SOCIAL SECURITY

MEMORANDUM

Date: June 12, 2012 Refer To:

To: The Commissioner

From: Inspector General

Subject: Representative Payees' Ability to Monitor the Individual Needs of a Large Volume of Beneficiaries (A-04-11-11146)

The attached final report presents the results of our audit. Our objective was to determine whether fee-for-service representative payees serving a large volume of Social Security beneficiaries had the resources and ability to fulfill their payee responsibilities. In doing so, we also interviewed beneficiaries of selected fee-for-service payees to determine whether the fees charged significantly impacted resources available to meet their basic needs.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

Patrick P. O'Carroll, Jr.

Attachment

OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

REPRESENTATIVE PAYEES' ABILITY TO MONITOR THE INDIVIDUAL NEEDS OF A LARGE VOLUME OF BENEFICIARIES

June 2012 **A-04-11-11146**

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.

Executive Summary

OBJECTIVE

The objective of our audit was to determine whether fee-for-service (FFS) representative payees serving a large volume[1] of Social Security beneficiaries[2] had the resources and ability to fulfill their payee responsibilities. In doing so, we also interviewed beneficiaries of selected FFS payees to determine whether the fees charged significantly impacted resources available to meet their basic needs.

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' payments.[3] Representative payees are responsible for managing benefits in the beneficiary's best interest.[4] SSA provides instructions for serving as a representative payee in *A Guide for Representative Payees*[5] and *Guide for Organizational Representative Payees* (*Guide*).[6] These instructions include requirements, suggestions, and best practices.[7]

SSA provides oversight to ensure representative payees properly manage Social Security benefits for beneficiaries in their care. To protect the interests of its most vulnerable beneficiaries, SSA conducts various reviews of representative payees. Between September 2008 and March 2011, we issued three reports that highlighted weaknesses identified at individual large-volume FFS representative payees. One obstacle we identified was the payees' ability to regularly visit beneficiaries to determine whether their current and foreseeable needs were being met.

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[1] For purposes of this audit, we defined large-volume representative payees as those organizational or FFS payees that serve 100 or more beneficiaries. FFS payees charge beneficiaries a fee for their services. Both categories of large-volume payees may include social service agencies, institutions, or financial organizations that serve as representative payee.

[2] For purposes of this report, we use the term "beneficiary" to represent both Social Security beneficiaries and Supplemental Security Income recipients.

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

[4] 20 C.F.R. §§ 404.2035 and 416.635.

[5] SSA, *A Guide for Representative Payees*, http://www.socialsecurity.gov/pubs/10076.html (last visited March 6, 2012).

[6] SSA, *Guide for Organizational Representative Payees*, http://www.ssa.gov/payee/NewGuide/toc.htm (last visited November 07, 2011).

[7] Id.

RESULTS OF REVIEW

Similar to our previous audit work at large-volume FFS representative payees, we determined that some did not always have resources, procedures, and controls to ensure they fulfilled their payee responsibilities. In this review, we did not identify any beneficiary whose essential needs were unmet by the large-volume FFS payees reviewed. However, we believe SSA should remedy the identified control weaknesses to better ensure large-volume FFS payees who serve SSA's most vulnerable beneficiaries—and manage an estimated billion dollars in benefits each year—do so with the utmost integrity and care. Specifically, we believe the following conditions represent vulnerabilities, which SSA needs to address through clearer guidance to FFS payees. In many cases, SSA internal policy provides guidelines regarding these issues. However, we found the Agency did not clearly articulate these requirements in the *Guides* available to payees.

- Large-volume FFS payees did not always have sufficient staff to routinely contact and/or visit the beneficiaries in their care. As shown in Appendix C, for the 25 FFS payees reviewed, staff-to-beneficiary ratios ranged from 1 employee for every 8 beneficiaries to 1 employee for every 169 beneficiaries.

- Some large-volume FFS payees relied on outside caseworkers or beneficiary self-reporting to ensure beneficiaries' needs were met. At a minimum, we believe the FFS payees must establish sufficient controls and provide adequate oversight for the third-party caseworkers.

- Of the 25 large-volume FFS payees we reviewed, 23 (92 percent) did not have a complete or correct telephone number and address for each beneficiary we attempted to interview. In fact, we were unable to interview two beneficiaries because the payees did not locate the beneficiaries before the end of our interview period.

- Large-volume FFS payees reviewed did not always have adequate controls over personal spending money provided directly to beneficiaries or provided to third parties on behalf of beneficiaries. Although not required by SSA's *Guide*, payees did not always account for disbursed funds or ensure they went to the intended beneficiary. For example, one payee allowed a mental healthcare provider to control the spending money for beneficiaries who were under his treatment. By allowing this situation to occur, the payee essentially assigned its responsibilities to the third party. In our opinion, doing so, without adequate documentation and monitoring controls, represents a significant vulnerability that the money could be misused.

- Some payees were unaware of certain basic beneficiary needs. While the number of beneficiaries with unmet needs was minimal (22 of the 477 interviewed)—and the types of complaints were not life-threatening—inadequate monitoring of, and attention to, beneficiary needs can be a significant vulnerability.

Regarding the impact FFS payee fees had on SSA beneficiaries, some payees told us they waived fees at times to meet beneficiaries' current needs. While some beneficiaries voiced their need for extra money, the majority interviewed (73 percent) was not concerned with the amount of the fee charged. Some commented the fee was fair, and they understood the payees were providing them a service. Although we are aware that some beneficiaries did not choose to have an FFS payee and the fee can be important in meeting their basic needs, SSA places beneficiaries with FFS payees as a last resort when it cannot find another suitable payee. As such, SSA authorizes qualified organizations to receive compensation for their services.

CONCLUSION AND RECOMMENDATIONS

As payees of last resort, FFS representative payees often manage benefits for SSA's most vulnerable beneficiaries—many without family or friends who are willing or able to monitor their well-being. As such, FFS payees' involvement with these beneficiaries is essential—not only to manage their benefit payments but to ensure their basic needs are met. Based on our previous and current audit work, we believe large-volume payees who do not have adequate resources to assume these important responsibilities increase the risk that beneficiaries may be negatively impacted. We acknowledge that SSA has tremendous workload responsibilities and limited resources. However, Congress made SSA responsible for administering and monitoring the representative payee program. Given the importance and magnitude of this responsibility, we believe it is essential that SSA strengthen its oversight of this program.

We recommend that SSA:

1. Develop and issue clarifying guidance to FFS payees regarding (1) the required frequency of contact and visits with beneficiaries; (2) controls and oversight necessary when providing beneficiaries or third-party caseworkers personal spending money; (3) oversight requirements when payees use third-party caseworkers to monitor and communicate beneficiary needs; and (4) the required frequency with which payees must confirm and update contact information with the beneficiary.

2. Refer any specific unresolved beneficiary needs identified in the audit to the attention of the representative payee (see Appendix D) and ensure necessary fiduciary corrective actions are taken.

AGENCY COMMENTS

SSA agreed with our recommendations. See Appendix E for the Agency's comments.

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Introduction

OBJECTIVE

The objective of our audit was to determine whether fee-for-service (FFS) representative payees serving a large volume[1] of Social Security beneficiaries[2] had the resources and ability to fulfill their payee responsibilities. In doing so, we also interviewed beneficiaries of selected FFS payees to determine whether the fees charged significantly impacted resources available to meet their basic needs.

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' payments.[3] A representative payee may be an individual or an organization. Payments are made to representative payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income (SSI) recipients when the representative payments would serve the individuals' interests.[4]

SSA policy instructs employees to select the applicant best suited to serve as a representative payee.[5] While SSA policy contains a preference list, the Agency instructs employees to consider all factors, including the applicant's relationship to the beneficiary, the applicant's interest in the beneficiary's well being, and whether the applicant has custody of the beneficiary.[6] SSA policy lists FFS organizations as the last preferred payee for adults.[7]

[1] For purposes of this audit, we defined large-volume representative payees as those organizational or FFS payees that serve 100 or more beneficiaries. FFS payees charge beneficiaries a fee for their services. Both categories of large-volume payees may include social service agencies, institutions, or financial organizations that serve as representative payee.

[2] For purposes of this report, we use the term "beneficiary" to represent both Social Security beneficiaries and Supplemental Security Income recipients.

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

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

[5] SSA, POMS, GN 00502.105 A (August 2, 2011).

[6] Id.

[7] SSA, POMS, GN 00502.105 C.11 (August 2, 2011).

Representative payees are responsible for managing benefits in the beneficiary's best interest.[8] SSA provides instructions for serving as a representative payee in *A Guide for Representative Payees*[9] and *Guide for Organizational Representative Payees* (*Guide*).[10] These instructions include requirements, suggestions, and best practices.[11] Following are a few requirements.[12]

- Be aware of the beneficiary's current day-to-day needs (for example, food, clothing, shelter, medical expenses, and personal items) and use his or her payments to meet their needs.

- Keep separate records for ". . . any major purchases made for the beneficiary. For example, if you withdraw $100 from the beneficiary's account and buy an $80 item, then there must be a receipt for the $80 and a record reflecting the disposition of the remaining $20."

- Promptly report events or changes that affect beneficiaries' payments or entitlement to benefits. For example, payees must report to SSA when beneficiaries die or move and if they are unable to contact beneficiaries and do not know where they are residing.

The *Guide* also encourages payees to go beyond managing finances and become actively involved in beneficiaries' lives. Following are a few suggestions and best practices provided in the *Guide*.[13]

- Help the beneficiary access other available benefits and services (for example, food stamps, housing subsidies, Medicare assistance with prescription drugs, etc.).

- Negotiate with the beneficiary's landlord and other creditors to get favorable terms.

- Purchase gift or debit cards from a retail store or disburse small amounts of spending cash to a beneficiary instead of giving them a check that he or she may have to pay to have cashed.

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[8] 20 C.F.R. §§ 404.2035 and 416.635.

[9] SSA, *A Guide for Representative Payees*, http://www.socialsecurity.gov/pubs/10076.html (last visited March 6, 2012).

[10] SSA, *Guide for Organizational Representative Payees*, http://www.ssa.gov/payee/NewGuide/toc.htm (last visited November 07, 2011).

[11] Id.

[12] Id. at pp. 16 and 19.

[13] Id. at pp. 18 and 61.

While SSA's *Guide* encourages payees to assist caseworkers, when applicable,[14] it does not address whether payees may rely on outside caseworkers to monitor beneficiary needs or how often, if at all, payees should contact and visit each beneficiary in their care. SSA online training material for representative payees is also silent regarding these two issues.

During our audit period, FFS organizations could collect the lesser of 10 percent of the combined Social Security and SSI monthly payment or $37 from beneficiaries.[15] However, the organization can collect less than the permitted limits or choose not to collect a fee.[16]

SSA Oversight of Representative Payees

SSA provides oversight to ensure representative payees properly manage Social Security benefits for beneficiaries in their care. To protect the interests of its most vulnerable beneficiaries, SSA requires that payees annually report on how they used or saved benefits received.[17] In addition to annual accounting reports, SSA conducts the following reviews to monitor the performance of volume representative payees.[18]

- Periodic site reviews of payees, as required by sections 205(j)(6)(A) and 1631(a)(2)(G)(i) of the *Social Security Act*. According to SSA, these "triennial" reviews occur at least once every 3 or 4 years and include a face-to-face interview with the payee at their place of business, an assessment of the payee's recordkeeping, and an interview with a number of beneficiaries to determine whether the payee assists them in meeting their needs. SSA conducts the beneficiary interviews face-to-face in a field office, at the beneficiary's residence, or on the payee's premises. SSA also conducts these interviews by telephone. If the beneficiary is a minor, legally incompetent, or unable to respond, policy requires that SSA staff interview someone who knows the beneficiary, such as their custodian or relative, and visit the beneficiary's residence.

- Random reviews of a portion of those payees not scheduled or not subject to a periodic site review.

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[14] Id. at p. 18.

[15] For beneficiaries SSA determines to have a drug or alcohol condition, the monthly fee was the lesser of 10 percent of the combined monthly payment or $72. SSA, POMS, GN 00506.200 (December 23, 2009).

[16] SSA, POMS, GN 00506.200 C.2 (December 23, 2009).

[17] SSA, POMS, GN 00605.001 B.1 (November 7, 2008).

[18] In the context of payee site reviews, SSA policy defines volume payees as organizational payees serving 50 or more beneficiaries and payees classified as individual/other serving 15 or more beneficiaries. A description of SSA reviews to monitor the performance of payees is in the Agency's *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, Fiscal Year 2011* (January 2012).

- Targeted reviews of payees conducted in response to a “trigger” event, such as a beneficiary or third-party complaint of benefit mishandling or adverse media coverage.

- Educational visits with all new payees who meet the criteria of sections 205(j)(4)(B) and 1631(a)(2)(D)(ii) of the *Social Security Act*, and who are authorized by SSA to charge a fee for payee services, to ensure the payee is complying with recordkeeping and reporting responsibilities.

- Onsite reviews of State mental institutions. SSA conducts triennial onsite reviews to evaluate the fiduciary performance of State mental institutions serving as representative payees for its beneficiaries, pursuant to sections 205(j)(3)(B) and 1631(a)(2)(C)(ii) of the *Social Security Act*.

- Special Site Reviews of Employer Payees. These reviews focus on the working and living conditions of beneficiaries who are served by a payee who is also the employer.

- Special Site Reviews of Other Organizational Payees. In Fiscal Year 2011, SSA initiated this type of review based on a model it developed that selects cases based on payee and beneficiary characteristics for additional monitoring. The State Protection and Advocacy agencies are conducting these new reviews.

Previous Office of the Inspector General (OIG) Reviews of Individual Large-Volume FFS Payees

Between September 2008 and March 2011, we issued three audit reports in which we highlighted weaknesses identified at individual large-volume FFS representative payees. In these reports, we concluded that the lack of staff and controls contributed to some of the problems noted. One challenge we identified was that payees did not have sufficient staffing to regularly visit beneficiaries to determine whether their current and foreseeable needs were met.

➢ ***Help Group Services, Inc., a Fee-for-Service Representative Payee for the Social Security Administration* (A-04-08-28040), September 2008**[19]

At the time of our audit, the representative payee had 2 full-time and 2 part-time employees and managed the benefits for over 500 individuals. However, none of the payee’s staff was fully dedicated to visiting or contacting beneficiaries.

In the Other Matters section of the report, we expressed our concern that the payee did not have sufficient staff to properly manage benefits and ensure beneficiaries’ needs were being met. We stated that SSA should consider developing policy that established a method for determining the number of beneficiaries that could be

[19] OIG report at http://mwww.ba.ssa.gov/oig/ADOBEPDF/A-04-08-28040.pdf.

assigned to an FFS payee. We stated that such a ratio would help ensure a representative payee has adequate staff to regularly visit beneficiaries and determine whether their basic living needs were being met.

We also reported the payee needed to improve its safeguards over the receipt and disbursement of Social Security benefits. For example, the payee released a significant portion of benefits to some beneficiaries without requiring documentation of how the money was spent. That is, the payee gave 50 sample beneficiaries over $123,000 (41 percent) of their total benefits during a 12-month period. Furthermore, almost one-third of the sample beneficiaries received 50 percent or more of their benefits in the form of personal allowances. In another instance, the payee received funds for a beneficiary with whom they had no contact and for whom they paid no expenses for over 2 years. Until SSA discovered the beneficiary's death and sent the payee an overpayment notice, the payee was unaware the beneficiary had died.

We also found that the payee did not always maintain documentation to support expenditures paid with Social Security funds. In total, Help Group could not provide documentation to support approximately $230,000 in disbursements made during our audit period on behalf of 50 sample beneficiaries. Based on our findings, we made six recommendations. Most notably, we recommended that SSA refrain from placing additional beneficiaries with the payee until its financial records were deemed reliable and controls were in place to ensure that Social Security benefits were properly accounted for.

Since our review, SSA has removed the payee. In SSA's *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* to Congress, it reported that the payee could not account for approximately $1.4 million in beneficiary funds.[20] SSA also reported that it had completed misuse determinations, reimbursed the beneficiaries, recorded the overpayment to ensure collection efforts continue, and removed the payee.

- ***Sunshine Payee Corporation, a Fee-for-Service Representative Payee for the Social Security Administration* (A-08-09-29106), February 2010**[21]

At the time of our audit, the representative payee had 4 employees and managed the benefits for more than 1,100 individuals.

Although our limited review did not identify instances where beneficiaries' living arrangements were inadequate or where the payee had not met beneficiaries' needs, we questioned whether the payee could ensure the well-being of all beneficiaries at its current staffing level. In the Other Matters section of the report, we voiced our concern and reiterated our suggestion that SSA develop a policy that

[20] *Supra* note 18, at p. 37.

[21] OIG report at http://mwww.ba.ssa.gov/oig/ADOBEPDF/A-08-09-29106.pdf.

established a method for determining the number of beneficiaries that can be assigned to an FFS payee.

While we reported that the payee generally had effective safeguards over the receipt and disbursement of Social Security benefits and ensured Social Security benefits were used and accounted for properly, we also found that it did not always comply with SSA's polices. For example, we found that the payee did not obtain sufficient bond coverage for loss or theft of beneficiary funds. Based on our findings, we made four recommendations, including that SSA ensure the payee secured a bond and/or insurance policy that fully protected beneficiary funds or consider reducing the number of beneficiaries the payee can serve. Although the payee secured an increased bond amount, it was not sufficient to cover the number of beneficiaries it served. As such, SSA is reducing the number of beneficiaries the payee serves to ensure they are within their bond limit.

- ***Gateway Representative Payee Program, an Organizational Representative Payee for the Social Security Administration* (A-08-10-11048), March 2011**[22]

At the time of our audit, the representative payee had 1 employee who managed the benefits of about 180 individuals.

Before our review, SSA conducted two triennial reviews of this payee in 2006 and 2009 and found similar deficiencies each time. For example, SSA reported, "Gateway was acting as a conduit payee by issuing benefits directly to the beneficiaries for them to spend at their discretion." SSA also determined that Gateway issued beneficiary funds to third parties, including employees of a rehabilitation center, family members, and friends of beneficiaries. The payee did so with the intent that these third parties would use the money to meet the beneficiaries' needs. However, it did not always require that the third parties provide receipts or an accounting of how the money was used. In addition, this payee did not pay beneficiaries' monthly bills timely or keep sufficient documentation of expenditures to support whether funds were used to pay for beneficiaries' current and foreseeable needs. The payee's ledgers reflected negative balances for several beneficiaries and it could not provide SSA an accounting for approximately $333,000 in beneficiary funds handled by an employee of a partner agency.

From our review, we determined that the payee did not always meet the needs of beneficiaries in its care. For example, one beneficiary we interviewed did not have a bed and had been without natural gas services for several months. As a result, the beneficiary had no heat, no hot water, and no working stove. The beneficiary stated that the payee had failed to pay the gas bill on time, so her gas service had been disconnected. The beneficiary also told us that she, her nurses, and her therapists reported this situation to the payee. In fact, Gateway had records showing that, 1 month before we visited the beneficiary, a police officer contacted the payee and informed them that the beneficiary's gas service had been disconnected. We

[22] OIG report at http://mwww.ba.ssa.gov/oig/ADOBEPDF/A-08-10-11048.pdf.

discussed the beneficiary's living conditions with the payee and learned it had visited the beneficiary only once in 10 months. According to the payee, it did not have adequate staffing to ensure that beneficiary needs were met. The payee's Benefits Coordinator—who had the sole responsibility of managing benefits—acknowledged that she was unable to inspect every house or apartment where beneficiaries resided.

We also determined that the payee did not exercise sufficient control over beneficiary funds. This occurred because the payee permitted beneficiaries to use a significant amount of their monthly benefits at their own discretion. The payee also allowed rehabilitation program employees to control how some beneficiaries used their personal allowance money. In SSA's 2006 triennial review, the Agency told the payee that this practice was not permitted and requested it to cease. However, the payee did not comply with the Agency's directive or require that the rehabilitation program provide evidence of how the money was spent. In fact, the Agency found Gateway had continued this practice when it performed its next triennial review in 2009. Unfortunately, the continued practice of distributing beneficiary funds to third parties may have contributed to the alleged misuse of beneficiaries' funds by a rehabilitation employee. Based on our findings, we made three recommendations, including that SSA request a refund from the payee for any amount determined to have been misused/misappropriated by the rehabilitation employee, and apply the funds to the appropriate Social Security beneficiaries.

At the time of SSA's 2009 triennial review, the Agency decided not to assign any additional beneficiaries to this payee. In SSA's *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* to Congress, the Agency stated it had removed this payee.[23]

SSA generally agreed with our recommendations in all three reports. In two of these reports, we encouraged SSA to consider developing policy that established a method for determining the number of beneficiaries that could be assigned to an FFS representative payee. To date, SSA has not implemented such a policy.

Social Security Advisory Board Recommendation

In September 2010, the Social Security Advisory Board (Advisory Board) released an Issue Brief, *Disability Programs in the 21st Century: The Representative Payee Program*.[24] In this Brief, the Advisory Board recommended, among other things, that the SSA OIG ". . . examine a sample of beneficiaries with fee-for-service payees to see how the payee's fee impacts meeting the beneficiaries' food, shelter, and personal

[23] *Supra* note 18, at p. 37.

[24] In 1994, when the Congress passed legislation establishing SSA as an independent agency, it also created a seven-member bipartisan Advisory Board to advise the President, Congress, and Commissioner of Social Security on Social Security and SSI policy. Issue Brief is at http://www.ssab.gov/Documents/Rep_Payee_Program.pdf (last visited October 18, 2011).

needs."[25] The Advisory Board reported that because the SSI monthly benefit was below the poverty level and because it is not the beneficiaries' choice to have a fee-for-service payee, it seems unreasonable to require that beneficiaries pay the payee's fee. However, the Advisory Board stated it did not know the impact the fee had on Social Security beneficiaries who may be receiving other benefits to help pay the cost of food, shelter, and other necessities.[26]

SCOPE AND METHODOLOGY

To accomplish our objective, we reviewed SSA's policies and procedures regarding representative payees. We also identified a population of 1,553 large-volume payees (1,050 organizational and 503 FFS) who were serving 100 or more Social Security beneficiaries as of November 2, 2010. As shown in Table 1, we segregated each type of large-volume payee into categories based on the number of beneficiaries in each one's care.

Table 1: Type and Number of Large-Volume Payees (As of November 2, 2010)

Large-Volume Payees (By Range of Beneficiaries Served)	Type and Number of Large-Volume Payees		Totals
	Organizational	FFS	
100 to 199	672	248	920
200 to 399	262	161	423
400 or more	116	94	210
Totals	**1,050**	**503**	**1,553**

We also estimated benefits managed by these large-volume payees in Fiscal Year 2011, as shown in Table 2 below.[27]

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[25] Id. at p. 2.

[26] Id. at p. 9.

[27] We calculated the total amount of Social Security and SSI benefits each payee received from October 2010 through September 2011 for beneficiaries in its care.

Table 2: Estimated Benefits Managed by Large-Volume Payees (In Fiscal Year 2011)

Large-Volume Payees (Category by Range of Beneficiaries Served)	Estimated Benefits Managed by Large-Volume Payees		Totals
	Organizational	FFS	
100 to 199	$419,021,351	$209,634,406	$628,655,757
200 to 399	341,684,235	299,791,347	641,475,582
400 or more	572,249,821	448,175,830	1,020,425,651
Totals	**$1,332,955,407**	**$957,601,583**	**$2,290,556,990**

We requested SSA provide us with the total benefits received by our large-volume payees, but it did not have these types of data available. We used computer assisted auditing techniques to calculate the benefits in Table 2. Our totals are an approximation because of limitations in the Representative Payee System (RPS). For example, we found instances where the Department of the Treasury's Check Information System confirmed that payments were sent to payees other than those indicated by RPS.

To accomplish our objective, we limited our review to FFS payees. In doing so, we inquired of FFS payees and beneficiaries the impact fees had on resources available to meet their basic needs. From the FFS payee population, we selected a sample of 25 payees to gain an understanding of the processes and practices each had to ensure it met the needs of the beneficiaries in its care. For each SSA region, we generally selected the FFS payee serving the greatest number of beneficiaries in each range of beneficiaries served and located within 100 miles of one of our audit offices.[28] For some range categories, we selected alternate payees when SSA raised a concern about its triennial review occurring around the same time as our review or when the payee did not charge a fee to at least 50 percent of beneficiaries under its care.

In addition, before selecting our sample, we asked SSA's regional offices to identify any FFS payee(s) with which they had concerns—or that had implemented best practices in meeting beneficiary needs. While we received feedback from SSA, only four regions identified payees of concern. The six FFS payees included in our sample generally had the most beneficiaries in a category. One region identified a large-volume payee that had a relatively good triennial review, which also served the greatest number of beneficiaries in its range category. However, we replaced the payee because SSA raised a concern about two separate reviews in the same year.

[28] We do not have an audit presence in Region 10. As such, the sample FFS payees were located within 100 miles of our Office of Investigations in Seattle, Washington.

The sample payees included those who also served the homeless or provided mental health services. The topics discussed during our payee interviews included staffing, contact with their beneficiaries to determine and monitor their needs, outside assistance (caseworkers and other individuals who were not employed by the payee)[29] with monitoring their beneficiaries' needs, the process for paying bills and disposition of remaining funds, and fees charged its beneficiaries.

From each payee, we randomly selected 20 beneficiaries to interview. We selected beneficiaries who generally resided within a 40-mile radius of the payee or OIG office. We interviewed SSA's beneficiaries to determine whether payees met their basic food, shelter, and personal needs. In addition, we asked the beneficiaries about the payee's responsiveness and accessibility as well as the frequency of their contact with the payee. We also inquired about whether their payee paid bills timely and provided them with personal spending money. Also, in response to the Advisory Board's recommendation, we questioned beneficiaries about the impact FFS fees had on their basic needs. For those beneficiaries that alleged their needs were not met, we confirmed their allegations during our payee interviews, review of payee account ledgers, or home and face-to-face visits.

See Appendix B for additional information regarding our scope and methodology and Appendix C for the number of beneficiaries each sample payee served, the number of staff each payee employed to assist with their payee duties, and each payee's beneficiary-to-staff ratios.

[29] For this report, we do not distinguish between caseworker and social worker or caregiver/home provider. We found that some adult facility homes had caregivers who oversaw the individuals residing there.

Results of Review

Similar to our previous audit work of large-volume FFS representative payees, we determined that some FFS payees reviewed did not always have resources, procedures, and controls to ensure they fulfilled their payee responsibilities. In this audit, we did not identify any beneficiary whose essential needs were unmet by the large-volume FFS payees reviewed. However, we believe SSA should remedy the identified control weaknesses to better ensure large-volume FFS payees who serve SSA's most vulnerable beneficiaries—and manage an estimated billion dollars in benefits each year—do so with the utmost integrity and care. Specifically, we believe the following conditions represent vulnerabilities that SSA needs to address through clearer guidance to FFS payees. In many cases, SSA internal policy provides guidelines regarding these issues. However, we did not find that the Agency clearly articulated these requirements in the *Guides* available to payees.

- Large-volume FFS payees did not always have sufficient staff to routinely contact and/or visit the beneficiaries in their care. As shown in Appendix C, for the 25 FFS payees reviewed, staff-to-beneficiary ratios ranged from 1 employee for every 8 beneficiaries to 1 employee for every 169 beneficiaries.

- Some large-volume FFS payees relied on outside caseworkers or beneficiary self-reporting to ensure beneficiaries' needs were met. We acknowledge that most caseworkers are conscientious and properly care for Social Security beneficiaries. In addition, we understand that some beneficiaries may be capable of communicating their needs to the payee. However, SSA made a determination that these beneficiaries needed a representative payee because of their age or mental and/or physical impairments. At a minimum, we believe the FFS payees paid to perform this function must establish sufficient controls and provide adequate oversight for the third-party caseworkers.

- Of the 25 large-volume FFS payees we reviewed, 23 (92 percent) did not have a complete or correct telephone number and address for each beneficiary we attempted to interview. In fact, we were unable to interview two beneficiaries because the payees were unable to locate the beneficiaries before the end of our interview period.

- Large-volume FFS payees reviewed did not always have adequate controls over personal spending money provided directly to beneficiaries or provided to third parties on behalf of beneficiaries. Although not required by SSA's *Guide*, payees did not always account for disbursed funds or ensure they went to the intended beneficiary. For example, one payee allowed a mental health care provider to control the spending money for beneficiaries who were under his treatment. By allowing this, the payee essentially assigned its responsibilities to the third party. In our opinion, doing so without adequate documentation and monitoring controls represents a significant vulnerability that the money could be misused.

- Through our interviews with beneficiaries, we determined that payees were unaware of some basic beneficiary needs. While the number of beneficiaries with unmet needs was minimal (22 of the 477 interviewed)—and the types of complaints were not generally life-threatening—inadequate monitoring of, and attention to, beneficiary needs can be a significant vulnerability.

Regarding the impact FFS payee fees had on Social Security beneficiaries, some payees told us they waived fees at times to meet beneficiaries' current needs. Some beneficiaries voiced their need for extra money. However, 73 percent of the beneficiaries interviewed were not concerned with the amount of the fee charged. Some commented the fee was fair, and they understood the payees were providing them a service.[30] Although we are aware that some beneficiaries did not choose to have an FFS payee and the fee can be important in meeting their basic needs, SSA places beneficiaries with FFS payees as a last resort when it cannot find another suitable payee. As such, SSA authorizes qualified organizations to receive compensation for their services.

[30] Some of the beneficiaries interviewed were not aware that their representative payee was allowed to charge a fee for its services. Sixteen percent of these beneficiaries voiced concern with the fees charged.

PAYEES DID NOT ROUTINELY CONTACT OR VISIT BENEFICIARIES IN THEIR CARE

Although SSA's *Guide* does not explicitly state the frequency with which payees should communicate with or visit beneficiaries in their care—and most payees interviewed reported they did not receive any guidance from SSA—the *Guide* does suggest that payees should have frequent contact with beneficiaries. That is, the *Guide* instructs payees that one of their required duties is to "Be aware of the beneficiary's current day-to-day needs (i.e., food, clothing, shelter, medical expenses, and personal items)."[31] In addition, SSA's internal policy states that teams evaluating payee performance should consider changing the payee if ". . . the payee has not contacted the beneficiary in more than 3 months."[32]

However, we concluded that FFS payee involvement with beneficiaries' day-to-day living was generally limited, unless the beneficiary received mental health (or other clinical-type) service from, or were under the guardianship of, the payee. That is, the FFS payees we reviewed generally did not seek out beneficiaries who were in their care to determine whether their needs were being met. Instead, most FFS payees relied on beneficiaries or third-party caseworkers to monitor and report beneficiaries' needs. One payee reported it typically would not accept clients without outside caseworkers. The majority of payees told us that beneficiaries or their caseworkers generally initiated contact. Of the beneficiaries interviewed, approximately 57 percent told us *they* contacted the *payee* daily, weekly, or monthly. Of the remaining 43 percent, 4 percent stated they had never spoken with the payee; 14 percent indicated they spoke with the payee as needed; and 25 percent provided various responses, such as "don't know," "rarely," "once every 3 months," "once a year," or "2 years ago."

In addition, the large-volume FFS payees we reviewed generally did not visit beneficiaries in their care unless the payee was a guardian or a mental or behavioral health care provider.[33] For these types of payees, designated staff met with beneficiaries weekly or monthly. The remaining payees told us they had never visited beneficiaries or visited "as needed." Instead, the payees expected beneficiaries to visit them at their office or a designated location. These visits were usually when beneficiaries received their personal spending money.[34] However, for those

[31] SSA, *Guide for Organizational Representative Payees*, p.16.

[32] SSA, POMS, GN 00605.106 B.4.a (October 29, 2001).

[33] Of the 25 representative payees interviewed, 14 did not have mental health programs or provide guardianship services. Of these 14 payees, 12 (86 percent) reported they had never visited beneficiaries or visited "as needed."

[34] The amount received in personal spending money depends on the amount of benefits received and expenses and obligations due and is at the payee's discretion. For beneficiaries in institutions, SSA instructs payees to set aside $30 a month for their personal needs.

beneficiaries who preferred, or were unable or incapable of visiting, the payee delivered their spending money by mail or caseworker.

Some FFS payees provided reasons why they did not visit beneficiaries. For example, in contrast to SSA's *Guide*, one payee believed its sole function was to pay beneficiaries' bills. Another payee stated it no longer had enough staff to visit regularly, and another reported safety concerns for its staff. Therefore, it organized weekly meetings with beneficiaries at central locations around the city. Other payees indicated that caseworkers conducted home visits and would report to them if a beneficiary's need was not met.[35]

Although SSA's written guidance to FFS payees is silent on the frequency of beneficiary contact/visits, the Agency's internal policy provides a general guideline of 3 months (or 6 months if a social agency is the payee for a beneficiary in a foster home).[36] Despite this guidance, in our interviews with regional office staff who work with the representative payee program, 4 of the 10 representatives stated that contacts and/or visits should occur more often than every 3 or 6 months. At least two regional representatives stated they were unaware of criteria specifying the frequency with which payees should contact and/or visit beneficiaries.

When SSA determines a beneficiary needs an FFS representative payee, the Agency has concluded that the beneficiary has mental and/or physical impairments or is too young to adequately manage their benefit payments. Some of the beneficiaries we interviewed appeared capable of communicating their needs to the payee. However, others were non-communicative and completely reliant on third-party caseworkers. We believe reliance on beneficiary self-reporting or third-party caseworkers, without adequate internal controls and oversight, can present a significant vulnerability. As noted previously, in our 2008 audit of Help Group, Inc., we determined the payee had no contact with one beneficiary for 2 years. Until SSA discovered the beneficiary's death and sent the payee an overpayment notice, Help Group, Inc., was unaware the beneficiary had died. Given the established vulnerability, we believe SSA needs to clarify its requirements regarding FFS payee contacts and/or visits with beneficiaries.

BENEFICIARIES' NEEDS NOT ALWAYS MET

SSA's *Guide* states that, "As a payee, you play a vital role in serving our beneficiaries. You decide how to spend benefits to help create a stable living environment for the beneficiary and ensure that the basic current needs of food, shelter, clothing, and medical care are met."[37] In addition, the *Guide* emphasizes that the payee must make

[35] Sixty-four percent of the payees that did not provide mental health or guardianship services reported relying on caseworkers, assigned to the beneficiary through another source, to inform them of their beneficiaries' needs.

[36] SSA, POMS, GN 00605.106 B.4.b (October 29, 2001).

[37] SSA, *Guide for Organizational Representative Payees*, p. 13.

"reasoned judgments" to use funds in the beneficiary's best interest. It says, "To be able to do this, you must make yourself aware of the beneficiary's basic current and reasonably foreseeable needs."[38]

Most payees told us they assisted beneficiaries by providing them with information on clothing and food banks, shelters, or low-income housing. However, we identified 22 (4.6 percent) of 477[39] sample beneficiaries who had issues with their residences. These beneficiaries reported problems, such as non-working heating and air conditioners, leaking roofs, and broken windows. Although several beneficiaries told us they had not discussed these issues with their payee, some stated their landlords were aware of the problems. We acknowledge that the number of occurrences in which beneficiary needs were not met was minimal, and the issues identified were not life threatening. However, if our sample payees had been more active in the beneficiaries' lives, we believe they could have facilitated timely repairs of beneficiary residences.

In addition, one beneficiary wanted his payee to assist him in finding another place to live, but the payee told us that it no longer assisted beneficiaries with living arrangements. This payee stated that it stopped this practice because beneficiaries did not always ". . . want to live where we think they should live." Given that we only interviewed about 5 percent of the sample payees' beneficiaries,[40] we do not know how many other beneficiaries may have issues or needs that are unknown or not met.

Based on our previous audit work, we believe payees' limited involvement in the lives of beneficiaries in their care increases the risk that beneficiaries may be negatively impacted. As discussed in this report, during our audit of Gateway Representative Payee Program, we determined that one beneficiary did not have a bed and had been without natural gas services for several months. As a result, the beneficiary had no heat, hot water, or working stove. The beneficiary stated that the payee had failed to pay the gas bill on time, so her gas service was disconnected. Despite numerous notifications to Gateway, including one from a police officer, at the time of our visit, the payee had not completed the necessary steps to reestablish the beneficiary's gas service. According to the payee, it did not have adequate staffing to ensure that beneficiary needs were being met. The payee's Benefits Coordinator—who had the sole responsibility of managing benefits—acknowledged that she was unable to inspect every beneficiary's residence.[41]

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[38] Id. at p. 23.

[39] Although we selected 500 beneficiaries for interview, we only interviewed 477.

[40] The 25 FFS payees selected had 9,586 beneficiaries in their care. For each payee, we selected 20 beneficiaries for interview, which totaled 500. Therefore, we calculated the percentage of beneficiaries selected for interview, as follows: 500 (sample beneficiaries)/9,586 (beneficiary population) = 5 percent.

[41] SSA OIG, *Gateway Representative Payee Program, an Organizational Representative Payee for the Social Security Administration* (A-08-10-11048), March 2011.

We believe staffing also made it a challenge for some sample FFS payees to effectively monitor and meet the individual needs of beneficiaries in their care. We calculated the beneficiary-to-staff ratio[42] for our sample payees and determined that the number of beneficiaries for which payee staffs were responsible ranged from 8 to 169. In addition, at the time of our audit, only two of the payees had employees who were fully dedicated to regularly visiting beneficiaries in their care.

PAYEE MONITORING OF BENEFICIARY WHEREABOUTS INSUFFICIENT

SSA's *Guide* acknowledges that ". . . it is difficult to keep track of the whereabouts of some beneficiaries but the law requires SSA keep a current file of names and addresses for payees and beneficiaries."[43] As such, the *Guide* states that payees must report when a beneficiary moves or when the payee is unable to contact the beneficiary and is unaware of the beneficiaries' whereabouts.[44] The *Guide* also gives a specific example of why it is important for payees to know the whereabouts of their SSI recipients. For SSI recipients, moving can mean a change of living arrangements and, possibly, a change in the amount of their SSI payment.[45]

Our sample FFS payees could not always readily provide contact information or make contact with beneficiaries in their care. Because of the transient nature of some Social Security beneficiaries, we expected some inaccuracies with the addresses or telephone numbers payees provided. However, 23 (92 percent) of the 25 payees did not have the telephone number or address for each beneficiary in their care. Moreover, we were unable to interview two beneficiaries because payees could not determine their whereabouts. Because situations, such as unknown whereabouts, can affect recipients' SSI payments or entitlement to benefits, payees should be immediately aware of any changes to their living arrangements. As such, SSA should provide guidance on the required frequency with which payees must confirm and update contact information with the beneficiary. Of the two beneficiaries payees could not locate, one received SSI.

By maintaining frequent contact with the beneficiary, as well as home visits, payees should detect changes in residence more readily, even for transient beneficiaries. We notified SSA's regional office about the beneficiaries that payees were unable to locate. The following provides details on these two cases.

- For one beneficiary, the payee returned to SSA approximately $970, which was the balance in the beneficiary's account. According to the payee, it attempted to contact the beneficiary by telephone and letter, with no result. The payee did speak with the beneficiary's landlord, who claimed the beneficiary resided at the same location,

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[42] The ratio represents number of beneficiaries under each payee's care to the number of staff employed to conduct payee duties.

[43] SSA, *Guide for Organizational Representative Payees*, p. 69.

[44] Id. at p. 19.

[45] Id. at p. 69.

even though the landlord was unable to contact the beneficiary. The payee mailed the beneficiary's last personal spending check in September 2011. When we last inquired about the beneficiary on November 30, 2011, the payee had not heard from the beneficiary and sent a letter terminating its payee services. SSA records indicate this beneficiary had not received any benefit payments since July 2011.

- For the second beneficiary, the payee learned the beneficiary had a new payee and remitted the account balance of $714 to the new payee. The payee reported this information to SSA. In this instance, the payee had not heard from the beneficiary since buying her a bus ticket out of State. According to the payee, it had lost contact with the beneficiary for about 1 month and had unsuccessfully attempted to contact the beneficiary several times.

PAYEES' CONTROLS OVER BENEFICIARIES' PERSONAL SPENDING MONEY INADEQUATE

SSA's *Guide* states that representative payees must use beneficiaries' funds wisely and in the beneficiary's best interest.[46] The *Guide* also states that one best practice payees may want to consider is to purchase gift or debit cards from a retail store or disburse small amounts of spending cash to a beneficiary instead of giving the beneficiary a check to cash.[47] SSA policy instructs field office staff to "Be alert for conduit payee situations that may indicate lack of payee interest." Specifically, a payee is acting as a conduit when they turn over the full amount of benefits to a beneficiary or another person without giving any direction or instruction about how to use the funds.[48]

Also, SSA's internal policy instructs its employees, who perform representative payee reviews, to determine whether the payee has adequate controls in place when the payee gives a substantial amount of beneficiary funds to a caseworker or caretaker. Policy also instructs SSA reviewers to inquire how the payee disburses small amounts of discretionary spending or personal needs funds to beneficiaries or their caretakers. The SSA reviewers should expect the payee to maintain adequate oversight of these disbursements, such as requiring beneficiaries to sign for the funds and caretakers to submit receipts.

While the sample FFS payees had procedures in place to pay beneficiaries' bills, some did not exercise sufficient control over funds given directly to beneficiaries or their caseworkers. Specifically, payees did not always ensure beneficiary personal spending money went to the intended beneficiary. For example, one payee allowed a mental health care provider to control the spending money for those beneficiaries who were under treatment with the provider. While not prohibited by policies communicated to payees in the Agency's *Guide,* SSA internal policies do caution its review teams to be

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[46] Id. at p. 24.

[47] Id. at p. 61.

[48] SSA, POMS, GN 00602.001 B.1 (March 5, 2002).

cognizant for such situations. In addition, this internal policy states that, if a payee is using a caseworker to distribute beneficiary funds, the payee should maintain adequate oversight of the disbursements, such as requiring receipts for expenditures.

Although our review did not include a detailed financial analysis of the sample payees' operations, we discussed with the payees the practices or processes in place to ensure beneficiaries received and used their personal spending money. We found that those beneficiaries who visited their payee's office were generally required to acknowledge receiving their personal spending money by, for example, signing the check stub or the office sign-in sheet. Beneficiaries who did not visit the payee received their money either via mail from the payees or delivery by caseworkers. However, the payees did not require that the caseworkers sign for the funds or obtain beneficiaries' signatures of receipt. In addition, approximately half (13) of the payees did not require or obtain receipts to determine how beneficiaries spent the money.

Two payees told us that beneficiaries would tell them if they did not receive their personal spending money. While we acknowledge that some beneficiaries may report not receiving their funds to the representative payee, we question whether entrusting third parties with the beneficiaries' funds complies with the intent of SSA's guidance. For example, one of the representative payees permitted a caseworker to pick up checks for personal spending money that averaged about $400 a month for one beneficiary. As such, within 1 year, the caseworker could handle about $4,800 for that beneficiary.

We also determined that the same payee received and disbursed benefits, less the representative fee, to the same mental health care provider for another beneficiary.[49] Each month when the payee received the beneficiary's benefits, it deducted its $37 fee and disbursed the remainder of the benefits to the mental health care provider. When we asked the payee about this practice, it responded that this occurs for "only a handful of clients," and that once the provider deducts its participation amount, the provider gives the remainder to the beneficiary. The payee told us the remaining amount (spending money) was usually less than $70 a month. However, the payee did not hold the health care provider accountable for the beneficiaries' personal spending money and did not know whether beneficiaries received their allowances.

Because SSA assigns a representative payee to help those individuals who are incapable of managing their money, SSA considers these beneficiaries to be its most vulnerable. While most caseworkers may be honest and careful, without proper oversight, SSA and the payee cannot be assured that benefits are used for the beneficiary's needs. In our audit of the Gateway Representative Payee Program, Gateway gave beneficiary funds to caseworkers and other third parties without proper controls in place. After SSA instructed the payee to stop this practice during its 2006 triennial review, the Agency found Gateway had continued this practice when it

[49] Although some payees allow beneficiaries to progressively manage more of their own benefits to determine whether the beneficiary would be capable of managing his or her own funds, this was not the case.

performed its next triennial review in 2009. As a result, one of the third-party caseworkers may have misused beneficiary funds.

SSA's *Guide* does not specifically prohibit payees from giving money (1) directly to the beneficiary or (2) to a third-party caseworker on the beneficiary's behalf. In addition, the *Guide* does not specify the types of oversight controls that should be in place if a payee relies on a caseworker to deliver or manage beneficiary funds. Although SSA internal policy to SSA review teams indicates these practices are undesirable, the Agency has not clearly articulated this policy to payees. As such, we believe SSA should develop and issue clarifying guidance to FFS payees regarding (1) the required frequency of contact and visits with beneficiaries; (2) controls and oversight necessary when providing beneficiaries or third-party caseworkers' personal spending money; and (3) oversight requirements when payees use third-party caseworkers to monitor and communicate beneficiary needs.

FEES CHARGED BENEFICIARIES FOR PAYEE SERVICES

The *Social Security Act* allows organizational representative payees to collect fees if they meet specific requirements.[50] The fee is deducted from the beneficiary's payment and is used for expenses (including overhead) incurred by the organization. During our audit period, FFS organizations could collect the lesser of 10 percent of the monthly benefit amount or $37 ($72 for beneficiaries who meet certain conditions).[51] The payee, however, may choose to collect a lesser fee or none at all, or waive the fee for months in which the beneficiary does not have enough funds to cover living expenses.[52]

FFS payees we interviewed charged the permitted fee or a lesser amount. Generally, they were sensitive to the needs of their beneficiaries and waived their fee when it was in the beneficiary's best interest to do so. Of the payees sampled, three reported not waiving beneficiary fees. Payees mostly reported waiving fees when they needed the funds to meet a beneficiary's current obligations and immediate needs. About 52 percent of payees reported waiving fees for both SSI and Social Security beneficiaries, while 36 percent reported waiving fees for mostly SSI recipients. We encourage all payees to continue being sensitive to each of their beneficiaries' needs and benefits available, especially for SSI recipients.

According to some of the beneficiaries we interviewed, at times, they would be better able to meet their basic needs if FFS payees did not deduct fees from their monthly benefit payments. However, 73 percent of the beneficiaries we interviewed was not

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[50] *Social Security Act* §§ 205(j)(4) and 1631(a)(2)(D); SSA, POMS, GN 00506.001 (October 26, 2005) and GN 00506.100 (March 31, 2005).

[51] SSA, POMS, GN 00506.200 (December 23, 2009). SSA permitted payees to charge a $72 fee for beneficiaries in their care with a drug addiction and alcoholism (DAA) condition. SSA policy describes a DAA condition as one where the individual is entitled to disability benefits and has a medically determinable substance use disorder, which is listed as a secondary diagnosis.

[52] SSA, POMS, GN 00506.001 B (October 26, 2005).

concerned with the amount of the fee charged. Some beneficiaries voiced their need for extra money but understood the payees were providing a service and were entitled to compensation.

Although the maximum monthly fee of $37 (in certain cases, $72) may appear reasonable, to an SSI recipient with a maximum monthly benefit amount of $674, the fee can be important in meeting their basic needs. We are also aware that some beneficiaries did not choose to have an FFS payee. However, SSA places beneficiaries with FFS payees as a last resort when it cannot find another suitable payee. As such, SSA authorizes qualified organizations to receive compensation for their services.

Conclusions and Recommendations

FFS representative payees we reviewed who served a large volume of beneficiaries did not always have the resources and ability to fulfill their payee responsibilities adequately. Rather, the payees relied heavily on third-party caseworkers and beneficiary self-reporting to monitor and meet beneficiaries' needs. While SSA guidance does not prohibit such practices, we believe payees' limited involvement in the lives of beneficiaries in their care increases the risk that beneficiaries may be negatively impacted. As such, we encourage SSA to strengthen its representative payee program through additional guidance and continued monitoring.

We recommend that SSA:

1. Develop and issue clarifying guidance to FFS payees regarding (1) the required frequency of contact and visits with beneficiaries; (2) controls and oversight necessary when providing beneficiaries or third-party caseworkers personal spending money; (3) oversight requirements when payees use third-party caseworkers to monitor and communicate beneficiary needs; and (4) the required frequency with which payees must confirm and update contact information with the beneficiary.

2. Refer any specific unresolved beneficiary needs identified in the audit to the attention of the representative payee (see Appendix D) and ensure necessary fiduciary corrective actions are taken.

AGENCY COMMENTS

SSA agreed with our recommendations. See Appendix E for the Agency's comments.

Appendices

Acronyms

Advisory Board	Social Security Advisory Board
C.F.R.	Code of Federal Regulations
DAA	Drug Addiction and Alcoholism
FFS	Fee-for-Service
Guide	*Guide for Organizational Representative Payees*
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations and Social Security Administration (SSA) policies and procedures pertaining to representative payees.
- Obtained a data extract from SSA's Master Representative Payee file that listed 1,553 large-volume representative payees serving 100 or more SSA beneficiaries[1] as of November 2, 2010. This population comprised 1,050 organizational and 503 fee-for-service (FFS) payees.
- From the FFS population, we determined our test population of 137 FFS payees by identifying those that were located within a 100-mile radius of our audit offices in Regions 1 through 9 and our investigations office in Region 10. As shown in Table 1, we stratified the test population into three discrete ranges based on the number of beneficiaries served. Our range categories were 100 to 199, 200 to 399, and 400 or more.

Table 1: FFS Representative Payee Test Population (As of November 2, 2010)

Region	Number of FFS Payees (per Category of Beneficiaries Served)			Total Payees
	100 to 199	*200 to 399*	*400 or more*	
Boston – I	15	11	4	30
New York – II	0	1	1	2
Philadelphia – III	7	3	1	11
Atlanta – IV	5	2	0	7
Chicago – V	6	8	2	16
Dallas – VI	2	0	0	2
Kansas City – VII	4	3	1	8
Denver – VIII	3	2	1	6
San Francisco – IX	8	13	11	32
Seattle – X	8	10	5	23
Totals	**58**	**53**	**26**	**137**

[1] For purposes of this report, we use the term "beneficiary" to represent both Social Security beneficiaries and Supplemental Security Income recipients.

As shown in Table 2, we selected 25 FFS representative payees for our review.

Table 2: FFS Representative Payee Sample

Region	FFS Representative Payees Selected (Per Category of Beneficiaries Served)		
	100 to 199	***200 to 399***	***400 or More***
Boston – I	Moore Center Services	Alternatives Unlimited, Inc.	Family Service Association of Greater Fall River
New York – II	*None*	Family and Children's Service	*None Selected*
Philadelphia – III	Plan of PA	Mental Health Association of York County	Connections CSP, Inc.
Atlanta – IV	Easter Seals West Alabama	Highland Rivers Center	*None*
Chicago – V	Milwaukee Center for Independence	West Michigan Guardianship	Society's Assets, Inc.
Dallas – VI	Friends for Life	*None*	*None*
Kansas City – VII	Payee Services of Eastern Kansas	For Safe Keeping, Inc.	Budget and Financial Management Assistance
Denver – VIII	AspenPointe Health Services	Colorado Coalition for the Homeless	Mental Health Center of Denver, Inc.
San Francisco – IX	Catholic Charities (Modesto, California)	Walden House RPI	LIFE
Seattle – X	Kitsap Mental Health Services	Share and Care House (Tacoma, Washington)	CDE SSI Payee Services, Inc.

We generally selected the FFS payee that served the greatest number of beneficiaries within each range category in each region, and located within 100 miles of an Office of the Inspector General (OIG) audit office.[2] For some range categories, we selected alternate payees based on input from SSA's regions. For example, when selecting alternate payees, we considered the timing of the payee's most recent or upcoming SSA review and SSA's experience and history with the payee. We also selected alternate payees to ensure our sampled payees charged a fee to at least 50 percent of its beneficiaries.

In addition, before selecting our sample, we asked SSA's regional offices to identify any FFS payee(s) with which they had concerns—or, that had implemented best practices in meeting beneficiary needs. While we received feedback from SSA, only four regions identified payees of concern. The six included in our sample selection generally were the FFS payee with the most beneficiaries in a category. One region identified a large-volume payee that had a relatively good triennial review, which also served the

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[2] We do not have an audit presence in Region 10. As such, the sample FFS payees were located within 100 miles of OIG's Office of Investigations in Seattle, Washington.

greatest number of beneficiaries in its range category. However, we replaced the payee because SSA raised a concern about two separate reviews in the same year.

See Appendix C regarding the number of beneficiaries each sample payee served and number of staff employed to assist with payee duties.

- Obtained and reviewed a current copy of Form SSA-637 (*Expanded Monitoring Program Site Review Questionnaire for Volume and Fee for Service Payees*) for the selected payees.[3]

- Queried SSA's Representative Payee System (RPS) for a list of individuals who were in the care of each selected payee.

- Obtained from each FFS payee, a list of individuals they were serving, as of the date of our request.[4] We also requested that each FFS payee provide the address and telephone number of beneficiaries in its care.

- Selected 20 beneficiaries under each FFS representative payee's care. We selected beneficiaries who generally resided within a 40-mile radius of the payee or OIG office.

  - ✓ Attempted to interview each sample beneficiary to determine whether the FFS payee met their basic needs. We interviewed 477 of the 500 selected.

  - ✓ Of the 20 sample beneficiaries, we attempted to visit 10 at their residence or another location that was suitable for them. We met with or observed 247 of the 250 selected.

  - ✓ If necessary, we confirmed beneficiary allegations during our representative payee interviews, review of beneficiary account ledgers, or home and face-to-face visits.

- Visited and interviewed representatives of each FFS payee to determine the processes and practices each had in place to ensure they were meeting beneficiaries' needs.

  - ✓ Determined the beneficiary-to-staff ratio for each.

  - ✓ Traced an expense item for three sample beneficiaries, if possible.

  - ✓ Reviewed sample beneficiary accounting ledgers to determine fees charged.

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[3] According to the Form SSA-637 (*Expanded Monitoring Program Site Review Questionnaire for Volume and Fee for Service Payees*), SSA reviewed the selected payees between 2009 and 2011.

[4] We notified the selected payees in March, May, or June 2011.

Our review of internal controls was limited to gaining an understanding of SSA's policies and procedures regarding FFS representative payees. We relied primarily on the Agency's RPS to identify the number of beneficiaries in each payee's care. We also depended on RPS selection and termination dates as our source for determining benefit payments received by our population of large-volume payees in Fiscal Year 2011. However, RPS dates were not always reliable for this purpose. We found instances where the Department of the Treasury's Check Information System confirmed that payments were sent to payees other than those indicated by RPS. These problems occurred in instances where payees changed during the fiscal year.

The entities audited were the Offices of the Deputy Commissioners for Operations; Retirement and Disability Policy; and Budget, Finance and Management. We performed our fieldwork from January through September 2011. 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 believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Beneficiary-to-Staff Ratios for Sample Payees

The following tables illustrate our sample fee-for-service (FFS) representative payees by category and their beneficiary-to-staff ratios. That is, we determined the number of beneficiaries in each sample payee's care, as of our November 2, 2010 data extract, and divided that by the number of staff each payee employed to assist with their representative payee duties.[1] (See Appendix B regarding payee selection.)

Table 1: Sample FFS Payees Serving 100 to 199 Beneficiaries

Region	Beneficiary-to-Staff Ratios (100 to 199 Category)			
	Payee	Number of Beneficiaries Served	Number of Staff	Number of Beneficiaries Per Staff (Beneficiary/Staff Ratio)
Boston – I	Moore Center Services	178	4	45
New York – II	*None*			
Philadelphia – III	Plan of PA	188	2[2]	94
Atlanta – IV	Easter Seals West Alabama	197	2	99
Chicago – V	Milwaukee Center for Independence	155	6	26
Dallas – VI	Friends for Life	138	18[3]	8
Kansas City – VII	Payee Services of Eastern Kansas	131	1[4]	131
Denver – VIII	AspenPointe Health Services	101	6	17
San Francisco – IX	Catholic Charities (Modesto, California)	161	2	81
Seattle – X	Kitsap Mental Health Services	190	2[5]	95

[1] Our sample payees provided us with the number of staff who were employed or employee hours expended each week to assist beneficiaries. We did not confirm payees' assertions regarding staffing. We counted each part-time staff as .5. We did not count outside caseworkers.

[2] Plan of PA reported it employed two part-time staff.

[3] For Friends for Life, we included 16 part-time staff (4 employees and 12 volunteers).

[4] Payee Services of Eastern Kansas stated it employed only two part-time staff.

[5] Kitsap Mental Health Services told us there were an additional 70 staff that were directly associated with their clients, but did not clarify hours worked assisting beneficiaries.

Table 2: Sample FFS Payees Serving 200 to 399 Beneficiaries

Region	Beneficiary-to-Staff Ratios (200 to 399 Category)			
	Payee	**Number of Beneficiaries Served**	**Number of Staff**	**Number of Beneficiaries Per Staff (Beneficiary/Staff Ratio)**
Boston – I	Alternatives Unlimited, Inc.	385	2.5[6]	154
New York – II	Family and Children's Service	255	2.5[7]	102
Philadelphia – III	Mental Health Association of York County	308	5.5[8]	56
Atlanta – IV	Highland Rivers Center	258	5[9]	52
Chicago – V	West Michigan Guardianship	360	6	60
Dallas – VI	*None*			
Kansas City – VII	For Safe Keeping, Inc.	338	2[10]	169
Denver – VIII	Colorado Coalition for the Homeless	298	13[11]	23
San Francisco – IX	Walden House RPI	265	2	133
Seattle – X	Share and Care House (Tacoma, Washington)	371	25[12]	15

[6] Alternatives Unlimited, Inc., told us it employed one part-time staff.

[7] Family and Children's Service reported one part-time staff.

[8] Mental Health Association of York County reported one part-time staff.

[9] Highland Rivers Center told us it expended about 200 hours a week, which computes to 5 full-time staff, assisting beneficiaries. We divided 200 by 40 hours to develop a staff number.

[10] For Safe Keeping, Inc., reported it employed two part-time staff.

[11] Colorado Coalition for the Homeless told us it expended about 504 hours a week, which equals to 13 full-time staff, assisting beneficiaries. We divided 504 by 40 hours to develop a staff number.

[12] Share and Care House, Tacoma, Washington, reported 1,000 hours a week expended on assisting beneficiaries. We divided 1,000 by 40 hours to develop a staff number.

Table 3: Sample FFS Payees Serving 400 or More Beneficiaries

Region	Beneficiary-to-Staff Ratios (400 or more Category)			
	Payee	Number of Beneficiaries Served	Number of Staff	Number of Beneficiaries Per Staff (Beneficiary/Staff Ratio)
Boston – I	Family Service Association of Greater Fall River	712	7.5[13]	95
New York – II	*None*			
Philadelphia – III	Connections CSP, Inc.	445	44[14]	10
Atlanta – IV	*None*			
Chicago – V	Society's Assets, Inc.	529	4.5[15]	118
Dallas – VI	*None*			
Kansas City – VII	Budget and Financial Management Assistance	536	7	77
Denver – VIII	Mental Health Center of Denver, Inc.	671	35	19
San Francisco – IX	LIFE	1,870	19	98
Seattle – X	CDE SSI Payee Services, Inc.	546	5	109

[13] Family Service Association of Greater Fall River reported one part-time staff.

[14] Connections CSP, Inc., reported the beneficiary-to-staff ratio was 10:1. As such, we calculated staff at 44 to obtain the ratio.

[15] For Society's Assets, Inc., we included one part-time staff in our count.

Beneficiary Residential Issues Identified

From our review, we identified 22 (4.6 percent) of 477[1] sample beneficiaries who had issues with their residences. These beneficiaries reported problems, such as non working heating and air conditioners, leaking roofs, and broken windows. While several beneficiaries told us they had not discussed these issues with their payee, some stated their landlord was aware of the problems. Table 1 lists the specific issues identified during our review.

Table 1: Beneficiary Residential Issues Identified

Count	Region	Issues Identified with Beneficiary Residences
1	R1	Broken window.
2	R1	Water damage from a leaking roof and malfunctioning heating system.
3	R2	Air conditioner not working properly.
4	R3	Heating system not working properly, bed bugs, and mice.
5	R4	Floor caving in; malfunctioning heating system and air conditioner; and a malfunctioning tub, toilet, and sinks.
6	R4	Broken windows in the living room, back room, and kitchen.
7	R4	Broken oven.
8	R5	Low water pressure and roaches.
9	R6	Oven not working properly.
10	R6	Oven not working properly.
11	R6	Malfunctioning air conditioner unit.
12	R7	Mold, cracked walls, bugs, and termites.
13	R7	Needs a new furnace.
14	R7	Malfunctioning furnace.
15	R7	Malfunctioning air conditioner.
16	R7	Leaking roof.
17	R8	No air conditioning or heat.
18	R8	Needs an air conditioner or fan.
19	R9	Hotel manager shuts off water to control water usage.
20	R9	Needs lock on door repaired.
21	R9	Heating system not working properly.
22	R10	Broken washer.

[1] Although we selected 500 beneficiaries for interview, we only interviewed 477.

Agency Comments

SOCIAL SECURITY

MEMORANDUM

Date: May 9, 2012 Refer To: S1J-3

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

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Representative Payees' Ability to Monitor the Individual Needs of a Large Volume of Beneficiaries" (A-04-11-11146)—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 Amy Thompson at (410) 966-0569.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, "REPRESENTATIVE PAYEES' ABILITY TO MONITOR THE INDIVIDUAL NEEDS OF A LARGE VOLUME OF BENEFICIARIES" (A-04-11-11146)

Recommendation 1

Develop and issue clarifying guidance to FFS payees regarding (1) the required frequency of contact and visits with beneficiaries; (2) controls and oversight necessary when providing beneficiaries or third-party caseworkers personal spending money; (3) oversight requirements when payees use third-party caseworkers to monitor and communicate beneficiary needs; and (4) the required frequency with which payees must confirm and update contact information with the beneficiary.

Response

We agree.

Recommendation 2

Refer any specific unresolved beneficiary needs identified in the audit to the attention of the representative payee (see Appendix D) and ensure necessary fiduciary corrective actions are taken.

Response

We agree.

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Theresa Roberts, Audit Manager, Birmingham Office of Audit

Acknowledgments

In addition to those named above:

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Chicago Audit Division
Dallas Audit Division
Financial Audit Division
Kansas City Audit Division
New York Audit Division
Philadelphia Audit Division
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