

---

**OFFICE OF  
THE INSPECTOR GENERAL**

---

**SOCIAL SECURITY ADMINISTRATION**

---

**INDIVIDUAL VOLUME  
REPRESENTATIVE PAYEE IN  
HARTFORD, CONNECTICUT**

**November 2008**

**A-15-08-28093**

---

**AUDIT REPORT**

---



## Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

## Authority

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

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

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

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

## Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** November 4, 2008

**Refer To:**

**To:** Manuel J. Vaz  
Regional Commissioner  
Boston

**From:** Inspector General

**Subject:** Individual Volume Representative Payee in Hartford, Connecticut (A-15-08-28093)

### **OBJECTIVE**

Our objective was to determine whether this individual volume representative payee was providing the Social Security Administration's (SSA) most vulnerable beneficiaries the full support and benefit their payments were intended to deliver.

### **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 beneficiaries' payments.<sup>1</sup> A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries or Supplemental Security Income (SSI) recipients when representative payments would serve the individuals' interests. Representative payees are responsible for managing benefits in the best interest of the beneficiary.<sup>2</sup> See Appendix B for additional representative payee responsibilities.

The individual representative payee under review is a volume payee, which is a payee caring for 15 or more SSA beneficiaries.<sup>3</sup> This representative payee received payments totaling \$2,054,952 on behalf of 262 beneficiaries living in the Hartford, Connecticut, area from January 1 through December 31, 2007.

---

<sup>1</sup> Social Security Act §§ 205(j) and 1631(a)(2); 42 U.S.C. §§ 405(j) and 1383(a)(2).

<sup>2</sup> We use the term "benefits" in this report to refer to both OASDI benefits and SSI payments.

<sup>3</sup> SSA, Program Operation Manual System (POMS), GN 00605.400.

This representative payee is a practicing attorney and the court-appointed guardian for 93 percent of these beneficiaries. Most of these individuals suffer from mental disorders. When an individual is appointed legal guardian for a competent or incompetent beneficiary, part of the beneficiary's funds may be used for guardianship costs and court-ordered fees provided the guardianship appears to be in the beneficiary's best interest, beneficiary's personal needs are met first, and beneficiary's funds would not be depleted by the guardianship costs.

To grant guardianship in the State of Connecticut, a court ruling or appointment must find the person incapable of caring for him/herself or incapable of managing or directing the management of his/her financial affairs or benefits. There are four types of guardianships: Conservator of the Person, Conservator of the Estate, Plenary Guardian, and Limited Guardian. For most beneficiaries, the representative payee is appointed Conservator of the Person and/or Conservator of the Estate.<sup>4</sup> Lastly, per SSA, this representative payee is also serving as a voluntary conservator for a number of beneficiaries.<sup>5</sup>

## **RESULTS OF REVIEW**

We randomly selected a sample of 50 beneficiaries for whom the representative payee served as both court-appointed conservator and payee. We also reviewed all the beneficiaries' files where the representative payee served only as the payee. We found that the representative payee did not use and account for SSA benefits in accordance with SSA policies and procedures. Specifically, the representative payee

- inappropriately charged 15 beneficiaries a total of \$3,965 for his representative payee services;
- failed to notify SSA of the death of 2 beneficiaries in a timely manner;
- was acting as a conduit payee by improperly turning over all of the monthly SSA benefit payments to 6 beneficiaries; and
- incurred overdraft fees on 11 beneficiaries' accounts by issuing checks against insufficient funds.

---

<sup>4</sup> A Conservator of the Person is appointed to supervise the personal affairs of an individual who is found by the Court to be unable, even with appropriate assistance to meet essential requirements for personal needs. A Conservator of the Estate is appointed, to supervise the financial affairs of an individual who is found by the Court to be incapable of doing for himself/herself to the extent that property will be wasted unless adequate property management is provided.

<sup>5</sup> A Voluntary Conservator is a third party appointed by an individual through a State court to manage that individual's assets without a finding of legal incompetence.

We also found that the representative payee did not have effective safeguards over the receipt and disbursement of Social Security benefits. Specifically, the representative payee did not

- maintain supporting documentation for the expenses and personal spending of the beneficiaries that verified how the funds were used;
- maintain a signed record of cash transactions to beneficiaries;
- consistently or properly classify transactions within the accounting system; and/or
- adequately safeguard financial assets and records.

In addition, we noted that the Boston Regional Office contracted with an independent accounting firm to perform a limited review of 16 representative payees. One of these payees was the representative payee under our review. The findings reported by the accounting firm conflict with the results of our review. These issues lead us to believe SSA should consider reviewing the accounting firm's work at the other 15 representative payees.

## **USE AND ACCOUNTING FOR SOCIAL SECURITY BENEFITS**

We found that the representative payee did not use and account for Social Security benefits in accordance with SSA policies and procedures. Specifically, the representative payee inappropriately charged 15 SSA beneficiaries a fee for his service, failed to notify SSA of the death of 2 beneficiaries in a timely manner, acted as a conduit payee for several beneficiaries and allowed overdraft fees to be assessed on several beneficiaries' bank accounts.

### **Unallowable Representative Payee Fees**

During our audit period, the representative payee was a court-appointed conservator for 243 of the 262 beneficiaries assigned to his care. For the remaining 19 beneficiaries, he was not the court-appointed conservator and served only as the representative payee. We found the individual representative payee inappropriately charged 15 of these 19 SSA beneficiaries a total of \$3,965 for representative payee services. We determined these fees were approximately 3 percent of the total benefit payments. We noted that the fees were not always collected each month and varied in dollar amounts. In addition, the beneficiaries' files lacked documentation to support these charges by the representative payee.

SSA's procedures prohibit individual representative payees from collecting a fee from SSA benefits for representative payee services except in certain circumstances, such as court-ordered fees and fees for serving as a legal guardian.<sup>6</sup> Although the representative payee was a court-appointed conservator for most of the beneficiaries in

---

<sup>6</sup> SSA, POMS, GN 00602.001.A.2, GN 00602.110.A, GN 00602.040; SSA, *A Guide for Representative Payees* (No. 05-10076), p. 2, February 2006.

his care and therefore was allowed to collect fees for conservatorship services, he inappropriately took fees from beneficiaries when he was not the legally appointed conservator. Therefore, the \$3,965 must be paid back to the beneficiaries. We reported this issue to SSA management, and they took immediate corrective action.

### **Untimely Notification of Deaths of Beneficiaries**

During our review, we noted two beneficiaries who passed away while in the representative payee's care. The beneficiaries' deaths were not reported to SSA on a timely basis, which caused additional benefit payments to be deposited into the beneficiaries' bank accounts months after the dates of death. These payments were improperly used for various expenses, including funeral costs, court fees, fees to the representative payee and overdue rent. As of August 2008, one beneficiary still had an overpayment reflected on the Master Beneficiary Record (MBR).

Representative payees are responsible for notifying SSA of any events that may affect a beneficiary's entitlement to benefits, including the beneficiary's death.<sup>7</sup> According to SSA's *A Guide for Representative Payees*, when a Title II recipient dies, no benefit is payable for the month of death, even if he or she dies on the last day of the month. However, Title XVI payments are payable for the month of death. Without timely notification of changes in beneficiaries' circumstances, SSA is unable to adjust payment amounts to avoid over- and underpayments for the beneficiaries.

### **Representative Payee was Acting as Conduit Payee**

Representative payees are responsible for ensuring the beneficiary's current needs are met. The representative payee issued personal checks to the beneficiaries each month. We found for several beneficiaries, the representative payee turned over the full amount of their benefit payments to them in one check. By turning over the full benefit amount to the beneficiary or a care facility, the representative payee was acting as a conduit payee. A conduit payee is a payee who turns over the full amount of the benefit payment to either the beneficiary or another person, such as a care facility. They do not exercise control over the funds and cannot fully account for how the funds are spent.<sup>8</sup> The existence of a conduit payee may indicate a lack of interest in the beneficiary or suggest the beneficiary should be receiving their own benefits directly. The representative payee in these instances did not know how the beneficiaries were spending their money.

---

<sup>7</sup> 20 C.F.R. § 404.2035.

<sup>8</sup> SSA, POMS, GN 00608.044.

### **Overdraft Fees on Beneficiary Accounts**

The representative payee maintained individual bank accounts for each beneficiary. Social Security policy encourages representative payees to have benefit payments direct deposited into beneficiaries' bank accounts. These bank accounts should be properly titled to show the representative payee has only a fiduciary interest in the account. The beneficiary should not have direct access to the account.

We reviewed the beneficiaries' bank statements. We found the representative payee had properly established individual bank accounts for each beneficiary in his care, and only he could access them. We also found that the representative payee allowed 11 beneficiaries' bank accounts to become overdrawn. These accounts were assessed overdraft fees. Proper monitoring of the accounting records by the representative payee could have prevented these bank charges.

### **RECEIPT AND DISBURSEMENT OF SOCIAL SECURITY BENEFITS**

We found the representative payee did not have adequate internal controls for the receipt and disbursement of Social Security benefits. Specifically, the representative payee did not maintain sufficient supporting documentation for the expenses and personal spending of the beneficiaries' funds. In addition, the representative payee did not maintain a signed record of cash disbursements to beneficiaries or consistently classify beneficiary transactions in the accounting system. We also noted that the financial assets and records were not adequately safeguarded.

### **Insufficient Supporting Documentation**

The representative payee did not maintain receipts or other documentation to account for how the beneficiaries' monthly benefit payments were spent during our audit period. For our sample, we examined each beneficiary's file maintained by the representative payee. We could not locate sufficient supporting documentation for most of the beneficiaries' expenses. Specifically, one individual had expenses for Liberty Mutual and the Manchester Tax collector. There was no documentation to support these expenses. Only after discussing these transactions with the representative payee's legal assistant were we able to determine these expenditures were related to the purchase of a vehicle. In addition, there was no documentation pertaining to the personal checks that were issued to the beneficiaries.

Federal regulations<sup>9</sup> require that representative payees keep accurate and complete records of the funds received and spent to determine whether the beneficiary's current needs are being met. Although we could not confirm how these funds were expended

---

<sup>9</sup> 20. C.F.R. §§ 404.2065 and 416.665.

without receipts, nothing came to our attention that lead us to believe the expenditures were not for the beneficiaries' needs. Further, our interviews with seven beneficiaries did not disclose any concerns that lead us to believe the beneficiaries' needs were not being met.

### **Lack of Cash Receipt Log**

The representative payee disbursed cash to beneficiaries for personal allowances and other needs during our audit period. For these cash disbursements, the representative payee did not maintain a cash log to show the beneficiary actually received the cash.

During our review of the bank statements and canceled checks, we noted that the legal assistant paid several beneficiaries in cash. This occurred when beneficiaries requested money from their account but claimed they did not have sufficient identification to cash a check at a bank. The legal assistant or the representative payee would write a check for cash from the beneficiary's account, endorse the check and take the check to the bank. With rare exception, neither the legal assistant nor the representative payee would require that the beneficiary sign for the cash payment. We did note one instance where the beneficiary signed for cash. However, the check was written for \$200 but the receipt showed the beneficiary only received \$150. The file did not contain any information regarding the remaining \$50.

Internal controls serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Maintaining a cash receipt log for beneficiary cash transactions is an effective safeguard the individual representative payee should use.

### **Inconsistent Classification of Transactions in the Accounting System**

We reviewed the financial records for each beneficiary in our sample for the period January 1 through December 31, 2007. We noted that monthly expenditures were inconsistently classified in each beneficiary's financial record. For example, rent payments were classified either as real estate taxes or by the landlord's name. We also noted that personal checks were classified as life insurance or not classified at all. These inconsistencies made it difficult to determine the correct purpose of the beneficiaries' expenses.

According to SSA procedures,<sup>10</sup> representative payees must use the benefits they receive for current needs and in the best interest of the beneficiary. Representative payees are required to maintain detailed and accurate records of all funds received and spent to provide a true accounting to SSA. Because the representative payee did not maintain a clear financial accounting record for each beneficiary in our sample, we could not determine whether the benefit payments were being used properly and in the beneficiaries' best interests.

---

<sup>10</sup> SSA, POMS, GN 00602.001.

### **Financial Records and Assets Were not Properly Safeguarded**

The representative payee did not have adequate physical security controls to restrict unauthorized access to beneficiaries' records and assets. During our site visit, we observed the distribution of personal checks to the beneficiaries. We noted that signed checks were scattered over the desk area, and blank checks were in an unlocked desk drawer. This area was accessible to all beneficiaries who came into the office. In addition, beneficiary files were kept in unlocked cabinets in the adjacent room. These files contained bank statements, leasing agreements, personal correspondence and court documentation—all with personally identifiable information such as name, address, bank account numbers and Social Security numbers.

The lack of access restrictions and physical safeguards for maintaining beneficiaries' sensitive personal and financial information increases the risk of loss or unauthorized use of beneficiaries' personal information and funds.

### **INDEPENDENT REVIEW OF REPRESENTATIVE PAYEE**

The Boston Regional Office contracted with an independent accounting firm to perform a limited review of 16 representative payees. One of these payees was the representative payee under our review. The accounting firm reported only a few minor findings to SSA on our representative payee. These findings conflict with the results of our review.

Because of the significant discrepancies between the independent accounting firm's report and our findings, we reviewed workpapers provided by the accounting firm. Specifically, we noted the accounting firm stated in its report that the representative payee had adequate internal security measures for safeguarding beneficiaries' assets and that bank reconciliations were performed timely. In addition, the accounting firm found no instances where the bank statements showed overdraft fees.

However, during our review, we found the representative payee was unable to provide bank reconciliations for the beneficiaries in our sample because the accounting software did not save the reconciliations once they were completed. In addition, we found one beneficiary in our sample and in the independent accounting firm's sample had incurred \$75 in overdraft bank fees during the time periods of both reviews. These issues lead us to believe SSA should consider reviewing the accounting firm's work conducted at the other 15 representative payees.

## **CONCLUSION AND RECOMMENDATIONS**

Our review found that the representative payee did not use and account for SSA benefits in accordance with SSA policies and procedures. We also found that the representative payee did not have effective safeguards over the receipt and disbursement of Social Security benefits.

After our site visit to the representative payee's office, we informed SSA management of our findings. SSA personnel from the Boston Region visited the representative payee to review his practices and performance in light of our findings. Based on their review of the representative payee's records, SSA issued a letter outlining corrective actions to be taken. SSA has decided not to appoint the representative payee as payee for any additional beneficiaries.

We recommend that SSA:

1. Refrain from placing additional beneficiaries with this individual representative payee until the representative payee has implemented corrective actions to ensure Social Security benefits are properly used and accounted for.
2. Take appropriate actions to seek restitution of \$3,965 on behalf of the 15 beneficiaries from whom the representative payee collected unallowable fees from January 1 through December 31, 2007.
3. Instruct the representative payee to inform SSA of events that may affect individuals' entitlement or benefit payment amount in a timely manner.
4. Instruct the representative payee to implement physical security controls to safeguard beneficiaries' financial records and assets.
5. Ensure the corrective actions stated in SSA's June 11, 2008 letter to the representative payee are completed (see Appendix D).
6. Review the independent accounting firm's work conducted at the other 15 representative payees to determine if follow-up reviews need to be performed.

## **AGENCY COMMENTS**

SSA agreed with our recommendations. SSA's comments are included in Appendix E.



Patrick P. O'Carroll, Jr.

# **Appendices**

---

[\*\*APPENDIX A\*\*](#) – Acronyms

[\*\*APPENDIX B\*\*](#) – Representative Payee Responsibilities

[\*\*APPENDIX C\*\*](#) – Scope and Methodology

[\*\*APPENDIX D\*\*](#) – Social Security Administration Letter to the Representative Payee

[\*\*APPENDIX E\*\*](#) – Agency Comments

[\*\*APPENDIX F\*\*](#) – Representative Payee Comments

[\*\*APPENDIX G\*\*](#) – OIG Contacts and Staff Acknowledgments

## ***Appendix A***

---

### **Acronyms**

C.F.R.	Code of Federal Regulations
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

# **Representative Payee Responsibilities**

Representative payees are responsible for using benefits to serve the beneficiary's best interests. The responsibilities include the following.<sup>1</sup>

- Determine the beneficiary's current needs for day-to-day living and use his/her payments to meet those needs.
- Conserve and invest benefits not needed to meet the beneficiary's current needs.
- Maintain accounting records of how the benefits are received and used.
- Report events to the Social Security Administration (SSA) that may affect the individual's entitlement or benefit payment amount.
- Report any changes in circumstances that would affect their performance as a representative payee.
- Provide SSA an annual Representative Payee Accounting Report to account for benefits spent and invested.
- Return any payments to SSA for which the beneficiary is not entitled.
- Return conserved funds to SSA when no longer serving as the representative payee for the beneficiary.
- Be aware of any other income Supplemental Security Income recipients may have and monitor their conserved funds to ensure they do not exceed resource limits.

---

<sup>1</sup> 20 C.F.R. §§ 404.2035, and 416.635.

### **Scope and Methodology**

Our audit covered the period January 1 through December 31, 2007. To accomplish our objectives, we:

- Reviewed applicable Federal laws and regulations as well as the Social Security Administration (SSA) policies and procedures pertaining to representative payees.
- Reviewed prior work performed by the Office of the Inspector General and SSA in the representative payee area.
- Contacted the SSA Boston Regional Office and Hartford, Connecticut, field office staffs to obtain background information and prior audits regarding the individual representative payee.
- Compared and reconciled a list of SSA beneficiaries in the representative payee's care from the payee to a list obtained from the representative payee system.
- Reviewed the representative payee's internal controls over the receipt and disbursement of Social Security benefits.
- Selected a sample of 50 beneficiaries for whom the representative payee served as both the court-appointed conservator and the payee. We also reviewed all the beneficiaries' files where the representative payee served only as the payee during the audit period and performed the following tests.
  - Compared benefit amounts paid according to SSA's record to the benefit payment recorded in the payee's accounting records.
  - Reviewed the bank statements of the beneficiaries and the payee's accounting records to determine whether benefits payments were properly deposited.
  - Reviewed beneficiary files for supporting documentation of expenses and personal spending.
- Interviewed a non-random sample of seven beneficiaries to determine whether their basic needs were being met.

We performed our fieldwork for this review in Hartford, Connecticut, between March and May 2008. 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 findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## ***Appendix D***

---

### **Social Security Administration Letter to Representative Payee**

**SOCIAL SECURITY ADMINISTRATION****Boston Region****"Committed to Quality and Creativity in Public Service"**

July 23, 2008

960 Main Street  
2<sup>nd</sup> Floor  
Hartford CT 06103  
Phone: (860) 493-1857  
FAX: (860) 522-6420

[REDACTED]

Dear [REDACTED]

We visited your office on April 22-24, 2008 in order to review your practices and performance as representative payee for Social Security and Supplemental Security Income beneficiaries. We want to thank you for your cooperation during our visit.

Currently our records show that you are representative payee for approximately 240 individuals. In most cases, you are also the appointed conservator or guardian for the beneficiary, although a number of the individuals you serve do not have a guardian or conservator. You have one full time assistant and an intern who helps manage the finances of the beneficiaries for whom you are payee.

The Social Security Administration has a responsibility to insure that representative payees are able to adequately account for benefit payments they receive. In order to better determine your ability to fulfill your duties as representative payee for the large number of beneficiaries you serve, we reviewed your records. As a representative payee you are required to maintain written records to document how beneficiary funds are spent. You must make these records available to the Social Security Administration (SSA) when requested in order to evaluate your performance.

During our review we found that you are endeavoring to provide the best service you can to the beneficiaries you serve. However, we found that you are not maintaining sufficient documentation to allow us to verify how the funds you receive as representative payee are used. As we indicated at the time of our review, we believe that the large population of beneficiaries you serve as payee contributes to the record keeping problems we discovered. Therefore, we will not be able to appoint you as representative payee for any additional beneficiaries.

Based on our review of your records, we will be taking steps to insure that you are able to fulfill the duties we require of a representative payee. The first of these steps is to explain the outstanding issues to be resolved and the corrective actions you must take in order to adequately account for the beneficiary funds you handle. Below is a list of the items you need to address:

**SOCIAL SECURITY ADMINISTRATION**

**Boston Region**

**"Committed to Quality and Creativity in Public Service"**

---

1. We discovered that you were collecting fees for beneficiaries for whom you are not the conservator or guardian. You cannot collect fees for providing payee services, although you may continue to collect court approved guardianship or conservatorship fees. On April 25, 2008, we sent you a letter informing you that you must cease collecting fees for acting as payee. We will be contacting you to arrange for your reimbursement of these fees.
2. We discovered a number of cases where you are acting as a conduit, that is you have been turning over all of Social Security and/or Supplemental Security Income payments to the beneficiary. In some cases this was done immediately after the payment was received while in other cases you were writing a check to pay the rent for the beneficiary and then issuing a check to the beneficiary for all of the remaining money at one time. This practice is not acceptable.

We appoint a representative payee when there is a finding of legal incompetency or when we determine that a person is incapable of managing or directing the management of his/her benefits. As representative payee, you are responsible for making sure that each beneficiary's bills are paid in a timely manner and that each beneficiary has funds available for living expenses (i.e., rent, food and utilities) throughout the month. You cannot do this if you have turned over all of the funds to the beneficiary in one lump sum at the beginning of the month.

As payee, you should be disbursing funds periodically throughout each month in response to each beneficiary's needs.

3. In several cases, you indicated that the beneficiary might be able to manage his/her own funds. We need you to compile a list of beneficiaries you believe are capable of managing their own funds by June 23, 2008. Please include the name, Social Security number, current address and telephone number for each of these beneficiaries. We will contact these beneficiaries to evaluate if they continue to need a representative payee.
4. We also need you compile a list of beneficiaries that reside in institutions such as nursing homes or board and care facilities by June 23, 2008. Please include the name of the beneficiary, the Social Security number, the name and the telephone number of the institution where the beneficiary lives.
5. Your system for tracking the income and receipts for each beneficiary must contain an accurate description of each transaction. During our review, we did find that you have a computerized system for tracking the funds and disbursements for each beneficiary. However, when we looked at the records for this system we found that disbursements were not regularly described or labeled to explain the reason for the payment. In other cases, the description of the transaction was incomplete or inaccurate. If you continue to use this system,

**SOCIAL SECURITY ADMINISTRATION****Boston Region****"Committed to Quality and Creativity in Public Service"**

you need to configure it so that the description for each transaction (credit or debit) accurately describes the transaction. Any system you use, whether electronic or manual needs to accurately reflect the purpose of outgoing payments (e.g. rent, electric, utilities, personal spending, etc.).

6. You must maintain supporting documentation for disbursements. These include:
  - Rental agreements
  - Utility bills
  - Explanations and vendor receipts for large disbursements, including cash or checks given to the beneficiary, family members to purchase items.
7. You must maintain a signed record for cash disbursements to beneficiaries. This includes cases where checks are made out to cash in order to provide beneficiaries with spending money. This record should include the date, amount and reason for the disbursement as well as the beneficiary's signature to verify receipt of the money. Maintain this record in the individual's case file.
8. During our review, we noted several instances where you were billing for attorney services you provided to beneficiaries for whom you serve as representative payee. In cases where a representative payee is also a creditor of the beneficiary, the payee should obtain written approval from SSA prior to using benefits for self-reimbursement. In the future, please contact the Hartford Social Security Office before using beneficiary funds to reimburse yourself for any service you provide as an attorney. Maintain the written authorization from the Hartford office in the individual's case file.

Note that the primary duty of a payee is to assure that the beneficiary's current and foreseeable needs are met; it is never appropriate for a payee to reimburse himself for services rendered to a beneficiary unless there are funds left over after meeting the beneficiary's needs.

9. You must maintain detailed supporting documentation for any payments are made to yourself, in order to avoid the appearance that you are charging unauthorized fees. This documentation must explain the date, amount and purpose of the expenditure and should be maintained in the beneficiary's file. During future reviews SSA will review this documentation. Any payments that are not sufficiently documented may be determined to be a misuse of beneficiary funds.
10. We noted two cases where checks were written for beneficiaries when there were insufficient funds in the account. You must insure that computerized account records are up to date to avoid checks being written on insufficient funds.

The corrective steps outlined in this letter are necessary in order to insure that you can adequately account for all beneficiary funds. As we work with you to resolve the issues listed above and any issues raised by the audit conducted by the Office of the Inspector General, we will continue to monitor the number of beneficiaries for whom you serve as

**SOCIAL SECURITY ADMINISTRATION**

**Boston Region**

**"Committed to Quality and Creativity in Public Service"**

---

representative payee to evaluate whether that your resources are sufficient to adequately serve your clients.

Again, we wish to thank you for your cooperation with our review. We will be contacting you to schedule another visit in August 2008 to review your progress in making these improvements and to determine if additional actions are needed to help you fulfill your duties as representative payee.

If you have any questions, please call Mike Blum at 860-493-0386 Ext. 3001

Michael C. Blum

Assistant District Manager  
Hartford, CT.

## **Appendix E**

---

### **Agency Comments**



## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** October 9, 2008

**Refer To:** S2D1G3/CL-22

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

**From:** Manuel J. Vaz  
Regional Commissioner  
Boston

**Subject:** Individual Volume Representative Payee in Hartford, Connecticut (A-15-08-28093)

Thank you for the opportunity to comment on the draft audit report on the individual volume representative payee in Hartford, Connecticut. We agree with all of the recommendations in the report.

1. Refrain from placing additional beneficiaries with this individual representative payee until the representative payee has implemented corrective actions to ensure Social Security benefits are properly used and accounted for.

On April, 21, 2007, the Boston Region instructed all SSA field offices in Region I not to place additional beneficiaries with this individual representative payee without prior approval from the Center for Programs Support.

2. Take appropriate action to seek restitution of \$3,965 on behalf of the 15 beneficiaries from whom the representative payee collected unallowable fees from January 1 through December 31, 2007.

The Boston Region expanded the scope of the review beyond the initial January 1 through December 31, 2007, period and determined this representative payee charged unallowable fees totaling \$4,205. In a letter date September 13, 2008, we requested restitution of all inappropriate fees this representative payee collected from beneficiaries.

3. Instruct the representative payee to inform SSA in a timely manner of events that may affect individuals' entitlement or benefit payment amount.

During our April 22, 2008, review the Boston Region provided this payee with SSA Publication No. 05-10076, A Guide for Representative Payees, SSA Publication No. 17-013, Guide for Organizational Representative Payees, and instructions on accessing the SSA Representative Payee website. During this review SSA representatives instructed this payee to inform SSA in a timely manner of any events that would affect the entitlement to benefits or the payment amount of benefits.

4. Instruct the representative payee to implement physical security controls to safeguard beneficiaries' financial records and assets.

During our April 2008 review the Boston Region instructed this payee to implement physical controls to safeguard beneficiaries' financial records and assets.

5. Ensure the corrective actions stated in SSA's June 11, 2008, letter to the representative payee are completed.

On October 21, 2008, the Boston Region will conduct a follow-up visit with this representative payee to ensure that all of the corrective actions listed in SSA's June 11, 2008, letter are completed.

6. Review the independent accounting firm's work conducted at the other 15 representative payees to determine if follow-up reviews need to be performed.

The Boston Region will review the accounting firms work from the other 15 representative payees reviewed to determine if follow-up reviews with these representative payees are needed.

Thank you for the opportunity to comment on this draft. If you have any questions, please contact me or your staff may contact Michael Bonner of the Center for Programs Support at 617-565-2882.

[In addition to the information listed above, SSA also provided technical comments which have been addressed, where appropriate, in this report.]

## ***Appendix F***

---

### **Representative Payee Comments**

October 6, 2008

Mr. Steven L. Schaeffer  
Assistant Inspector General for Audit  
Social Security Administration  
6401 Security Boulevard  
Baltimore, MD 21235-0001

Re: Individual Volume Representative  
Payee in Hartford, Connecticut  
(A-15-08-28093)

Dear Mr. Schaeffer:

I am replying to your correspondence to me of September 10, 2008, which transmitted a copy of the draft audit report on my office. I've previously replied at some length to the July 23, 2008 letter from the SSA's local office to me, which is included in Appendix D of the draft report. I believe that my response to that letter addresses the smaller number of issues raised in the draft report, but I am requesting that this letter to you, along with the lengthier letter to Michael C. Blum, be included in the appendix to your final report.

The draft report indicates that there were eight items raised by your audit and my comments on these specific items are as follows (for ease of reference, I am using the captions set out in the draft report):

#### **1. Unallowable Representative Payee Fees.**

I have addressed this item in my letter to Mr. Blum. All of the fees in question have been returned to SSA at this point and I have ceased charging any fees to anyone for whom I am acting solely as a representative payee.

I would like to say that, although I am not a not-for-profit organization, I make a serious effort to be fair and reasonable in the fees that I charge to any client and will often agree to take cases from other representative payees or conservators or not-for-profit payees on either a pro bono basis or at a rate that is less than what a beneficiary was previously charged by the party I am replacing. In addition, I think it's fair to say that, on

the whole, the fees charged as either a conservator or representative payee are comparable or even less than what SSA would allow an organization that is permitted under its regulations to charge fees for its services.

2. Untimely Notification of Deaths of Beneficiaries.

This is a fair criticism by your auditors. Sometimes I do notify SSA promptly when a beneficiary dies and sometimes not. Eventually, SSA is notified, whether by me or a funeral director or other source. Further, while a conservatorship terminates on a beneficiary's death, state statute does allow a conservator to wind things up by paying funeral and administration expenses in cases where a decedent's assets are not of a magnitude to require administration in a decedent's estate and this is something that I would typically be doing when a beneficiary dies. I'd also be filing a final accounting with the local probate court. In the vast majority of cases where a beneficiary dies and benefits are deposited into an account after death, those benefits are returned in full at some point, typically after a final accounting has been filed and approved by the probate court.

3. Representative Payee was Acting as a Conduit Payee.

There are instances where I simply turn over a beneficiary's income, from whatever source, to a beneficiary or to a home or institution in which the beneficiary resides. In most of the cases where a beneficiary's income is turned over to a home or institution, this is something required either by state statute or by the terms of the admissions agreement between the facility and the beneficiary. Though I would say that the situations in which I act as a conduit are relatively small in number, there are many reasons why I would be acting as a conduit. This is something that I think would best be addressed on a case-by-case basis, but the lack of any names in the draft report makes that impossible to do. Indeed, I'd be able to respond in an informative way to many of the items raised in the draft report if I knew who the particular beneficiary in question was.

4. Overdraft Fees on Beneficiary Accounts.

This is a matter also addressed at some length in my letter to Michael C. Blum of your Hartford office. I would say that I certainly don't knowingly allow an account to be overdrawn and that, in cases where an account does become overdrawn, it is due to an error on my part or the part of the bank or the part of the government agency or private source from which a payment is coming.

**5. Insufficient Supporting Documentation.**

I can state without any doubt or hesitation that any check written from a beneficiary's account is written to pay a bill or other obligation of that individual. The question of documentation that I keep is addressed in my letter to Michael C. Blum of the Hartford SSA office. I again need to state that I have yet to see anything that specifies what documentation should or must be kept. I've looked at the regulations cited in the draft report and these are vague and unspecific and it is very difficult for me to see why keeping checks and bank records is not sufficient. I do understand from speaking with your auditors that they would like to see documentation in a file in addition to bank statements and cancelled checks (and many of the files already contain such information) and, since their visit, I have been making efforts to address this concern by seeing that bills, invoices, leases and like information is put into files.

**6. Lack of Cash Receipt Log.**

Cash payments are also addressed in my letter to Michael C. Blum of your Hartford office. Since the time of the audit, I have been using a receipt book for any cash disbursements.

**7. Inconsistent Classification of Transactions in the Accounting System.**

Again, this is an item that has been addressed in my letter to Michael C. Blum. The Microsoft Money program that I use is used in conjunction with a check-writing program solely to produce checks. It isn't used for any other purpose and, consequently, features of the program that would be used if it were being employed for purposes other than generating checks have just been ignored entirely by me or they're allowed to do whatever they do by default. I routinely produce accountings of beneficiaries' income and expenses for local probate courts and a sample is attached so that you can see the format and detail that is supplied. But these accountings are produced from bank records and information in the files and I've never used the Microsoft Money program for that purpose.

**8. Financial Records and Assets Were not Properly Safeguarded.**

The way that files and records are kept in the office now is the way I've been keeping them for over thirty years now. My assistant, [REDACTED] my new part-time intern/assistant, [REDACTED] and I are the only individuals who handle the files. Blank check-paper is kept in the office as well. I'm not certain what might be expected in terms of files, filing cabinets, etc. I'm not aware that the physical layout of the office has ever been a problem in the thirty years I've maintained an office and I do not see that my office,

in this respect, differs in any significant way, or in any way at all, from many of the hundreds of law offices I've visited over the years.

I am hopeful that you will include this letter along with my July letter to Mr. Blum in an appendix to your report. If you would like the substance of these letters put into a different format for that purpose, please let me know.

Thank you.

Very truly yours,

A solid black rectangular box used to redact a handwritten signature.

## ***Appendix G***

---

# OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

Kristen Schnatterly, Director, Technical Services Division (410) 965-0433

### ***Acknowledgments***

In addition to those named above:

Judith Kammer, Auditor-in-Charge

Kelly Lewis, Auditor

David Rodriguez, Attorney

For additional copies of this report, please visit our web site at  
[www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-15-08-28093.

## **DISTRIBUTION SCHEDULE**

Commissioner of Social Security  
Office of Management and Budget, Income Maintenance Branch  
Chairman and Ranking Member, Committee on Ways and Means  
Chief of Staff, Committee on Ways and Means  
Chairman and Ranking Minority Member, Subcommittee on Social Security  
Majority and Minority Staff Director, Subcommittee on Social Security  
Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives  
Chairman and Ranking Minority Member, Committee on Oversight and Government Reform  
Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives  
Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations,  
House of Representatives  
Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate  
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate  
Chairman and Ranking Minority Member, Committee on Finance  
Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy  
Chairman and Ranking Minority Member, Senate Special Committee on Aging  
Social Security Advisory Board

## **Overview of the Office of the Inspector General**

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

### **Office of Audit**

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

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Counsel to the Inspector General**

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

### **Office of External Relations**

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

### **Office of Technology and Resource Management**

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