
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

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

March 2005 A-07-05-15055

**EVALUATION
REPORT**



Mission

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

Authority

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

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

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

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

Vision

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



SOCIAL SECURITY

MEMORANDUM

Date: March 21, 2005 **Refer To:**

To: James C. Everett
Regional Commissioner
Denver

From: Inspector General

Subject: Individual Representative Payees for the Social Security Administration in the Denver Region
(A-07-05-15055)

OBJECTIVE

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

BACKGROUND

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

SSA's primary concern is to select the payee who will best serve the beneficiary's interest; and preference is normally given to a beneficiary's parent, legal guardian, spouse or other relative.² SSA considers payments to a representative payee to have been used for the benefit of the beneficiary if they were spent on the beneficiary's current maintenance—which includes the costs incurred in "...obtaining food, shelter, clothing, medical care, and personal comfort items."³

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

² 20 C.F.R. §§ 404.2021 and 416.621.

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

We conducted a nation-wide review of individual representative payees serving 14 or fewer beneficiaries (see Appendix A for details). There are approximately 4.3 million of these types of representative payees who serve approximately 5.5 million beneficiaries. To provide statistically valid nation-wide projections, we selected 275 individual representative payees for review, of which 7 were in the Denver Region. These seven representative payees received and managed approximately \$4,828 in monthly benefits for eight beneficiaries.

RESULTS OF REVIEW

We confirmed the existence of the eight beneficiaries in the care of seven representative payees in the Denver Region; and, through personal observation and interviews, we found that the beneficiaries' food, clothing, and shelter needs were being met.⁴ For six of the eight beneficiaries, nothing came to our attention that would lead us to believe that the representative payees did not use the Social Security benefits received for the beneficiaries' needs. However, we found the representative payee for two beneficiaries did not perform her duties.

This representative payee turned over the full amount of the Social Security benefits to the beneficiaries without instruction on how to use the funds. SSA policy defines this representative payee as a conduit payee.⁵ SSA policy states that conduit payees do not exercise control over the funds and cannot accurately account for how the funds are spent.⁶ In conduit payee situations, SSA is required to determine whether a new payee is needed or the beneficiary is capable of receiving direct payment.⁷

The conduit payee served as representative payee for two beneficiaries who are her nieces. When originally assigned as representative payee, the beneficiaries resided at her residence. However, at the time of our interviews, the beneficiaries no longer lived with the representative payee.

- One beneficiary, age 19, moved to an apartment 9 weeks before our interview. The representative payee met the beneficiary at the bank each month, withdrew the monthly SSA benefit payment, and provided the funds to the beneficiary.⁸ The representative payee did not provide the beneficiary with direction or instruction on how to use the funds. We interviewed the beneficiary at her apartment, and it appeared she independently managed the SSA benefit payments to meet her own food, clothing, and shelter needs.

⁴ Of the seven representative payees, three payees were the beneficiaries' parent, two were the beneficiaries' grandparent, and two were the beneficiaries' aunt.

⁵ SSA POMS, GN 00605.066B.2.

⁶ SSA POMS, GN 00605.067D.

⁷ SSA POMS, GN 00605.066A and GN 00605.067.

⁸ The beneficiary received a monthly SSA benefit payment of \$564.

- The other beneficiary, age 16, moved from the representative payee's residence to an apartment a few days before our interview. Based on our interview, it appeared the beneficiary's food, clothing and shelter needs were met while she resided at the representative payee's residence. However, during our September 7, 2004 interview, the representative payee stated that she planned to provide the beneficiary with her SSA benefit payment each month and let the beneficiary decide how the funds are spent since the beneficiary no longer lived in her residence.⁹

On December 12, 2004, we contacted the representative payee and asked her how she managed the beneficiary's SSA benefit payments she received after our initial interview. The representative payee stated she provided the beneficiary with the SSA benefit payment amount and let the beneficiary decide how the funds are spent.

We notified the Denver Regional Office of the circumstances, and it instructed the Denver, Colorado, District Office to determine whether a change in representative payee was warranted. On December 28, 2004, the Denver Regional Office informed us that it determined the beneficiaries were capable of managing their own funds and had made them their own payees. The Regional Office also informed us that it was investigating a potential misuse by the former representative payee.¹⁰

CONCLUSION

For six of the eight beneficiaries in our review, nothing came to our attention that would lead us to believe the representative payees did not use the Social Security benefits for the beneficiaries' needs. However, we found the representative payee for the other two beneficiaries did not perform her duties because she turned over the full amount of the benefits to the beneficiaries without instruction on how to use the funds. We reported the circumstances of these two beneficiaries to the Denver Regional Office, and it determined that the beneficiaries were capable to manage their own funds. Since corrective action was taken, we are not making any recommendations.

AGENCY COMMENTS

In its comments to our draft report, SSA agreed with the results of our review. See Appendix C for the full text of SSA's comments.



Patrick P. O'Carroll, Jr.

⁹ The beneficiary received a monthly SSA benefit payment of \$564.

¹⁰ See Appendix C for the results of the Regional Office's investigation of misuse by the former representative payee.

Appendices

APPENDIX A –Scope and Methodology

APPENDIX B – Sampling Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Scope and Methodology

Our population included all individual representative payees within the contiguous 48 States serving 14 or fewer beneficiaries as of May 20, 2004. To accomplish our objective, we:

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

Seven of the 275 representative payees were in the Denver Region. For these seven representative payees, we:

- verified the identities of seven representative payees and the eight beneficiaries they served;
- interviewed seven representative payees;
- interviewed eight beneficiaries;
- visited and observed the living conditions of eight beneficiaries; and
- reviewed the Master Beneficiary Record, Supplemental Security Income Display System, Numident, Master Earnings File, Representative Payee System, and Prisoner Update Processing System records for each individual to confirm personal information and identify discrepancies.

We performed our review in Colorado, Wyoming, and Utah and the Office of Audit in Kansas City, Missouri, from July to November 2004. We conducted our review in accordance with *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

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

Sampling Methodology

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

From this population, we excluded representative payees who had any of the following characteristics:

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

This reduced our sample population to 4,306,779 representative payees with 5,520,303 beneficiaries. From this population, we randomly selected 275 representative payees for review. Twenty-five additional representative payees were chosen to serve as replacements, as needed.

Accordingly, our review of the Denver Region consisted of seven representative payees. Our findings in the Denver Region will be included in a national report where statistical projections will be made.

Appendix C

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: February 28, 2005
To: Inspector General
From: Regional Commissioner
Subject: Individual Representative Payees for the Social Security Administration in the Denver Region (A-07-05-15055)--REPLY

Thank you for the opportunity to review the OIG Draft Report on Individual Rep Payee Reviews for the Denver Region. We agree with the results of the review.

In December 2004, the Denver District office interviewed each of the two recipients who had the same conduit payee. The office determined that each should be made her own payee.

Development was conducted with the payee regarding a dedicated account. On February 9, 2005 the Denver District Office prepared a Special Determination that the payee did misuse funds in the amount of \$1,143.00 for the period December 1, 2004 through January 1, 2005. The office sent a letter to the payee requesting restitution for that amount. In addition, the office determined that the representative misapplied \$4,523 for the period October 1, 2003 through November 30, 2004. The office issued a letter on February 9, 2005 requesting repayment of this amount. The office will continue to pursue restitution of these amounts.

Please let me know if you have any concerns. You may contact Renee Booker, RSI Programs, at 303-844-3481 if you need clarification on the payee issues.

Appendix D

OIG Contacts and Staff Acknowledgments

OIG Contacts

Mark Bailey, Director, Central Audit Division (816) 936-5591

Ron Bussell, Audit Manager (816) 936-5577

Acknowledgments

In addition to those named above:

Carol Cockrell, Program Analyst

Wanda Craig, Auditor

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The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

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

Office of Investigations

OI conducts and coordinates investigative activity 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 OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Chief Counsel to the Inspector General

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

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