships place beneficiaries at added risk. The enclosed report provides the results of our assessment of the working and living conditions of certain Social Security beneficiaries served by representative payees who may have also been acting as employers or job placement/referral services.

To ensure SSA is aware of the information provided to your office, we are forwarding a copy of this report to the Agency. If you have any questions concerning this matter, please call me, or have your staff contact Misha Kelly, Congressional and Intra-Governmental Liaison, at (202) 358-6319.

Sincerely,

A handwritten signature in black ink that appears to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.
Inspector General

Enclosure

cc:
Michael J. Astrue

CONGRESSIONAL RESPONSE REPORT

***Representative Payees Who
Employ Beneficiaries or Provide
Employment Services***

A-13-10-11013



March 2010

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.

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

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.

Background

OBJECTIVE

Our objective was to review the working and living conditions of Social Security beneficiaries served by representative payees who may have also been acting as employers or job placement/referral services.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth and/or mental or physical impairments. Congress granted the Social Security Administration (SSA) the authority to appoint representative payees to receive and manage these beneficiaries' payments.¹ A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI)² and/or Supplemental Security Income (SSI)³ beneficiaries⁴ when representative payments would serve the individual's interests.⁵

In a March 2009 letter, Senator Charles Grassley wrote, "As evidenced by recent media reports on SSA beneficiaries with representative payees, individuals with mental impairments can fall prey to mistreatment from others." The Senator cited an article highlighting a situation where a Texas-based business "... paid mentally disabled men a pittance to work for an Iowa meat processing plant." After learning of this situation, Senator Grassley indicated the need to ensure SSA exerts adequate oversight of, and has the commitment to continuously improve, its management of representative payees.

Senator Grassley requested assistance in determining whether SSA has adequate oversight of its representative payees. We responded by providing the requested information about SSA's Representative Payment Program in a June 2009 Congressional Response Report, *The Social Security Administration's Oversight of Representative Payees*. In our June 2009 report, we stated we would perform a

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

² The OASDI program provides benefits to qualified retired and disabled workers and their dependents as well as to survivors of insured workers. *Social Security Act* § 202 et seq., 42 U.S.C. § 402 et seq.

³ The SSI program provides payments to individuals who have limited income and resources and who are age 65 or older, blind, or disabled. 20 Code of Federal Regulations (C.F.R.) § 416.110.

⁴ The term "beneficiary" is used generically in this report to refer to both OASDI beneficiaries and SSI recipients.

⁵ See Footnote 1.

separate review to determine whether certain payee-beneficiary relationships placed beneficiaries at added risk. This report provides the results of our assessment of the working and living conditions of certain Social Security beneficiaries.

We conducted site visits to review working and/or living conditions of certain beneficiaries served by 48 payees. Beneficiaries included in our review were (a) employed at the time of our site visits and/or (b) shared a residence with at least one other beneficiary who was employed at the time of our review. We visited 342 beneficiaries while observing 66 beneficiary work sites and 80 beneficiary residences. See Appendix B for our Scope and Methodology and Appendix C for our Sampling Methodology.

Results of Review

For the beneficiaries served by the 48 representative payees included in our review (see Table 1), we found the work conditions were adequate. With the exception of one beneficiary residence, we found beneficiaries' living conditions were also adequate. Recently, SSA implemented additional monitoring of payees that also serve as employers.

**Table 1: Representative Payees
Possible Employers or Job Placement/Referral Services**

Region	Number of Payees Reviewed	Number of Beneficiary Worksites Observed	Number of Beneficiary Residences Observed
Boston	3	3	6
New York	2	3	5
Philadelphia	9	11	15
Atlanta	7	8	13
Chicago	12	19	19
Dallas	4	6	5
Kansas City	3	6	6
Denver	4	5	5
Seattle	4	5	6
TOTAL	48	66	80

Beneficiaries' Working Conditions

We visited 66 work sites. Based on observations and discussions held with beneficiaries, we concluded the working conditions at all 66 locations were adequate. For these work sites, nothing came to our attention that would lead us to believe the beneficiaries' work environment was not safe. Examples follow.

- At one work site in the Boston Region, we observed people working at clean, well-constructed tables. The facility also had a kitchen with refrigerators. This work site was clean and well-lit, and the building temperature was comfortable. Also, the beneficiaries were adequately supervised.
- In the Chicago Region, we visited a facility's "sheltered workshop." It was well-maintained, well-lit, and ventilated. We did not identify any obvious safety hazards. Also, we observed the rooms where the facility conducted life skills training—horticulture, dance, and computer. All the rooms were neat and clean. Adult employees supervised the beneficiaries in small groups.

Beneficiaries' Living Conditions

During our review, we also visited 80 residences where 636 beneficiaries lived. Based on observations and discussions held with beneficiaries, we concluded the living conditions at 79 residences were adequate. For these residences, nothing came to our attention that would lead us to believe the beneficiaries were living in sub-standard housing.

- In the Philadelphia Region, the exterior of a home we visited was well-maintained. We observed the living room, dining room, laundry room, bathroom, and kitchen on the first floor. On the second floor, we observed the beneficiaries' bedrooms. Each beneficiary's room had a bed, two dressers, a closet, and a ceiling fan. The house was clean, and we did not observe any trash or clutter in the house. We also observed emergency telephone numbers displayed in the dining room.
- In the Atlanta Region, we visited a home where the interior and exterior of the residence were well-maintained. The residence was clean, neat, and air conditioned. The house was sufficiently furnished, and its contents appeared to be in good condition. We observed the living areas were clean, neat, and uncluttered. Each beneficiary had his/her own bedroom. The residence had 24-hour supervision, with staff working in shifts.

In the Chicago Region, we visited a residence where we concluded the living conditions were not adequate. This residence was a trailer where two beneficiaries, a husband and wife, lived. We observed the exterior of the trailer was poorly maintained and had dogs in cages on the porch. The trailer seemed to be unsanitary and was filled with trash. There were other animals living inside the residence. Based on these conditions, it appeared there were health and/or safety concerns for these beneficiaries. We provided this information to local SSA field office staff for appropriate action.

On January 14, 2010, field office staff in the Chicago Region reported the completion of a random review of the payee. Staff reported the payee was "...unorganized and confused, but did not misuse benefits." However, field office staff did not provide information about the beneficiaries' residence. It was recommended that a follow-up review be performed in 6 months.

SSA's Efforts to Monitor Payees Who Serve As Employers

SSA has implemented additional monitoring of representative payees who serve as employers. To support the integrity of the Representative Payment Program and protect beneficiaries, the Agency created an initiative to conduct reviews of employers that also act as payees. SSA plans to conduct 350 reviews of representative payees that serve as both the representative payee and the employer for Social Security and/or SSI recipients between December 10, 2009 and September 29, 2010.

SSA contracted with the National Disability Rights Network (NDRN) to provide information about employer-payee relationships. These reviews will be conducted by 57 State-designated Protection and Advocacy organizations.⁶ NDRN will coordinate, monitor, and collect information about the reviews performed by the Protection and Advocacy organizations. As of December 11, 2009, SSA had identified 324 representative payee-employers for review.

⁶ SSA reports the 50 States, the District of Columbia, and all U.S. territories have Protection and Advocacy organizations whose mission is to protect individuals with disabilities.

Conclusions

With one exception, we concluded the working and living conditions for the Social Security beneficiaries included in our review who were served by the 48 representative payees acting as employers or job placement/referral services were adequate. We continue to believe such payee-beneficiary relationships should be subject to special monitoring. We believe SSA has acknowledged this added risk by recently implementing a process to have NDRN visit specific employer-payees. The Agency indicated it agreed "...that payees who are employers or are providing job placement/referral services should continue to receive special oversight, especially when they act as landlords. This will provide added protection to our most vulnerable beneficiaries." Given the vulnerability of these beneficiaries, it is imperative that appropriate safeguards exist to ensure representative payees perform their duties, and that such relationships do not disadvantage beneficiaries or place beneficiaries at added risk.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology

Appendix A

Acronyms

C.F.R.	Code of Federal Regulations
EIN	Employer Identification Number
NDRN	National Disability Rights Network
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income

Scope and Methodology

Our review included a population of organizational representative payees serving between 5 and 49 beneficiaries and individual representative payees serving between 5 and 14 beneficiaries in the contiguous 48 States as of April 2009. To accomplish our objective, we:

- Obtained an electronic data extract as of April 2009 of representative payees who could be (1) placing their beneficiaries with common employers (job placement services), (2) serving as job referral services, or (3) acting as employers to the beneficiaries they represent. To identify these payees, we applied certain screening requirements, including the number of beneficiaries served by payees; employer identification numbers (EIN);¹ and wage reporting data for beneficiaries. We identified
 - ✓ 1,222 organizational representative payees that served between 5 and 49 beneficiaries and had EINs for beneficiaries' reported wages that were different from the payees' EINs (possible job placement/referral services);
 - ✓ 564 organizational representative payees that served between 5 and 49 beneficiaries and had EINs for beneficiaries' reported wages that were the same as the payees' EINs (possible employers); and
 - ✓ 59 individual representative payees who served between 5 and 14 beneficiaries and had EINs for beneficiaries' reported wages for the same employer (possible job placement/referral services or employers).
- Randomly sampled 48 representative payees from the 3 groups listed above. Of the 48 payees, 40 were organizations and 8 were individuals. From the 48 payees, we visited work sites and/or residences for 342 beneficiaries (see Appendix C for our Sampling Methodology).
- Verified the identities of the representative payees and the beneficiaries they served.
- Conducted discussions with 48 representative payees and 342 beneficiaries.
- Visited 66 beneficiary work sites and 80 beneficiary residences.
- Determined whether the working and living conditions of the selected beneficiaries served by the 48 representative payees were adequate.

¹ The EIN is a nine-digit number assigned by the Internal Revenue Service to sole proprietors, corporations, partnerships, estates, trusts, and other entities for tax filing and reporting purposes. SSA records employers' EINs with the associated wage postings in the Master Earnings File.

We determined the computer-processed data used for this audit were sufficiently reliable for their intended use. Further, any data limitations were minor in the context of this assignment, and the use of the data should not lead to an incorrect or unintentional conclusion. The electronic data used in our audit were primarily extracted from the Master Beneficiary Record, Master Earnings File, Supplemental Security Record, and Representative Payee System.

For the work sites and residences visited, with the exception of one beneficiary residence, nothing came to our attention that would lead us to believe the beneficiaries' (a) work environment was not safe and (b) living conditions were sub-standard.

The entities audited were the Offices of the Deputy Commissioners for Operations and Retirement and Disability Policy. We performed our review in Baltimore, Maryland, from July 2009 through January 2010. In addition, we performed work in Alabama, Arkansas, Connecticut, Florida, Georgia, Idaho, Illinois, Iowa, Kansas, Massachusetts, Maryland, Montana, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Virginia, West Virginia, and Wisconsin. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sampling Methodology

In April 2009, we obtained from the Social Security Administration's (SSA) Representative Payee System a list of approximately 8.5 million beneficiaries who had an active representative payee. In addition, we obtained 62 million detailed earnings records for each of the 8.5 million beneficiaries. From this file, we applied certain screening requirements to identify representative payees who may also act as employers or job placement/referral services. The screening requirements included the number of beneficiaries served by payees; representative payees with an employer identification number (EIN); and wage reporting data for beneficiaries. We subsequently identified and reported the following three groups of representative payees in our June 2009 Congressional Response Report, *The Social Security Administration's Oversight of Representative Payees*:

- 2,602 organizational representative payees that could be serving as job placement or referral services;
- 963 organizational representative payees that could be serving as employers to the beneficiaries they represent; and
- 113 individual representative payees who could be serving as job placement services, job referral services, or employers to the beneficiaries they represent.

For our current review, we refined the three populations with various sampling attributes, such as the number of beneficiaries in the payee's care and beneficiaries working in Calendar Year 2009. Based on additional criteria, we selected our samples from the following groups of representative payees:

- 1,222 organizational representative payees that served between 5 and 49 beneficiaries and had EINs for beneficiaries' reported wages that were different from the payees' EINs (possible job placement/referral services);
- 564 organizational representative payees that served between 5 and 49 beneficiaries and had EINs for beneficiaries' reported wages that were the same as the payees' EINs (possible employers); and
- 59 individual representative payees who served between 5 and 14 beneficiaries and had EINs for beneficiaries' reported wages for the same employer (possible job placement/referral services or employers).

From these 3 sampling frames, we selected a total of 50 representative payees for review. First, we selected 20 organizational representative payees that could have been serving as job placement or job referral services. For the second sampling frame, we selected 20 organizational representative payees that could have been serving as employers for the beneficiaries they represented. Finally, we selected 10 individual representative payees who could have been serving as job placement/referral services or employers to the beneficiaries they represented.

Of the 50 representative payees initially selected, we replaced 8 payees. The replacement payees were selected because (1) beneficiaries were no longer employed at the time of our review; (2) a group of beneficiaries did not work at the same location or reside in the same residence; or (3) payees were beneficiaries' family members. Once we identified a payee for replacement, the replacement payee was not included in our review if it met one of the conditions previously stated. There were two instances where replacement payees met at least one of the conditions. As a result, two replacement payees were not included in our review. Therefore, our review examined a total of 48 representative payees.

We selected certain beneficiaries served by the representative payees for review. The beneficiaries included in our review were (a) employed at the time of our site visits and/or (b) shared a residence with at least one other beneficiary who was employed at the time of our review. A total of 342 beneficiaries was included in our review.

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Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations 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 liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG 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. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.