



SOCIAL SECURITY

MEMORANDUM

Date: September 23, 2002 **Refer To:**

To: James C. Everett
Regional Commissioner

From: Inspector General

Subject: Financial-Related Audit of Denver Department of Human Services – An Organizational Representative Payee for the Social Security Administration (A-05-02-12024)

Attached is a copy of our final report. Our objectives were to determine whether the Denver Department of Human Services (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's policies and procedures.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

James W. Bush

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**FINANCIAL-RELATED AUDIT OF
THE DENVER DEPARTMENT OF
HUMAN SERVICES
AN ORGANIZATIONAL
REPRESENTATIVE PAYEE FOR THE
SOCIAL SECURITY ADMINISTRATION**

September 2002 A-05-02-12024

AUDIT 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.

Executive Summary

OBJECTIVE

Our objectives were to determine whether the Denver Department of Human Services (DDHS) (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

BACKGROUND

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

Rep Payees are responsible for using benefits to serve the best interests of the beneficiary. Their duties include:

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

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

DDHS is an agency under the City and County of Denver. The human services program is County-administered and State-supervised. DDHS employs approximately 1,200 employees and serves as an organizational Rep Payee for SSA. During our audit period, DDHS served as Rep Payee for 474 SSA beneficiaries. DDHS also serves as the court-appointed legal custodian for children and guardian for adults who have no one else to care for them.

RESULTS OF REVIEW

Although our audit disclosed accounting deficiencies, we concluded that DDHS generally had effective safeguards over the receipt and disbursement of SSA funds and ensured that Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. With 1 exception, our review of 50 randomly selected beneficiaries disclosed that DDHS adequately monitored and reported to SSA changes in beneficiaries' circumstances that could have affected their eligibility. One case of unreported income (foster care under title IV-E) resulted in a \$5,835 overpayment because DDHS failed to properly monitor the recipient's income. Since this was an isolated error and SSA is requesting DDHS to return the funds, we have no recommendation.

Despite vulnerabilities involving DDHS' accounting controls and procedures, we concluded DDHS was able to account for Social Security benefits received. The specific accounting deficiencies were that DDHS did not:

- maintain adequate documentation supporting the personal needs allowance of institutionalized beneficiaries;
- ensure that recorded disbursements for children were always identified as SSA funds. In addition, controls were not adequate to ensure that disbursements for children were reflected on their monthly financial records; and
- use actual expenditure information to report expenses for children on the RPR.

We could not determine whether DDHS properly reported to SSA how benefits were used because SSA was unable to provide 18 of the 29 RPRs we requested. SSA was also unable to provide 6 of the 10 applications to become Rep Payee we requested. We also found that SSA did not record in its Representative Payee System five beneficiaries in DDHS' care. We provided SSA the names of the affected beneficiaries so it could take corrective action. We also reported to SSA 13 instances where the Rep Payee's name was listed inaccurately on the Supplemental Security Record.

CONCLUSIONS AND RECOMMENDATIONS

Generally, we found that DDHS met its responsibilities as Rep Payee for individuals receiving OASDI and SSI payments. Nevertheless, DDHS needs to strengthen its controls and procedures to improve the completeness and accuracy of its accounting records. We recommend that SSA ensure that DDHS:

- Document how it spent and/or saved individuals' monthly personal needs allowances.
- Record and identify funds paid from SSI and OASDI benefits on behalf of child beneficiaries.
- Complete RPRs for child beneficiaries using actual expenditure information.

AGENCY COMMENTS

In response to our draft report, SSA agreed with our recommendations. See Appendix A for the full text of SSA's comments.

REP PAYEE COMMENTS

DHHS did not provide comments.

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Acronyms

DDHS	Denver Department of Human Services
OIG	Office of the Inspector General
OASDI	Old-Age, Survivors and Disability Insurance
Rep Payee	Representative Payee
RPS	Representative Payee System
RPR	Representative Payee Report
SSA	Social Security Administration
SSI	Supplemental Security Income

Introduction

OBJECTIVE

Our objectives were to determine whether the Denver Department of Human Services (DDHS) (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees (Rep Payee) to receive and manage these beneficiaries' payments.¹ A Rep Payee may be an individual or an organization. SSA selects Rep Payees for beneficiaries when representative payments would serve the individual's interest.

REPRESENTATIVE PAYEE RESPONSIBILITIES

Rep Payees are responsible for using benefits to serve the best interests of the beneficiary. Their duties include:

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

¹ 42 U.S.C. §§ 405(j) and 1383(a)(2). We use the term "beneficiary" generically in this report to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

² Id.; 20 C.F.R., part 404, subpart U, and part 416, subpart F.

About 7 million individuals have Rep Payees—approximately 4.4 million are Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries, 2 million are Supplemental Security Income (SSI) recipients, and 600,000 are entitled to both OASDI and SSI. The following chart reflects the types of Rep Payees and the number of individuals they serve.

Type of Rep Payee	Number of Rep Payees	Number of Individuals Served
Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others	4,949,000	6,160,000
Organizational Payees: State Institutions, Local Governments, and Others	44,150	759,000
Organizational Payees: Fee-for-Service	850	81,000
TOTAL	4,994,000	7,000,000

DDHS

DDHS is an agency under the City and County of Denver. The human services program is County-administered and State-supervised. DDHS employs approximately 1,200 employees and serves as an Organizational Rep Payee for SSA.³ During our audit period, DDHS served as Rep Payee for 474 SSA beneficiaries. DDHS also serves as the court-appointed legal custodian for children and guardian for adults who have no one else to care for them. As custodian and guardian, DDHS is responsible for the individuals' living conditions and medical treatment. DDHS conducts periodic site visits to the institutions and private residences that house the individuals in its care, including SSA beneficiaries. During the site visits, DDHS ensures that beneficiaries are residing in acceptable living conditions and that their needs are being met.

³ An Organizational Rep Payee can be a social service agency, a Government agency official, or a financial institution.

As shown in the table below, SSA paid \$262,670 to DDHS on behalf of the 50 beneficiaries we reviewed from May 1, 2000 through April 30, 2001.

	Number of Cases	Benefits Received		Total SSA Funds
		SSI	OASDI	
SSI Only	29	\$150,939	\$0	\$150,939
OASDI Only	15	0	80,248	80,248
Concurrent	6	11,904	19,579	31,483
Total	50	\$162,843	\$99,827	\$262,670

SCOPE AND METHODOLOGY

Our audit covered the period May 1, 2000 through April 30, 2001. To accomplish our objectives, we:

- Reviewed the Social Security Act, SSA regulations, rules, policies and procedures pertaining to Rep Payees.
- Contacted the Denver, Colorado, SSA Regional Office and the Denver, Colorado (Downtown), district office staff to obtain background information about the Rep Payee's performance.
- Obtained from SSA's Representative Payee System (RPS) a list of beneficiaries who were in the Rep Payee's care during our audit period (May 1, 2000 through April 30, 2001).
- Obtained from the Rep Payee a list of beneficiaries who were in its care some time during our audit period.
- Compared and reconciled the RPS and the Rep Payee's listings to identify a population of 474 SSA beneficiaries who were in the Rep Payee's care during our audit period.⁴
- Reviewed and tested the Rep Payee's internal controls over the receipt and disbursement of OASDI benefits and SSI payments.

⁴ We could not fully rely on the list obtained from the Rep Payee. Our review of its SSA beneficiary list revealed it contained current, former, and non-SSA beneficiaries.

- Performed the following tests for the 50 randomly selected beneficiaries included in our review.
 - Compared and reconciled benefit amounts paid according to the Rep Payee's records to benefit amounts paid according to SSA's records.
 - Reviewed the Rep Payee's accounting records to determine whether benefits were properly spent or conserved on the individual's behalf. We also determined whether SSA was due a refund for any overpaid benefits.
 - Traced a sample of recorded expenses to source documents and examined the underlying documentation for reasonableness and authenticity.
- Calculated the total SSA benefits received by DDHS for the SSA beneficiaries during our audit period.
- Interviewed a sample of the Rep Payee's beneficiaries, personal guardians, or caregivers to determine whether their basic needs were being met.
- Reviewed 11 RPRs to determine whether the Rep Payee properly reported to SSA how benefits were used.
- Reviewed four SSA-11 (*Request to Be Selected As Payee*) forms submitted to SSA by DDHS to ensure proper signature by the Rep Payee.
- Obtained from DDHS a list of SSA beneficiaries who resided in institutions some time during the period May 2000 through April 2001. Calculated the total SSA benefits paid to those individuals during our audit period.

We performed our audit at DDHS in Denver, Colorado, and Chicago, Illinois, between July 2001 and May 2002. We conducted our audit in accordance with generally accepted government auditing standards.

Results of Review

Although we found accounting deficiencies, DDHS generally met its responsibilities as Rep Payee for individuals receiving OASDI and SSI payments. Although DDHS did not record disbursements of Social Security funds at the individual child beneficiary level, we were able to account for the disbursements. In addition, DDHS provided adequate services to these individuals and properly disbursed Social Security benefits. With 1 exception, our review of 50 randomly selected beneficiaries disclosed that DDHS adequately monitored and reported to SSA changes in beneficiaries' circumstances that could have affected their eligibility. One case of unreported income (foster care under title IV-E) led to an overpayment. Specifically, we found that DDHS did not identify an SSI recipient who was collecting both title IV-E and SSI payments. Concurrent benefits were paid from April 2000 through April 2001, resulting in a \$5,835 overpayment. This occurred because DDHS failed to properly monitor the recipient's income. Since this was an isolated error, and SSA is requesting DDHS to return the funds, we have no recommendation.

We determined that DDHS could account for the use of Social Security benefits. However, we found that DDHS did not:

- maintain adequate documentation supporting the personal needs allowance of institutionalized beneficiaries;
- ensure that recorded disbursements for children were always identified as SSA funds. In addition, controls were not adequate to ensure that disbursements for children were reflected on their monthly fiscal histories; and
- use actual expenditure information to report expenses for children on the RPR.

MONTHLY PERSONAL NEEDS ALLOWANCE

A Rep Payee's duties include ensuring that SSA beneficiaries' needs are met. SSA's policy states that the Rep Payee of all institutionalized beneficiaries should provide at least \$30 each month for the beneficiaries' personal needs.⁵ Furthermore, the Rep Payee should keep written records of all payments received from SSA and how those payments are spent and/or saved.⁶

The 474 beneficiaries in DDHS' care included 20 individuals who had been institutionalized (for example, nursing home). The 20 beneficiaries received a total of

⁵ *Representative Payment Program, Guide for Organizational Representative Payees, What is Proper Use of Benefits, Institutionalized Beneficiaries*, page 1 of 3.

⁶ *Representative Payment Program, Guide for Organizational Representative Payees, What Are Your Duties As a Representative Payee*, page 1 of 2.

\$4,380 in Social Security payments for the period May 2000 through April 2001. DDHS provided the institutions a \$30 monthly personal needs allowance. DDHS allowed institutions to determine how to spend the personal needs allowance. However, DDHS did not require the institutions to provide periodic reports detailing expenditures to DDHS. DDHS should have a system in place to account for beneficiaries' \$30 personal needs allowance. At a minimum, DDHS should require the institutions to maintain a ledger with the beneficiary's signature for cash disbursements and receipts for all noncash distributions.

SSA DISBURSEMENTS FOR CHILDREN

In 24 of the 30 child cases included in our review of 50 beneficiaries, DDHS either did not record or improperly classified the disbursement of Social Security benefits. Although we were unable to verify that DDHS accounted for the use of benefits paid to each individual, we were able to account for the use of benefits received. We did this by accounting for total income received and costs paid on behalf of each individual. We therefore were able to conclude that DDHS properly used Social Security benefits paid for these individuals. Nonetheless, DDHS should implement controls to ensure that the disbursement of benefits is properly recorded and classified in the financial records for each individual.

ESTIMATION OF EXPENDITURES ON REP PAYEE REPORTS

We reviewed 11 original RPRs obtained from SSA and RPRs found in DDHS' case files. We found that DDHS completed RPRs for adult beneficiaries based on actual expenditures. However, fixed percentages were used to allocate expenditures for child beneficiaries into cost categories. Thus, DDHS estimated the total spent on food and shelter and other expenses. In our opinion, SSA cannot adequately assess DDHS' effectiveness as a Rep Payee based on expenditure estimates. DDHS should be required to use actual expenditure information when reporting how much was spent for food, housing and other things such as clothing, education, medical and dental expenses, and recreation or personal

REP PAYEE SYSTEM INACCURACIES

SSA did not accurately record all beneficiaries in the RPS who were under DDHS' care. We found two beneficiaries in DDHS' care who were recorded in RPS under another Rep Payee. Another three beneficiaries were receiving Social Security payments but were not recorded on RPS. We provided the names to SSA so the RPS could be amended to show the individuals are under DDHS' care. Consequently, we are not recommending any further action.

Conclusions and Recommendations

We believe DDHS met its responsibilities as Rep Payee for individuals receiving OASDI and SSI payments. Nevertheless, DDHS needs to strengthen its controls and procedures to improve the completeness and accuracy of its accounting records. We recommend that SSA ensure that DDHS:

1. Document how it spent and/or saved individuals' monthly personal needs allowances.
2. Record and identify funds paid from SSI and OASDI benefits on behalf of child beneficiaries.
3. Complete RPRs for child beneficiaries using actual expenditure information.

AGENCY COMMENTS

SSA agreed with our recommendations and stated that the Denver District Office will monitor DDHS and focus on the accounting errors disclosed by the audit. See Appendix A for the full text of SSA's comments to our draft report.

REP PAYEE COMMENTS

DDHS did not provide comments to our draft report.

Other Matters

REP PAYEE REPORTS

To determine whether DDHS properly reported to SSA how benefits were used, we requested from SSA the most recently completed RPRs for 29 of DDHS' beneficiaries. While DDHS staff members stated they submitted RPRs to SSA for all their beneficiaries, SSA was unable to provide 18 of the 29 RPRs requested. Because SSA did not provide all the RPRs requested, we could not independently confirm that DDHS met its reporting responsibilities. For the 18 RPRs SSA did not provide, we do not know whether the DDHS actually submitted RPRs to SSA or whether the DDHS provided them to SSA, and SSA could not locate them.

Prior audits of institutional rep payees have consistently disclosed this deficiency. The Office of the Inspector General roll-up management advisory report for 6 months of rep payee activities done for the 1-year period ended August 31, 2000, disclosed that SSA was able to provide only 67 of 167 RPRs requested. The report recommended that SSA pilot the use of stored value cards as an alternative to the RPRs.⁷

REQUEST TO BE SELECTED AS A REP PAYEE

To ensure proper signatures were obtained from DDHS, we requested from SSA the applications to be selected Rep Payee for 10 beneficiaries. SSA was unable to provide 6 of the 10 applications we requested. As a result, we could not determine for all applications requested, whether the signature requesting Rep Payee status and other information was provided.

SUPPLEMENTAL SECURITY RECORD

We found the name of DDHS was inaccurately entered on the Supplemental Security Record records of 13 beneficiaries who were in its care. We provided SSA the names of the affected beneficiaries so it could take corrective action.

⁷ *Summary of Financial-Related Audits of Representative Payees for the Social Security Administration* (A-13-00-10065, August 2002)

Appendices

Appendix A

Agency Comments

-----Original Message-----

From: ||DEN ORC
Sent: Wednesday, September 18, 2002 11:33 AM
To: Schaeffer, Steve
Cc: Clement, Lorrie; ||DEN ARC MOS; ||DEN ORC
Subject: OIG DRAFT REPORT FOR AUDIT NO. 22001051 ON REP PAYEE IN DENVER REGION--RESPONSE
Importance: High

-----Original Message-----

From: ||DEN ORC
Sent: Wednesday, September 11, 2002 10:36 AM
To: ||DCO OPSOS; ^DCO Controls
Cc: Holman, Jackie; Everett, James; Townsend, Mary Ann; ||DEN ORC EXO; ||DEN ARC MOS; ||DEN ORC
Subject: OIG DRAFT REPORT FOR AUDIT NO. 22001051 ON REP PAYEE IN DENVER REGION--RESPONSE
Importance: High

Jackie,

Thank you for the opportunity to review the draft report, "Financial-Related Audit of the Denver Department of Human Services - an Organizational Representative Payee for the Social Security Administration." The recommendations are identical to those presented at the close-out interview conducted by OIG via teleconference. We agree with all recommendations. The Denver District Office will monitor the payee, Denver Department of Human Services, and focus on the few accounting errors discovered during the audit. Overall, the payee is doing a good job of monitoring benefits and reporting changes to the Social Security Administration.

Please let me know if you need any additional information. Your staff may contact Phyllis Henderson of the RSI Team at (303) 844-4268.

James

Appendix B

OIG Contacts and Staff Acknowledgements

OIG Contacts

William Fernandez, Director, Western Audit Division, (510) 970-1739

Teresa S. Williams, Deputy Director, (312) 353-0331

Acknowledgments

In addition to those named above:

Lorrie A. Clement, Senior Auditor

Sherman Doss, Auditor

Kimberly Beauchamp, Writer-Editor

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President, National Council of Social Security Management Associations, Incorporated	1
Treasurer, National Council of Social Security Management Associations, Incorporated	1
Social Security Advisory Board	1
AFGE General Committee	9
President, Federal Managers Association	1
Regional Public Affairs Officer	1
Denver Department of Human Services	1
Total	97

Overview of the Office of the Inspector General

Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

Office of Executive Operations

OEO supports the OIG by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.