
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**INDIVIDUAL
REPRESENTATIVE PAYEES
FOR THE
SOCIAL SECURITY ADMINISTRATION
IN THE PHILADELPHIA REGION**

April 2005

A-14-05-15050

**EVALUATION
REPORT**



Mission

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

Authority

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

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

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

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

Vision

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



SOCIAL SECURITY

MEMORANDUM

Date: April 22, 2005

Refer To:

To: Laurie Watkins
Regional Commissioner
Philadelphia

From: Inspector General

Subject: Individual Representative Payees for the Social Security Administration in the Philadelphia Region (A-14-05-15050)

OBJECTIVE

Our objective was to confirm that beneficiaries in the care of representative payees existed; and, through personal observation and interviews, to determine whether the beneficiaries' food, clothing and shelter needs were being met.

BACKGROUND

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

SSA's primary concern is to select the payee who will best serve the beneficiary's² interest; and preference is normally given to a parent, legal guardian, spouse or other relative of a beneficiary.³ SSA considers payments to a representative payee to have been used for the benefit of the beneficiary if they were spent on the beneficiary's

¹ The 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 We use the term "beneficiary" generically to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

³ 20 Code of Federal Regulations (C.F.R.) §§ 404.2021 and 416.621.

current maintenance—which includes the costs incurred in “...obtaining food, shelter, clothing, medical care, and personal comfort items.”⁴

We conducted a nation-wide review of individual representative payees serving 14 or fewer beneficiaries (Appendix A). There are approximately 4.3 million of these types of representative payees serving approximately 5.5 million beneficiaries. To provide statistically valid nation-wide projections, we randomly selected 275 individual representative payees for review, of which 31 were in the Philadelphia Region (Appendix B). These 31 representative payees received and managed approximately \$22,534 in monthly benefits for 41 beneficiaries.

RESULTS OF REVIEW

We confirmed the existence of the 41 beneficiaries in the care of the 31 representative payees in the Philadelphia Region. Also, through personal observation and interviews, we found that 40 of the 41 beneficiaries' food, clothing and shelter needs were being met. One representative payee refused to allow us to interview the beneficiary at his residence and therefore we were unable to determine whether the beneficiary's shelter needs were being met.

For 38 of the 40 beneficiaries whose needs were being met, nothing came to our attention that would lead us to believe the representative payees did not use the Social Security benefits received for the beneficiaries' needs. However, two representative payees did not manage the benefits of two beneficiaries. Specifically, we found that one representative payee turned over the entire benefit amount to the beneficiary without providing any direction or instruction about how to use the funds, and one representative payee had relinquished his responsibilities to another individual.

A Representative Payee Refused to Cooperate

After an individual has been selected as a representative payee, SSA may ask the representative payee to provide information showing a continuing relationship to the beneficiary and a continuing responsibility for the beneficiary's care. If the representative payee does not provide the requested information within a reasonable period of time, SSA may stop paying the representative payee unless SSA determines there is a satisfactory reason for not complying with the request.⁵ Also, SSA's policy states that, as soon as it appears a representative payee cannot be located, no longer acts on the beneficiary's behalf, or is uncooperative, SSA should determine whether a new representative payee should be appointed.⁶

⁴ 20 C.F.R. §§ 404.2040(a) and 416.640(a).

⁵ 20 C.F.R. §§ 404.2025 and 416.625.

⁶ SSA Program Operations Manual System (POMS), SI 02301.235 I.2. and GN 00504.100.

For one representative payee, we could not determine whether the beneficiary's shelter needs were being met because we were unable to determine where the beneficiary was living. We interviewed the beneficiary in the lobby of the apartment building where the representative payee and the beneficiary supposedly lived. SSA's records showed the beneficiary was living with the representative payee in an apartment in the building; however, the representative payee contradicted this information. When we interviewed the representative payee, he stated the beneficiary did not live with him, yet the beneficiary stated he was living with the representative payee. We requested SSA to follow up on this case to determine where the representative payee and beneficiary were actually living and whether a change of payee was indicated. In November 2004, SSA performed a redetermination on the beneficiary and appointed a new payee at the beneficiary's request. At the time of our review, approximately \$7,092 per year was at-risk of not being managed appropriately.

A Representative Payee Turned over the Entire Benefit Amount to the Beneficiary

One of a representative payee's primary responsibilities is to ensure the beneficiary's day-to-day needs are met. This includes costs incurred to obtain food, shelter, clothing, medical care, and personal items. It also includes, but is not limited to, regularly meeting with the beneficiary to ascertain his/her current and foreseeable needs.⁷ In two cases, we determined the representative payees were "conduit payees" because they turned over the benefit payments to the beneficiary or to a third party each month "...without giving any direction or instruction about how to use the funds."⁸ SSA allows this practice as long as the representative payee gives the beneficiary or third party direction or instruction about how to use the funds and can account for how the funds were spent.

In this case, the representative payee simply turned over the entire \$611 in monthly benefits to the beneficiary without providing direction or instruction on how to spend it and did not account for how the funds were spent. This occurred because the representative payee believed the beneficiary was capable of managing her own benefits. As a result of our interview, SSA reevaluated the beneficiary's need for a representative payee and determined the beneficiary was capable of handling her own benefits. The beneficiary was subsequently appointed as her own payee.

A Representative Payee Relinquished His Responsibilities to Another Individual

SSA policy requires that SSA find the person or organization best suited to be a representative payee.⁹ In determining who would be best suited, SSA performs a face-to-face interview, verifies the payee's identity, and evaluates the applicant using such factors as (1) concern for the beneficiary's well being, (2) ability to handle his/her own

⁷ SSA POMS, GN 00502.113.C.1.

⁸ SSA POMS, GN 00605.066 B.2.

⁹ SSA POMS, GN 00502.100.A. and GN 00502.130.A.

affairs, (3) knowledge of the beneficiary's current and foreseeable needs, (4) relationship to the beneficiary, and (5) history of criminal behavior or (6) prior misuse of benefits.¹⁰ Furthermore, during the interview, SSA ensures the applicant understands a representative payee's duties and responsibilities.

One individual was the representative payee of record but had relinquished his duties to another individual. The representative payee (who was the beneficiary's father) turned over the entire \$603 in monthly benefits to the beneficiary's mother. The payee no longer controlled the funds nor could he account for how the funds were used. Because the beneficiary lived with his mother, she was paying the bills and maintaining records. Additionally, the payee failed to report that the beneficiary had moved and was no longer in his care.

In this case, the representative payee had relinquished his duties to another individual (the beneficiary's mother) who was unknown to SSA because she had not applied to be a representative payee. Therefore, SSA had not determined whether the individual who had assumed the role of representative payee was the best suited payee. Furthermore, SSA could not ensure this individual understood a representative payee's responsibilities. As a result of our review, SSA initiated a change of payee for this beneficiary and, on December 15, 2004, appointed the mother as representative payee.

CONCLUSIONS

We confirmed the existence of 41 of the beneficiaries in the care of 31 representative payees in the Philadelphia Region. Through personal observation and interviews, we found that 40 beneficiaries' food, clothing and shelter needs were being met. For 1 of the 41 beneficiaries, we could not determine whether the beneficiary's shelter needs were being met.

For 2 of the remaining 40 beneficiaries whose food, clothing, and shelter needs were being met, we found

- 1 representative payee had turned over the entire benefit amount to the beneficiary, and
- 1 representative payee had relinquished his responsibilities to another individual.

Other than the exceptions noted above, nothing came to our attention that would lead us to believe the representative payees did not use the Social Security benefits received for the beneficiaries' needs.

Our contact with the payees also provided the local SSA staff the opportunity to address other issues facing the payees and beneficiaries—thus contributing to SSA's goal for delivering high quality, citizen-centered service.

¹⁰ SSA POMS, GN 00502.113 and GN 00502.130.B.

Because SSA took prompt action to address problems identified during our review, we have no recommendations for the Agency.

AGENCY COMMENTS

SSA had no comments on the report (see Appendix C).

OTHER MATTER

Inconsistent Information

We found instances of inconsistent beneficiary and representative payee information within SSA's database records. Some examples of inconsistencies include different addresses and telephone numbers on the Representative Payee System, Master Beneficiary Record, and Supplemental Security Record and incorrect or outdated telephone numbers or addresses for some individuals.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Scope and Methodology

APPENDIX B – Sampling Methodology and Results

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Appendix A

Scope and Methodology

The nation-wide population included all individual representative payees within the contiguous 48 States and the District of Columbia serving 14 or fewer beneficiaries as of May 20, 2004. To accomplish our objective, we:

- Reviewed SSA's policies and procedures for monitoring representative payees and their responsibilities for the beneficiaries in their care.
- Obtained a data extract of representative payees from the Representative Payee System as of May 2004 meeting our selection criteria.
- Selected a random sample of 275 representative payees nationwide. We are issuing a separate report on the nation-wide results, as well as separate reports for each of the 10 SSA regions.¹

For the 31 representative payees in the Philadelphia Region we:

- verified the identities of 31 representative payees and 41 beneficiaries they served;
- interviewed 31 representative payees;
- interviewed/observed 41 beneficiaries; and
- visited and observed the living conditions of 40 beneficiaries.

We performed our review in the District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia from July to October 2004. We conducted our review in accordance with *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

¹ SSA OIG, *Nation-wide Survey of Individual Representative Payees for the Social Security Administration* (A-13-05-25006), *Individual Representative Payees for the Social Security Administration in the Boston Region* (A-01-05-15048), *Individual Representative Payees for the Social Security Administration in the New York Region* (A-02-05-15049), *Individual Representative Payees for the Social Security Administration in the Philadelphia Region* (A-14-05-15050), *Individual Representative Payees for the Social Security Administration in the Atlanta Region* (A-13-05-15051), *Individual Representative Payees for the Social Security Administration in the Chicago Region* (A-05-05-15052), *Individual Representative Payees for the Social Security Administration in the Dallas Region* (A-06-05-15053), *Individual Representative Payees for the Social Security Administration in the Kansas City Region* (A-07-05-15054), *Individual Representative Payees for the Social Security Administration in the Denver Region* (A-07-05-15055), *Individual Representative Payees for the Social Security Administration in the San Francisco Region* (A-09-05-15056), and *Individual Representative Payees for the Social Security Administration in the Seattle Region* (A-09-05-15057).

Sampling Methodology and Results

To identify the nation-wide population, we obtained a data extract from the Social Security Administration's Representative Payee System of all individual representative payees who had 14 or fewer beneficiaries in their care as of May 20, 2004. This population was 5,380,635 representative payees who served 6,818,696 beneficiaries.

From this population, we excluded those representative payees who:

- resided outside of the 48 contiguous States and the District of Columbia;
- served only as their own representative payee, as reflected in the Representative Payee System;
- had all beneficiaries in noncurrent pay status;
- had an invalid state code or military address; or
- managed total funds of \$50 or less monthly.

This reduced our population to 4.3 million representative payees serving 5.5 million beneficiaries. From this population, we randomly selected 275 representative payees for review. Issues discussed in this report will be included in the national report.

Initially, 30 of the 275 sample cases chosen were located in the Philadelphia Region. However, two of the selected representative payees were added to, and one was removed from, our Region for review.

- One was transferred to the San Francisco Region because SSA records showed the representative payee had a Maryland address when the representative payee and beneficiary actually lived in Nevada.
- One was transferred from the Kansas City Region because SSA records showed the representative payee had an Iowa address when the representative payee and beneficiary actually lived in Pennsylvania.
- One was added because SSA records showed a representative payee had a Massachusetts address when actually the representative payee and beneficiary had moved to Puerto Rico. Therefore, this case was dropped from the sample and the randomly chosen replacement case was located in the Philadelphia Region.

Accordingly, our review of the Philadelphia Region consisted of 31 representative payees. Our findings in the Philadelphia Region will be included in a national report, where statistical projections will be made. The following table provides the details of our sampling results in the Philadelphia Region.

Sample Results	Cases	Dollar Amount ¹
A Representative Payee Refused to Cooperate	1	\$7,092

¹ 12-month estimate based on monthly benefit payment amount at the time of our audit.

Appendix C

Agency Comments

April 6, 2005

OIG DRAFT REPORT, "INDIVIDUAL REPRESENTATIVE PAYEES FOR THE SOCIAL SECURITY ADMINISTRATION IN THE PHILADELPHIA REGION" (A-14-05-15050) AUDIT NO. 22004090

Mr. Schaeffer:

The Philadelphia Region has no comments on Audit No. 22004090. If members of your staff have any questions, they should contact Clare O'Donnell, Center for Programs Support, at (215) 597-1754.

/s/
Paula M. Newcomer

Appendix D

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Acknowledgments

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Office of Audit

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

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Office of the Chief Counsel to the Inspector General

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

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