

August 31, 1998

Mr. James F. Martin
Acting Regional Commissioner
Social Security Administration
P.O. Box 8280
Chicago, Illinois 60680-8280

Dear Mr. Martin:

Enclosed is our final report entitled, "Review of the Illinois Department of Children and Family Services' Effectiveness as a Representative Payee" (A-05-96-82000). The objective of our review was to determine whether the Illinois Department of Children and Family Services (DCFS), as a representative payee, had adequate procedures to account for benefits received for the children in its care. Specifically, we focused on whether DCFS: (1) accounts for Social Security Administration (SSA) funds individually for each beneficiary, (2) monitors the individual accounts for events reportable to SSA, and (3) submits written reports to SSA as required.

If you wish to discuss the final report, please call me or have your staff contact Barry Shulman at (312) 353-0331.

Sincerely yours,

Pamela J. Gardiner
Assistant Inspector General
for Audit

Enclosure

cc:
Susan M. Daniels, Deputy Commissioner, DISP
Donna Siegel, Director, MAAPSS
Jess McDonald, Director, Illinois DCFS

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**REVIEW OF THE ILLINOIS
DEPARTMENT OF CHILDREN
AND FAMILY SERVICES'
EFFECTIVENESS AS A
REPRESENTATIVE PAYEE**

AUGUST 1998 A-05-96-82000

AUDIT REPORT



August 31, 1998

Mr. James F. Martin
Acting Regional Commissioner
Social Security Administration
P.O. Box 8280
Chicago, Illinois 60680-8280

Dear Mr. Martin:

This report presents the results of our audit of the Illinois Department of Children and Family Services' (DCFS) effectiveness as a representative payee. The objective of our review was to determine whether DCFS, as a representative payee, had adequate procedures to account for Retirement, Survivors and Disability Insurance (RSDI) and Supplemental Security Income (SSI) benefits received for the children in its care. Specifically, we focused on whether DCFS: (1) accounts for Social Security Administration (SSA) funds individually for each beneficiary, (2) monitors the individual accounts for events reportable to SSA, and (3) submits written reports to SSA as required.

BACKGROUND

Our review was initiated at the request of SSA due to concerns of whether DCFS was properly fulfilling its duties as representative payee. SSA's concerns arose based on a June 1996 class action lawsuit against DCFS. The plaintiff (a mentally disabled minor) was awarded SSI benefits in June 1994, and a check in excess of \$34,000 for retroactive benefits was released to DCFS. The lawsuit contends that no benefits were paid since February 1995 and the child's account had been depleted except for \$1 as of May 1, 1996. It also contends that injuries sustained by the plaintiff result from the same systemic practices applied by DCFS to approximately 2,500 disabled children who receive SSI and for whom DCFS is legally responsible. The plaintiff is seeking declaratory and equitable relief against DCFS for allegedly: squandering the beneficiary's benefits; misappropriating funds, and using them for purposes unrelated to the beneficiary's welfare; rendering the beneficiary ineligible for continuing SSI benefits as a result of financial mismanagement; and leaving the beneficiary without resources necessary to secure an appropriate living arrangement when he reaches adulthood and is released from the care and custody of DCFS.

Under the foster care program, the Illinois DCFS often applies for RSDI and SSI benefits on behalf of the children placed in its custody. Once these children become eligible for benefits, DCFS becomes their representative payee. As the representative payee, DCFS is responsible for accounting for the benefits received on behalf of the children in its custody. DCFS is also responsible for: (1) using the benefits received only for the food, shelter, clothing, medical care, and personal items of the beneficiary; (2) notifying SSA of any event that will affect the amount of benefits the beneficiary receives or the right of the beneficiary to continue receiving benefits; (3) submitting to SSA, upon request, a written report accounting for the benefits received; and (4) notifying SSA of any change in the representative payee's circumstances that would affect performance of the payee responsibilities. A representative payee who has accumulated savings from the benefits and ceases to serve as payee will be required to return any benefits and interest earned to SSA for transfer to the new payee.

For the month of December 1996, the Illinois DCFS, acting as representative payee for 5,155 SSA beneficiaries, received \$2 million from SSA in RSDI and SSI benefits. DCFS estimates that, as representative payee, it received approximately \$74.4 million in RSDI and SSI benefits between December 1991 and December 1996.

SCOPE AND METHODOLOGY

To complete our review, we:

- Obtained from DCFS two separate listings of beneficiaries who received RSDI and SSI benefits as of December 1996. From these listings, we selected a random sample of 100 beneficiaries from a population of 5,155 beneficiaries who had trust account balances established by DCFS as of December 1996 (see Appendix A).
- For the 100 DCFS cases sampled above, we reviewed the beneficiary's personal and payment data recorded in SSA's records between December 1991 and December 1996. The SSA records reviewed included the Master Beneficiary Record and the Payment History and Update System record for RSDI cases and the Supplemental Security Income Record for SSI cases. Our review was conducted to ensure that information contained in the DCFS files was consistent with information contained in SSA's records.

Obtained from SSA a list of beneficiaries with DCFS shown to be the representative payee as of November 1997. We reconciled the two DCFS December 1996 lists with the SSA November 1997 list which resulted in a population of 3,615 nonmatching cases including 1,835 cases on the SSA list only. From this listing, we selected a random sample of 75 cases to ensure that the children were in DCFS' custody and that DCFS properly accounted for SSA benefits (see Appendix B).

Page 2 - Mr. James F. Martin

- Reviewed relevant DCFS and SSA policies and procedures.
- Reviewed the State of Illinois' 1996 Single Audit Report.
- Interviewed appropriate SSA and DCFS officials regarding methods of accounting for funds.

Our audit was conducted in accordance with generally accepted government accounting standards. Our audit period was from December 1991 through December 1996. Our field work was performed in October 1997 in Springfield, Illinois, and between November 1997 and March 1998 in Chicago, Illinois.

RESULTS OF REVIEW

The Illinois DCFS has adequate procedures to account for RSDI and SSI benefits received for children in its care. In addition, our review of a randomly selected statistical sample of DCFS cases, as of December 1996, disclosed that DCFS properly accounted for SSA funds received on behalf of children for which it acted as representative payee; monitored individual accounts for events reportable to SSA; and submitted written reports as required.

AGENCY COMMENTS

SSA considers our report to be thorough and concise. SSA is grateful that we were able to complete a statistically valid sample despite the delay in obtaining Agency records. SSA apologized for any inconvenience the delay may have caused. SSA feels reassured to have data to support its decisions to make DCFS payee for 5,000 of its beneficiaries and recipients.

Sincerely yours,

Pamela J. Gardiner
Assistant Inspector General
for Audit

APPENDICES

Statistical Sampling Methodology – DCFS Lists of Beneficiaries, and Review of DCFS Accounting System

STATISTICAL SAMPLING METHODOLOGY

Our population consists of Social Security Administration (SSA) Retirement, Survivors and Disability Insurance (RSDI) and Supplemental Security Income (SSI) beneficiaries in the custody of the Illinois Department of Children and Family Services (DCFS) as of December 1996. Two listings comprised of RSDI and SSI beneficiaries were provided by DCFS. The two combined listings resulted in a population of 5,155 cases, including 4,863 cases listed as active, and 292 cases listed as inactive.

We used a stratified sample design to randomly select 150 cases from DCFS' list (100 active and 50 inactive accounts). We reviewed 50 active and 50 inactive cases and found no instances where DCFS allowed the beneficiary's account to exceed the resource limit. We decided to limit our review to 100 cases after completing our examination of DCFS' accounting system. (See below)

Strata Name	Strata 1	Strata 2	Total
	Active Cases	Inactive Cases	Total
Population Size	4,863	292	5,155
Sample Size	100	50	150
Sample Cases Reviewed	50	50	100
Number of Errors	None	None	None
Population Dollars	\$1,921,789	\$100,372	\$2,022,162
Error Dollars	None	None	None

For the 100 cases sampled, SSA paid \$863,373 during our audit period (December 1991 through December 1996) to DCFS. Our review of the 100 DCFS cases resulted in no errors to project to the population of 5,155 SSA beneficiaries. At the 90 percent confidence level, we estimate the population contains no more than a 5 percent error rate.

REVIEW OF DCFS ACCOUNTING SYSTEM

We interviewed DCFS Trust Accounts Unit staff to determine their duties and responsibilities. They are responsible for setting up new bank accounts; setting up new cases on the system; posting receipts; reporting changes in events to SSA; making adjustments to bank account after disbursements; closing out bank accounts, manual postings, etc. We found them to be very knowledgeable of SSA representative payee policies and procedures. We also reviewed the Children's Accounts Unit policies and procedures manual. This manual provided a complete description of the DCFS accounting process.

DCFS uses several interfacing online systems, including the Trust System (TS) and the Child, Youth Centered Information System (CYCIS) to track and report accounting and case management information. The TS, implemented in 1980, performs accounting functions associated with the maintenance of individual trust system files. The TS maintains each child's receipt and payment history and allows online inquiry on trust amounts paid or to be paid. The Children's Accounts Unit staff use the system to post receipts and set up new accounts. The payment history data is updated by the data processing staff on a monthly basis. The payment disbursement tape is downloaded onto the TS and individual payments are recorded to the appropriate client record according to the client identification number. The CYCIS, implemented in July 1982, is used to record client specific and eligibility data submitted by the caseworker staff. The CYCIS reports the client's status in terms of current living arrangements, service plan status, pending events, and goal achievement. It contains the client data base which is accessed by the other DCFS systems. It also provides automatic reminders such as review dates and advance notice of court hearings.

Statistical Sampling Methodology - SSA List of Beneficiaries

We obtained a list from the Social Security Administration (SSA) of all Retirement, Survivors and Disability Insurance (RSDI) and Supplemental Security Income (SSI) beneficiaries with the Department of Children and Family Services (DCFS) identified as representative payee as of November 1997. We sorted the SSA list and eliminated all terminated cases. The updated list included 5,210 current beneficiaries and beneficiaries who did not receive a regular benefit check at this time. We reconciled the new SSA November 1997 list with the DCFS December 1996 list and compiled a complete population of 3,375 cases. Our reconciliation also resulted in a population of 3,615 nonmatching cases, including 1,835 cases only on the SSA list and 1,780 cases only on the DCFS list.

CASES	MATCHING	NONMATCHING	TOTAL
SSA	3375	1835	5210
DCFS	3375	1780	5155
Combined Total	3375	3615	

- Originally, we planned to perform a 100 percent review of both DCFS and SSA nonmatching cases as of December 1996. However, due to the delay in obtaining the population of beneficiaries in DCFS custody from SSA, our comparison of the DCFS and SSA lists resulted in a larger number of nonmatching cases.¹ As such, we decided to perform a random sample. Using a stratified sample design, we randomly sampled 75 of the 1,835 nonmatching cases from the SSA list. We only sampled SSA nonmatching cases to ensure that SSA paid benefits to beneficiaries who were in DCFS custody. We also ensured that DCFS properly accounted for

¹ Data requested from SSA was not obtained until November 1997. SSA data was current as of November 1997 and DCFS data was current as of December 1996. Our reconciliation of SSA and DCFS lists resulted in a large number of nonmatching cases because SSA's data was not obtained in a timely manner.

- SSA benefits. Our review of 75 of the 1,835 nonmatching cases resulted in no errors. At the 90 percent confidence level, we estimate the population contains no more than a 3 percent error rate.

STRATA NAME	SSA NONMATCHING CASES
Population Size	1,835
Sample Size	75
Number of Errors	None
Error Dollars	None

APPENDIX C

MAJOR REPORT CONTRIBUTORS

Office of the Inspector General

Roger Normand, Director, Northern Program Audit Division

Barry Shulman, Deputy Director, Northern Program Audit Division, Chicago

Lorrie Clement, Auditor

APPENDIX D

AGENCY COMMENTS
