

Audit Report

Accounting for Large Underpayments
Released to Organizational
Representative Payees

A-02-15-13056 / May 2016

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 26, 2016 **Refer To:**

To: The Commissioner

From: Deputy Inspector General for Inspector General Patrick P. O'Carroll, Jr.

Subject: Accounting for Large Underpayments Released to Organizational Representative Payees
(A-02-15-13056)

The attached final report presents the results of the Office of Audit's review. The objectives were to determine whether organizational representative payees (1) had effective controls over the receipt and disbursement of large Old-Age, Survivors and Disability Insurance and Supplemental Security Income underpayments and (2) managed the payments in accordance with the Social Security Administration's policies and procedures.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.



Gale Stallworth Stone

Attachment

Accounting for Large Underpayments Released to Organizational Representative Payees

A-02-15-13056



May 2016

Office of Audit Report Summary

Objective

To determine whether organizational representative payees (1) had effective controls over the receipt and disbursement of large Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) underpayments and (2) managed the payments in accordance with the Social Security Administration's (SSA) policies and procedures.

Background

Congress granted SSA the authority to appoint representative payees for those beneficiaries who are incapable of managing or directing the management of their benefit payments. A representative payee may be an individual or an organization. Representative payees receive and manage payments on behalf of these beneficiaries.

An underpayment is any amount SSA owes a person that it has not yet paid. Underpayments usually result from unpaid benefits that have accumulated or checks that have not been cashed.

We reviewed 23 organizational representative payees that received an OASDI or SSI underpayment of \$10,000 or more from January 2013 through January 2015 on behalf of at least 1 beneficiary under their care.

Findings

While the 23 organizational representative payees generally had effective controls over the receipt of large OASDI and SSI underpayments, 9 did not have effective controls over the disbursement for underpayments received. Specifically, the nine organizational representative payees did not maintain receipts that supported expenditures made on behalf of the beneficiaries they represented. In addition, six of these nine organizational representative payees, and an additional two organizational representative payees, did not always manage the underpayments in accordance with SSA's policies and procedures. Specifically, the organizational representative payees did not

- use underpayments only on the beneficiaries' behalves;
- monitor SSI recipients' resources; or
- invest conserved funds in interest-bearing accounts.

Lastly, some of the organizational representative payees acted as conduit payees, passing the underpayment funds directly to the beneficiaries.

Recommendations

We made five recommendations, advising SSA to review the organizational representative payees we identified that did not properly manage the funds they received on behalf of the beneficiaries they represented.

SSA agreed with our recommendations.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	4
Controls over the Receipt and Disbursement of Underpayments	4
Compliance with SSA Policies and Procedures.....	6
Conduit Payee	6
Applying Benefits Only for the Beneficiary's Use and Benefits.....	8
Monitoring SSI Recipients' Resources	8
Invest Conserved Funds in Interest-bearing Accounts	9
Conclusions.....	10
Recommendations.....	10
Agency Comments.....	10
Other Matter.....	10
Appendix A – Scope and Methodology	A-1
Appendix B – Agency Comments.....	B-1
Appendix C – Acknowledgments.....	C-1

ABBREVIATIONS

C.F.R.	Code of Federal Regulations
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
RPR	Representative Payee Report
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
Stat.	United States Statutes at Large
U.S.C.	United States Code

OBJECTIVE

Our objectives were to determine whether organizational representative payees (1) had effective controls over the receipt and disbursement of large¹ Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) underpayments and (2) managed the payments 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 to receive and manage these individuals' payments.² A representative payee may be an individual or an organization. SSA selects representative payees for OASDI³ or SSI⁴ beneficiaries⁵ when having a representative payee to manage benefits would serve the individuals' interests.⁶ Representative payees are responsible for managing benefits in the beneficiaries' best interest.

Organizational representative payees manage benefits for some of SSA's most vulnerable beneficiaries. Therefore, the Agency must ensure organizational representative payees comply with SSA's policies and procedures in managing those funds and use the funds for the beneficiaries' best interests.

An underpayment is any amount SSA owes a person that has not yet been paid. Underpayments usually result from unpaid benefits that have accumulated or uncashed benefit checks.

From 1 segment of the Master Beneficiary (MBR) and Supplemental Security Records (SSR), we identified 215 organizational representative payees that received an OASDI or SSI underpayment of \$10,000 or more from January 2013 through January 2015 on behalf of at least 1 beneficiary under their care. These underpayments totaled approximately \$3.6 million. Of the 215 underpayments, 185 received OASDI underpayments, 25 received SSI underpayments, and 5 received both OASDI and SSI underpayments.

¹ For purposes of this audit, we defined a large underpayment as an underpayment of \$10,000 or more.

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

³ 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 § 201 et seq., 42 U.S.C. § 401 et seq.*

⁴ 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 §1601 et seq.; 42 U.S.C. § 1381 et seq.*

⁵ We use the term "beneficiary" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

⁶ *Social Security Act §§ 205(j)(1) and 1631(a)(2)(A)(ii); 42 U.S.C. §§ 405(j)(1) and 1383(a)(2)(A)(ii).*

Because our work included visiting the organizational representative payees, we selected the sample we reviewed from the organizations located within 100 miles of an Office of Inspector General Office of Audit. Of the 215 organizational representative payees, 84 were located within 100 miles of an Office of Audit. Of these 84 organizational payees, 75 had received OASDI underpayments, 7 had received SSI underpayments, and 2 had received both OASDI and SSI underpayments.

We selected the two cases that had the largest underpayment amounts and were within 100 miles of each of our regional Offices of Audit. Also, as there were relatively few SSI underpayments in the population, we included all the SSI underpayments in a region if the two largest underpayments were OASDI underpayments. Some regions only had one organizational representative payee that received a large underpayment and/or no large SSI underpayment was paid to an organizational representative payee in a region. Lastly, we excluded those representative payees SSA reviewed⁷ after the Agency issued the underpayments.

In total, we visited and reviewed 23 organizational representative payees to determine whether the representative payees complied with SSA policies and procedures. The 23 organizational representative payees⁸ received total underpayments of \$439,522. See Table 1.

⁷ *The Social Security Protection Act of 2004* requires that SSA conduct periodic reviews of certain representative payees. Pub. L. No. 108-203 § 102, 118 Stat. 493, 497, codified at 42 U.S.C., §§ 405(j) and 1383(a)(2).

⁸ Of the 23 organizational representative payees, 21 received large underpayments on behalf of 1 beneficiary and 2 received large underpayment on behalf of 2 beneficiaries, for a total of 25 beneficiaries.

Table 1: Organizational Representative Payees Selected for Review

Office of Audit Location	Representative Payee Location	Type of Underpayment Received	Underpayment Amount
Boston, Massachusetts	Saugus, Massachusetts	OASDI	\$29,347
	Danvers, Massachusetts	OASDI	\$17,292
New York, New York	New Haven, Connecticut	OASDI	\$37,128
	Jamaica, New York	OASDI	\$33,086
	Queens Village, New York	SSI	\$12,529
Philadelphia, Pennsylvania	Plymouth Meeting, Pennsylvania	OASDI	\$24,211
	Lititz, Pennsylvania	OASDI	\$21,244
Baltimore, Maryland	Baltimore, Maryland	OASDI	\$17,830
	Crownsville, Maryland	OASDI	\$15,345
Arlington, Virginia	Washington, District of Columbia	OASDI	\$16,967
	Washington, District of Columbia	SSI	\$11,747
Atlanta, Georgia	Opelika, Alabama	OASDI	\$12,451
	Rome, Georgia	OASDI	\$11,916
Birmingham, Alabama	Tuscaloosa, Alabama	OASDI	\$20,670
	Madison, Alabama	OASDI	\$13,617
Chicago, Illinois	Chicago, Illinois	OASDI	\$18,180
	Robbins, Illinois	SSI	\$12,332
Dallas, Texas	Denton, Texas	OASDI	\$15,226
	Fort Worth, Texas	OASDI	\$10,758
Kansas City, Missouri⁹	Kansas City, Missouri	OASDI	\$10,240
Denver, Colorado¹⁰	Englewood, Colorado	OASDI	\$26,693
Richmond, California	Stockton, California	SSI	\$28,817
	Modesto, California	SSI	\$21,896

To meet our objectives, we reviewed the representative payees' accounting records for the beneficiaries and recipients for whom the underpayments were intended. We visited the representative payees to review evidence that supported expenditures made on the beneficiaries' behalf after they received large underpayments. We also visited the beneficiaries' residences to confirm the existence of any large purchases made on their behalves. See Appendix A for additional information about our scope and methodology.

⁹ Only one organizational representative payee within 100 miles of an Office of Audit location in Kansas City, Missouri, met the criteria of selection for this review.

¹⁰ Only one organizational representative payee within 100 miles of an Office of Audit location in Denver, Colorado, met the criteria of selection for this review.

RESULTS OF REVIEW

While the 23 organizational representative payees generally had effective controls over the receipt of large OASDI and SSI underpayments, 9 did not have effective controls over the disbursement of underpayments received. Specifically, the nine organizational representative payees did not maintain receipts that supported expenditures made on the behalves of the beneficiaries they represented. In addition, six of these nine organizational representative payees, and an additional two organizational representative payees, did not always manage the underpayments in accordance with SSA's policies and procedures. Specifically, the organizational representative payees did not

- use underpayments only on the beneficiaries' behalves;
- monitor SSI recipients' resources; or
- invest conserved funds in interest-bearing accounts.

Lastly, some of the organizational representative payees acted as conduit payees, passing the underpayment funds directly to the beneficiaries. See Table 2.

Table 2: Instances of Noncompliance with SSA Policies and Procedures

Payee Location	Lacked Supporting Documents	Acted as Conduit Payee	Used Benefits for Individuals Other than Beneficiary	Did Not Monitor Resources of SSI Recipients	Did Not Invest Conserved Funds
Saugus, Massachusetts					✓
New Haven, Connecticut	✓	✓	✓		✓
Queens Village, New York	✓	✓		✓	
Washington, DC	✓	✓			
Rome, Georgia	✓	✓			
Madison, Alabama	✓				
Opelika, Alabama			✓	✓	
Robbins, Illinois	✓				
Denton, Texas	✓	✓			
Stockton, California	✓	✓	✓	✓	
Modesto, California	✓				

Controls over the Receipt and Disbursement of Underpayments

While the 23 organizational representative payees generally had effective controls over the receipt of large OASDI and SSI underpayments, some did not have effective controls over the disbursement of the underpayments received.

SSA requires that representative payees keep accurate and complete records to show the amount of Social Security benefits received and how they used the funds.¹¹ Further, a representative payee's primary responsibility is to ensure funds are used for the beneficiary's current and reasonably foreseeable needs, such as food, clothing, housing, medical care, and personal comfort items.¹² The representative payee must maintain supporting documents for expenditures, regardless of the monetary value, to show that Social Security benefits were spent for the beneficiaries' needs.¹³

We found that 9 of the 23 organizational representative payees reviewed did not always maintain receipts and other documentation to support all expenditures. Because of the lack of supporting documentation, the representative payees could not effectively support how they spent benefits or whether they used those benefits to meet the beneficiaries' current needs.

For example, an organizational representative payee in Modesto, California, did not maintain sufficient receipts to support how it spent \$5,752 of 2 recipients' funds on 28 transactions. Most of the transactions were for expenditures of less than \$200.¹⁴ The organization's policy did not require receipts for any expenditure under \$200.¹⁵ SSA policy requires that representative payees keep records and report how they spend the benefits received on behalf of beneficiaries they represent.¹⁶

¹¹ 20 C.F.R. §§ 404.2065 and 416.665.

¹² SSA, POMS, GN 00602.001 A.2. (March 5, 2002).

¹³ SSA regulations indicate that representative payees must account for the use of benefits, keep records of how benefits were used to complete accounting reports, and make those records available upon SSA's request. 20 C.F.R. §§ 404.2065 and 416.665.

¹⁴ Of the 28 expenditures, 26 were under \$200. The two other expenditures were \$400 and \$540, respectively.

¹⁵ After our review, we learned that an employee of the organizational representative payee, who resigned in December 2015, was arrested for allegedly stealing approximately \$64,000 from the organization's clients. The representative payee reported that a review of its records after the employee resigned found irregularities in the accounts he had managed. While the representative payee reported our audit did not trigger its review, our audit shows how the lack of supporting documentation on recipients' expenditures may help foster misuse of SSA funds. The organization reported the alleged fraud to the local police department and SSA field office, which reported it to our Office of Investigations. The Office of Investigations is monitoring the case, but it is not taking action because the local police department investigated the allegation and the individual has been arrested.

¹⁶ SSA, POMS, GN 00605.001 B.1. (May 15, 2013).

Compliance with SSA Policies and Procedures

Of the 23 organizational representative payees, 8 did not always manage large OASDI and SSI underpayments in accordance with SSA policies and procedures. Specifically, the organizational representative payees

- functioned as conduit payees;
- did not apply the benefits received on beneficiaries' behalves only for the beneficiaries' use and benefit;
- did not effectively monitor SSI recipients' resources; and
- did not invest beneficiaries' conserved funds in interest-bearing accounts.

Conduit Payee

SSA policy defines a conduit payee as one that turns over a benefit payment to the beneficiary or another person.¹⁷ These representative payees do not exercise control over the funds and cannot fully account for how funds are spent.¹⁸ The existence of a conduit payee may indicate a lack of interest in the beneficiary or suggest the beneficiary should be receiving his/her own benefits directly.¹⁹ Our review determined six representative payees were functioning as conduit payees.

- An organizational representative payee in Denton, Texas, turned over an entire \$15,225 underpayment to a beneficiary. The representative payee also turned over almost all of the beneficiary's monthly benefit to the beneficiary. As a conduit payee, the representative payee did not maintain a ledger or require that the beneficiary keep receipts to show how he spent his benefits. The representative payee believed the beneficiary was capable of managing his own benefits.

Additionally, the representative payee charged \$26 a month to manage the beneficiary's benefits.²⁰ SSA policy prohibits a representative payee from collecting a fee from SSA benefits for representative payee services, except in such circumstances as court-ordered fees, including fees for serving as a court-appointed legal guardian.²¹ An organization cannot collect a fee from a beneficiary's monthly payment unless SSA authorizes it.²² The Agency

¹⁷ SSA, POMS, GN00608.044 B. (January 29, 1996).

¹⁸ Id.

¹⁹ SSA, POMS, GN 00608.044 A. (January 29, 1996).

²⁰ The representative payee did not charge a fee to manage benefits for four other beneficiaries under its care.

²¹ SSA, POMS, GN 00602.110 A. (March 5, 2002), GN 00602.040 (July 21, 2009); *A Guide for Representative Payees*, SSA Publication No. 05-10076, July 2015.

²² SSA, POMS, GN 00506.001 B. (April 15, 2016).

did not authorize the fee collected by this representative payee. In our discussion, the representative payee stated the fee was compensation for withdrawing the benefit from the bank and delivering it to the beneficiary. The beneficiary was aware of the fee.

- An organizational representative payee in Queens Village, New York, turned over an entire underpayment to an SSI recipient. The representative payee received the underpayment on the beneficiary's behalf in \$3,468 and \$9,061 installments in June 2014 and December 2014, respectively. On both occasions, it turned over the full amount of the underpayment to the beneficiary to spend at his discretion. The representative payee did not maintain accounting records after it turned over the underpayment.²³ Therefore, we were unable to determine how the recipient spent the underpayments and whether there was any unspent portion of the underpayments, which may have affected the recipient's SSI eligibility.²⁴
- An organizational representative payee in Stockton, California, received a \$26,218 underpayment on behalf of an SSI recipient in October 2013. The representative payee issued \$5,304 of the underpayment directly to the recipient. It also issued \$20,470 to the recipient's family members and classified the transactions as a "gift" and/or "expense" on the recipient's ledger.²⁵ The representative payee provided receipts to support most of the \$5,304 paid to the recipient. However, it was unable to account for how the recipient's family spent the \$20,470.

Of the \$20,470, the recipient's two brothers each received \$2,000. The recipient's mother, who received the remaining \$16,470, stated the money reimbursed her for paying the recipient's living expenses before SSA approved his SSI application. Per SSA policy,²⁶ the Agency should develop the value of food and shelter provided to the recipient and determine whether it was less than the \$16,470 transferred.²⁷ If the value was less than \$16,470, it was a transfer of resources for less than fair market value,²⁸ and the recipient may have had a

²³ We were unable to confirm how the recipient spent the underpayment because he passed away before we were able to contact him.

²⁴ Per SSA policy, the unspent portion of a retroactive SSI payment is excluded from resources for the 9 calendar months following the month in which the individual receives the payment. An individual with countable resources in excess of the statutory limit is not eligible for SSI payments after that.

²⁵ As a result of the funds provided to the recipient and his family members, the recipient's conserved fund balance fell below the SSI resource limit the same month in which the representative payee received the \$26,218 underpayment.

²⁶ SSA, POMS, SI 01150.003 A.3. (December 24, 2013).

²⁷ Per SSA policy, giving away cash can be a valid transfer of resource ownership, but if the transferor does not get fair market value in return, a period of SSI ineligibility for transferring a resource for less than fair market value may apply.

²⁸ Fair market value is the price for which a resource can be reasonably expected to sell on the open market in the geographic area involved. 20 CFR § 416.1246 (b) and SSA, POMS, SI 01150.005 B.1.

period of ineligibility and been overpaid.²⁹ The representative payee did not previously report the transfer to SSA; therefore, SSA had not determined the value of the transfer.

Additionally, the recipient's mother and two brothers were receiving SSI payments, and the same organizational representative payee was managing their SSI payments. The representative payee did not report changes in their incomes and resources when it transferred the \$20,470 to them. Therefore, they may have had periods of ineligibility and been overpaid. We referred this case to SSA in November 2015. In January 2016, SSA completed an on-site review and shared its result with the representative payee.³⁰ The Agency is further reviewing the representative payee's records to determine whether it improperly used the SSI payments of the recipient in our review. It plans to complete its review in May 2016.

Applying Benefits Only for the Beneficiary's Use and Benefits

SSA policy requires that representative payees apply benefits received on a beneficiary's behalf only for that beneficiary's use and benefit.³¹ Of the 23 organizational representative payees, 3 did not always do so.

For example, an organizational representative payee in Opelika, Alabama, used \$2,190 of a \$12,451 underpayment received on the beneficiary's behalf to supplement the cost of a trip for other residents in the group home in which the beneficiary resided. It reimbursed the \$2,190 to the beneficiary 2 months after the trip. Additionally, the representative payee charged the beneficiary \$2,000 for another trip that did not take place. The representative payee was not aware of this error until we asked about the expenditure. After we brought this to its attention, the representative payee returned the \$2,000 to the beneficiary's account.

Monitoring SSI Recipients' Resources

SSI overpayments occur when a recipient's resources exceed the allowable resource limit. SSA requires that representative payees monitor resources that may affect a recipient's payment and

²⁹ SSA, POMS, SI 01150.005 A. (February 18, 2014).

³⁰ SSA reviewed representative payees' records and determined it needed to take a number of corrective actions. For example, the representative payee allowed three SSI recipients' resources to exceed the \$2,000 maximum allowed. SSA determined the excess resources led to overpayments totaling \$11,538. Additionally, the representative payee did not maintain sufficient receipts to support how it spent \$2,400 of a recipient's funds. It also did not return the conserved funds of another recipient to SSA after the Agency appointed a new representative payee to manage the payment of the recipient. SSA is working with the representative payee to correct the issues identified during the on-site review.

³¹ SSA, POMS, GN 00602.001 A.1. (March 5, 2002).

eligibility for SSI.³² We found that 3 of the 23 representative payees failed to monitor SSI recipients' resources, which could have changed the recipients' SSI eligibility or amount.

For example, a representative payee in Opelika, Alabama, allowed a recipient's ledger balances to exceed the \$2,000 maximum allowed.³³ We estimate the recipient received \$824 in potential SSI overpayments during our audit period because his ledger balance exceeded the SSI resource limit. This occurred because the representative payee did not have adequate internal controls to monitor the SSI recipient's accounts.

An organizational representative payee in Queens Village, New York, did not monitor an SSI recipient's resources after it turned over \$12,529 to the recipient.³⁴ Additionally, as previously noted, we found an organizational representative payee in Stockton, California, turned over \$20,470 of a \$26,218 underpayment to a recipient's mother and brothers. These relatives also received SSI payments.³⁵ The representative payee was unable to account for how the mother and brothers spent the underpayments. In both cases, we were unable to determine whether the failure to monitor the change in resources led to overpayments because we were unable to determine how the recipients spent the underpayments and whether there was any unspent portion of the underpayments.

Invest Conserved Funds in Interest-bearing Accounts

Many organizational representative payees maintained beneficiaries' funds in collective accounts.³⁶ According to SSA, a representative payee with a collective account should place a beneficiary's conserved funds in excess of \$500 in an interest-bearing account or other investment that is relatively free of risk.³⁷ However, 2 of the 23 representative payees did not place \$41,534 of conserved funds in interest-bearing accounts.

For example, a representative payee in Saugus, Massachusetts, maintained beneficiaries' funds in a collective account. The beneficiary in our review had a conserved fund balance of over \$19,000 as of August 2015. The representative payee did not place the beneficiary's conserved funds in an interest-bearing account.

³² *Guide for Organizational Representative Payees*, SSA Publication No. 17-013.

³³ The resource limit for SSI recipients is \$2,000 for an individual and \$3,000 for a married couple. 20 C.F.R. § 416.1205(c); SSA, POMS, SI 01110.003 A.2 (December 8, 2010).

³⁴ The recipient passed away before we were able to contact him.

³⁵ The recipient's mother and two brothers were not part of our sample.

³⁶ SSA, POMS, GN 00603.020 A. (June 19, 2015). A collective bank account contains the funds of two or more individuals. Upon its approval, SSA allows a representative payee to open this type of account because it can reduce the administrative burden of maintaining individual accounts for each beneficiary and it can eliminate or reduce service charges and other fees charged to beneficiaries by the financial institution.

³⁷ SSA, POMS, GN 00603.020 E.5.a. (June 19, 2015).

CONCLUSIONS

Our review determined that some of the 23 organizational representative payees did not always have effective controls over the disbursement of large underpayments or manage these payments in accordance with SSA's policies and procedures.

RECOMMENDATIONS

Based on the results of our review, we recommend SSA:

1. Instruct the organizational representative payees that did not maintain sufficient documentation to support disbursements to do so.
2. Determine whether a new payee should be appointed or the beneficiaries no longer need a payee in the noted cases of the representative payee acting as a conduit.
3. Remind the organizational representative payees that did not apply benefits received on behalf of a beneficiary only for the use and benefit of that beneficiary to do so.
4. Remind the organizational representative payees that did not monitor changes in resources that may have affected a recipient's payment amount or eligibility for SSI to do so.
5. Remind the organizational representative payees that did not place beneficiaries' conserved funds of \$500 or more in an interest-bearing account or a relatively risk-free investment to do so.

AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix B.

OTHER MATTER

During our audit, we found that one beneficiary received a large underpayment because there were earnings on her record that did not belong to her. An organizational representative payee in Crownsville, Maryland, received a large underpayment on behalf of a beneficiary it represented. The beneficiary also received a substantial increase in her monthly benefit payment. SSA posted \$6,927 in self-employment earnings to the beneficiary's record for 2011 after it had not posted earnings to the beneficiary's record for 14 years. In April 2014, the Agency issued the beneficiary a \$15,345 OASDI underpayment based on the 2011 earnings. The Agency also recomputed the beneficiary's benefit amount based on the earnings, which resulted in an increase in the beneficiary's monthly benefit from \$464 to \$1,033. We found another SSA beneficiary,

not in our sample, with the same representative payee also had self-employment earnings of \$6,927 erroneously posted for 2011.³⁸

The representative payee stated that both beneficiaries did not work in 2011. We believe the 2011 earnings were posted to both beneficiaries' records in error. Since the earnings did not belong to the beneficiary in our review, she should not have received the large underpayment or the increase in her monthly benefit amount. In October 2015, we referred this case to SSA to assess the beneficiary's 2011 earnings, and the Agency removed the erroneous 2011 earnings. Additionally, SSA adjusted the beneficiary's monthly benefit amount. As of May 2016, it was attempting to recover from the beneficiary the improperly paid underpayment and the overpayment caused by the erroneously inflated monthly benefit payments.



Rona Lawson
Assistant Inspector General for Audit

³⁸ The beneficiary did not receive any underpayment related to the earnings posted to her record for 2011 because she was not eligible for OASDI benefits.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Reviewed the *Social Security Act*, applicable Federal regulations, and the Social Security Administration's (SSA) policies and procedures pertaining to representative payees.
- Reviewed prior Office of the Inspector General and SSA work on the Representative Payment Program.
- Obtained data extracts from SSA's Master Beneficiary and Supplemental Security Records in February 2015.

Upon review of the records, we identified 215 organizational representative payees that received an OASDI or SSI underpayment of \$10,000 or more from January 2013 through January 2015 on behalf of at least 1 beneficiary under their care, for a total of \$3.6 million in underpayments. Of the 215 organizational representative payees, 185 received OASDI underpayments, 25 received SSI underpayments, and 5 received both OASDI and SSI underpayments.

Because our work included visiting the organizational representative payees, we selected the sample we reviewed from the organizations located within 100 miles of an Office of Inspector General Office of Audit. Of the 215 organizational representative payees, 84 were located within 100 miles of an Office of Audit. Of these 84 organizational payees, 75 had received OASDI underpayments, 7 had received SSI underpayments, and 2 had received both OASDI and SSI underpayments.

We selected the two cases with the largest underpayment amounts within 100 miles of each of our regional Offices of Audit. Also, as there were relatively few SSI underpayments in the population, we included all the SSI underpayment in a region if the two largest underpayments were OASDI underpayments. Some regions only had one organizational representative payee that received a large underpayment and/or no large SSI underpayment was paid to organizational representative payee in a region. Lastly, we excluded those representative payees SSA reviewed¹ after the Agency issued the underpayments. In total, we visited and reviewed 23 organizational representative payees to determine whether the representative payees complied with SSA policies and procedures. The 23 organizational representative payees² received total underpayments of \$439,522. See Table A-1 below.

¹ The *Social Security Protection Act of 2004* requires that SSA conduct periodic reviews of certain representative payees. Pub. L. No. 108-203 § 102, 118 Stat. 493, 497, codified at 42 U.S.C., §§ 405(j) and 1383(a)(2).

² Of the 23 organizational representative payees, 21 received large underpayments on behalf of 1 beneficiary and 2 received large underpayments on behalf of 2 beneficiaries, for a total of 25 beneficiaries.

Table A–1: Organizational Representative Payees Selected for Review

Office of Audit Location	Representative Payee Location	Type of Underpayment Received	Underpayment Amount
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Kansas City, Missouri³	Kansas City, Missouri	OASDI	\$10,240
Denver, Colorado⁴	Englewood, Colorado	OASDI	\$26,693
Richmond, California	Stockton, California	SSI	\$28,817
	Modesto, California	SSI	\$21,896

For each sampled representative payee, we performed the following tests.

- Reviewed the representative payee's internal controls over the receipt and disbursement of Social Security benefits.
- Reviewed the representative payee's accounting records to determine whether benefits were properly spent or conserved on the beneficiaries' behalf.

³ Only one organizational representative payee within 100 miles of an Office of Audit location in Kansas City, Missouri, met the criteria of selection for this review.

⁴ Only one organizational representative payee within 100 miles of an Office of Audit location in Denver, Colorado, met the criteria of selection for this review.

- Traced a sample of all recorded expenses from the time the underpayment was issued to available source documents and examined the documentation for reasonableness and authenticity.
- Interviewed beneficiaries to verify expenses over \$500 made on their behalves.
- Determined whether the representative payee reported any changes or events for its beneficiaries that could have affected the amount of, or entitlement to, OASDI or SSI payments.
- Reviewed the current Representative Payee Reports submitted by the organizational representative payee to determine whether SSA properly monitored the beneficiaries' benefits.

We conducted our audit work from February to December 2015. We visited the offices of the organizational representative payees in our sample within 100 miles of Baltimore, Maryland; Boston, Massachusetts; New York, New York; Philadelphia, Pennsylvania; Atlanta, Georgia; Birmingham, Alabama; Chicago, Illinois; Arlington, Virginia; Dallas, Texas; Denver, Colorado; Kansas City, Missouri; and Richmond, California, between September and December 2015. The principal entity reviewed was the Office of the Deputy Commissioner for Operations.

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 tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: May 3, 2016 Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Frank Cristaudo/s/
Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, "Accounting for Large Underpayments Released to Organizational Representative Payees" (A-02-15-13056)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“ACCOUNTING FOR LARGE UNDERPAYMENTS RELEASED TO
ORGANIZATIONAL REPRESENTATIVE PAYEES” (A-02-15-13056)**

General Comments

Our organizational representative payee-monitoring program helps us to ensure that organizational representative payees are properly managing the funds they receive on behalf of beneficiaries. We have ongoing efforts to enhance our monitoring program to increase the number of reviews and introduce different types of representative payees, which will strengthen our level of program oversight. Finally, we are working to develop new online training videos for organizational/individual representative payees that will educate them in developing an effective approach to managing beneficiaries' funds.

Recommendation 1

Instruct the organizational representative payee that did not maintain sufficient documentation to support disbursements to do so.

Response

We agree. By August 1, 2016, we will take the necessary actions.

Recommendation 2

Determine whether a new payee should be appointed or the beneficiaries no longer need a payee in the noted cases of the representative payee acting as a conduit.

Response

We agree. By August 1, 2016, we will take the necessary actions.

Recommendation 3

Remind the organizational representative payee that did not apply benefits received on behalf of a beneficiary only for the use and benefit of that beneficiary to do so.

Response

We agree. By August 1, 2016, we will take the necessary actions.

Recommendation 4

Remind the organizational representative payee that did not monitor changes in resources that may have affected a recipient's payment amount or eligibility for SSI to do so.

Response

We agree. By August 1, 2016, we will take the necessary actions.

Recommendation 5

Remind the organizational representative payee that did not place beneficiaries' conserved funds of \$500 or more in an interest-bearing account or a relatively risk-free investment to do so.

Response

We agree. By August 1, 2016, we will take the necessary actions.

Appendix C – ACKNOWLEDGMENTS

Tim Nee, Director, New York Audit Division

Christine Hauss, Audit Manager

Vincent Huang, Senior Analyst

James Kim, Senior Analyst

William Kearns, IT Specialist

Brennan Kraje, Statistician

Kimberly Beauchamp, Writer-Editor

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