OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

ORGANIZATIONAL REPRESENTATIVE PAYEE IN OHIO

June 2010 **A-05-08-48109**

AUDIT REPORT

Mission

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

Authority

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

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

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

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

Vision

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

SOCIAL SECURITY

MEMORANDUM

Date: June 17, 2010 Refer To:

To: James F. Martin
Regional Commissioner
Chicago

From: Inspector General

Subject: Organizational Representative Payee in Ohio (A-05-08-48109)

OBJECTIVE

Our objectives were to determine whether Consciously Aware Services that Empower, Inc. (CASE), an organizational representative payee, had effective safeguards over the receipt and disbursement of Social Security Administration (SSA) benefits and these benefits were used and accounted for in accordance with SSA's policies and procedures.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments.[1] A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI)[2] beneficiaries and Supplemental Security Income (SSI)[3] recipients when representative payments would serve the individual's interests.[4]

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

[2] The OASDI program provides benefits to qualified retired and disabled workers and their dependents as well as to survivors of insured workers. *Social Security Act* § 201 et seq., 42 U.S.C. § 401 et seq.

[3] The SSI program provides payments to individuals who have limited income and resources and who are either age 65 or older, blind or disabled. 20 Code of Federal Regulations § 416.110.

[4] SSA, Program Operations Manual System (POMS), GN 00501.005—*Overview of Representative Payment.*

CASE is a nonprofit agency founded in February 2004 and based in Cleveland, Ohio. A periodic financial review[5] conducted in December 2007 by an SSA contractor raised a number of questions about the condition of the accounting records. As a result, the Agency decided to move the beneficiaries[6] to other representative payees and, as of February 2008, CASE's role as a representative payee had ended. On January 3, 2008, CASE submitted to SSA a client list with account ending balances, totaling about $207,000 for 178 beneficiaries.[7] On March 4, 2008, CASE returned $65,000 to SSA, which was $142,000 less than the approximately $207,000 client account ending balances.[8] According to the *Social Security Protection Act of 2004*,[9] under certain conditions, the Agency is required to reimburse SSA beneficiaries for funds misused by a representative payee. SSA's Cleveland Field Office (FO) requested the Office of the Inspector General (OIG) conduct this audit to assist the Agency in determining the appropriate balances due each beneficiary.

SSA paid approximately $1.1 million to CASE during our 12-month audit period from July 2006 through June 2007 on behalf of 218 beneficiaries (see table below). The average age of the beneficiaries with CASE was 43 years old, and 74 percent of these beneficiaries was diagnosed with a mental impairment or mood disorder.

Table 1: Social Security Deposits at CASE
(July 2006 to June 2007)

Type of Beneficiary	Number of Beneficiaries	Total SSA Payments (July 2006 - June 2007)
Title II	56	$ 386,719
Title XVI	131	$ 591,337
Concurrent	31	$ 154,068
Totals	**218**	**$ 1,132,124**

Note: Not all of these beneficiaries were with CASE during the entire 12-month audit period.

[5] See Appendix C for a description of the representative payee reviews performed by SSA.

[6] We use the term "beneficiary" to refer to both OASDI beneficiaries and SSI recipients.

[7] We identified seven additional individuals on CASE's final client list who either (1) had never been SSA beneficiaries or (2) had insufficient personal identifying information to determine whether they were SSA beneficiaries.

[8] We neither independently confirmed the accuracy of the ending balances submitted to SSA on January 3, 2008 nor assessed the financial transactions occurring between January 3 and March 4, 2008 that may have increased or decreased the ending balances. It is possible that some of the funds in the ending balances were unrelated to SSA benefit payments. In the 12-month period we audited, we found that approximately 3.6 percent of all deposits was from non-SSA sources.

[9] Under the *Social Security Protection Act of 2004*, Pub. L. No. 108-203, § 101, SSA is required to re-issue benefits when an individual representative payee serving 15 or more beneficiaries or an organizational representative payee is found to have misused Title II, Title VIII, and/or Title XVI benefits. Misuse of benefits by a representative payee occurs in any case in which the representative payee receives payment under these titles for the use and benefit of another person and converts such payment, or any part thereof, to a use other than for the use and benefit of such other person.

RESULTS OF REVIEW

Our review found that CASE did not have effective safeguards over the receipt and disbursement of SSA benefits, and SSA cannot be assured that these benefits were used and accounted for in accordance with its policies and procedures. Of the $1.1 million SSA paid to CASE, about $132,600, or 12 percent of these funds, was not accounted for appropriately during our audit period. CASE owes approximately $30,200 to SSA beneficiaries because of unrecorded deposits, uncashed checks, and excessive fees. Furthermore, CASE lacked adequate documentation supporting approximately $102,400 in withdrawals from the collective account related to about $97,000 in debit/credit card withdrawals and approximately $5,400 transferred to the operating account. We estimate CASE owes SSA approximately $172,200 related to funds owed to specific beneficiaries from our audit period ($30,200) and unreturned funds related to the ending balances when it ceased to operate as a representative payee ($142,000). In addition, CASE was serving as a representative payee for individuals without appropriately notifying SSA. In terms of SSA's oversight of CASE, SSA did not (1) ensure CASE's mission was consistent with the duties expected of a representative payee, (2) perform a timely financial analysis of CASE, (3) ensure CASE had appropriate bond insurance coverage protecting the Agency's interests, and (4) maintain current addresses for 79 beneficiaries transferred from CASE to new representative payees.

Table 2: Amount Owed to SSA by CASE After Serving as a Representative Payee (March 4, 2008)

Funds Owed to SSA	Amount
Amount Due to SSA Per CASE's Records	$207,000
Additional Amount Due to SSA Per OIG Audit	$ 30,200
Total Due SSA	$237,200
Amount Returned by CASE	$ -65,000
Amount Still Due to SSA	**$172,200**

CASE MANAGEMENT OF BENEFICIARY FUNDS

Our review of the accounting and bank records at CASE identified a number of issues, including (1) funds owed to specific SSA beneficiaries, (2) collective account withdrawals that could not be traced to services provided to beneficiaries, and (3) CASE acting as a representative payee for beneficiaries without appropriately notifying SSA.

Management of Funds

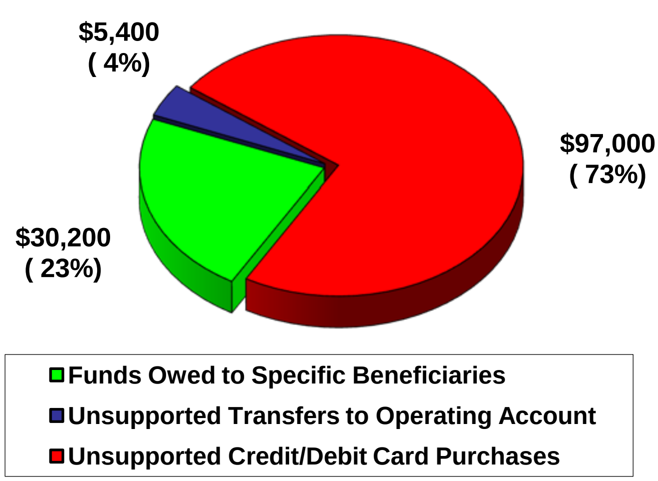
Of the $1.1 million SSA paid to CASE during our audit period, approximately $132,600, or 12 percent of these funds, was not accounted for appropriately (see Figure 1). We found issues in the following areas.

- Funds Owed to Specific SSA Beneficiaries: We determined that CASE owed SSA beneficiaries approximately $30,200 for the period July 2006 through June 2007.

This amount included about $15,700 in unrecorded SSA deposits,[10] $11,600 in uncashed checks,[11] and $2,900 in excessive representative payee fees.[12] For example, one beneficiary, who was with CASE during our audit period, was a 50-year-old male concurrently entitled to SSA benefits. His disability diagnosis was listed as schizophrenic, paranoid, and other functional psychoactive disorders. We determined CASE owed this individual $653 because of (1) two unrecorded deposits (one for Title II and one for Title XVI) totaling $623 and (2) $30 in excessive service fees.

- Collective Account Withdrawals: As part of our review, we analyzed the bank transfers to the operating account and the debit/credit card transactions on the beneficiary accounts and compared them to the withdrawals on the bank statements. We were unable to identify and trace approximately $102,400 in withdrawals from the collective account back to the beneficiaries' accounting records. Specifically, we identified approximately $97,000 in debit/credit card withdrawals on the bank statements that was not recorded as expenditures in the beneficiaries' accounting records. Most of these withdrawals were made via debit/credit card at automated teller machines and could not be tied back to the needs of a particular beneficiary. We also found about $5,400 in unsupported transfers from the collective account to CASE's operating account.

Figure 1: Funds Not Accounted for Appropriately by CASE (July 2006 to June 2007)



[10] An unrecorded deposit occurred when SSA funds were received by CASE but not posted to a beneficiary's account.

[11] An uncashed check occurred when an expense was posted to an individual's account, but the associated check never cleared the bank.

[12] An excessive fee occurred when CASE withdrew more than the allowable monthly representative payee service fee.

When the $30,200 in funds owed to specific beneficiaries from our audit period is combined with the approximately $142,000 in unreturned funds when CASE ceased its services as a representative payee, CASE could not account for approximately $172,200 in beneficiary funds. We could not determine the extent to which the $102,400 in withdrawals from the collective account was part of the $142,000 in unreturned funds. However, it appears the $30,200 in accounting errors was not part of the beneficiary account ending balances since we saw no evidence of CASE identifying or reporting these problems in the financial records. Had the beneficiary accounting records been properly adjusted based on our audit findings, the beneficiary account ending balances on January 3, 2008 would have been approximately $237,200.[13] Moreover, the inadequate controls related to the reported irregularities occurred throughout the 12-month period, so it is possible the loss could be even greater for beneficiaries with CASE for more than the 12 months of our review.

INTERNAL CONTROLS

SSA's *Guide for Organizational Representative Payees* (Guide)[14] indicates that collective accounts are to have clear and current records showing the amount of each beneficiary's share and follow proper procedures for documenting credit and debits and allocating interest.[15] Furthermore, the Guide indicates representative payees are responsible for ensuring benefits are used for the use and benefit of the beneficiary and in the beneficiary's best interests.[16] In our review of CASE's accounting and banking records, we determined CASE did not

- accurately post the amounts of income received on behalf of its clients;
- maintain sufficient documentation supporting the withdrawals made and the expenses paid on behalf of its clients;
- maintain logs detailing the amount of cash disbursed and how cash was spent that was directly issued to the beneficiaries;

[13] This $237,200 ending balance, less the $65,000 returned by CASE on March 4, 2008, results in $172,200 in unreturned funds.

[14] SSA, *Guide for Organizational Representative Payees*, online guide located at http://www.ssa.gov/payee/NewGuide/toc.htm (December 21, 2009). See Appendix C for more details concerning representative payee responsibilities.

[15] SSA, POMS, General (GN) 00501.005, Section E.3—*Overview of Representative Payee.*

[16] Id. In addition, page 16 of the *Guide for Organizational Representative Payees* provides that the representative payee "…must use the benefits for the beneficiary's current maintenance needs for food, housing, clothing, and medical and dental care not covered by Medicare, Medicaid or provided by a residential institution. After these needs are met, [the representative payee] may also use the benefits for personal comfort items, recreation and miscellaneous expenses. If not needed for these purposes, [the representative payee] must conserve the remaining benefits on behalf of the beneficiary."

- perform monthly bank reconciliations or exercise other oversight methods to properly monitor beneficiary account balances;[17] and
- open savings accounts for beneficiaries with funds exceeding what was required to meet their monthly needs.

Because of the condition of the accounting records, it was difficult to determine whether the withdrawn funds were used to meet the beneficiaries' needs and spent on such items as housing, food, clothing, and medical care. As a result, we believe SSA cannot be assured that the expenditures made by CASE were used to meet the needs of the beneficiaries whom CASE served as a representative payee.[18]

We interviewed 10 beneficiaries who had CASE as a representative payee during our audit period and found that CASE had provided them with debit cards and checks for their personal needs without closely monitoring how the funds were being used. The beneficiaries indicated that CASE neither required receipts to support their cash purchases nor voluntarily provided beneficiaries with information concerning their account balances. Usually, the account information was provided after multiple inquiries, and the information was not provided in writing. The majority of the beneficiaries we visited also stated their bills were not always paid in a timely manner, with one beneficiary stating that her credit card account was still unpaid approximately 2 years after the end of our audit period.

Unauthorized Representation of Beneficiaries

Our review identified five cases where CASE received funds for SSA beneficiaries without authorization from SSA. Specifically, CASE managed the funds for three SSA beneficiaries whom SSA had not assigned to CASE as a representative payee. In the other two cases, the beneficiaries allowed CASE to manage their funds before CASE became their official representative payee. SSA requires an application seeking permission to become a representative payee before handling any SSA funds.[19]

[17] Until April 2007, CASE maintained both a single collective bank account and individual bank accounts for the majority of the beneficiaries for deposits and disbursed funds. In April 2007, CASE opened a new collective bank account and consolidated the existing funds from the earlier collective and individual bank accounts into this new collective bank account. The various accounts made it difficult to confirm the accuracy of the beneficiary account balances. Moreover, until April 2007, CASE needed to perform 135 bank reconciliations to ensure the balances were correct.

[18] See Appendix D for a flowchart of CASE's bank deposit and disbursement process.

[19] SSA, POMS, GN 00502.107.A.1—*The Representative Payee Application*.

SSA REPRESENTATIVE PAYEE'S APPLICATION AND SELECTION PROCESSES

In terms of SSA's oversight of CASE, SSA did not (1) ensure CASE's mission was consistent with the duties expected of a representative payee, (2) perform a timely financial analysis of CASE, (3) ensure CASE had appropriate bond insurance coverage protecting the Agency's interests, and (4) maintain current addresses for 79 beneficiaries transferred from CASE to new representative payees.

CASE Business Practices

By allowing beneficiaries control over their own funds, CASE's business practices were inconsistent with SSA's requirements for representative payees. According to SSA guidance,[20] SSA appoints a representative payee when it determines a beneficiary cannot manage or direct someone else to manage their SSA benefits. Moreover, SSA policy indicates that FOs are to be alert for conduit payee situations that may indicate a lack of payee interest. [21] A conduit payee situation occurs when a representative payee, "…turns over the full amount of benefits to the beneficiary or another person without giving any direction or instruction about how to use the funds."[22] When CASE applied to be a representative payee, SSA staff was required to make a determination of the representative payee organization's relationship to, and interest in, the beneficiary and the organization's ability to carry out the responsibilities of a payee.[23]

SSA should have been aware that CASE's business plan stated that the organization would assist its consumers by teaching them to become conscientious of their spending habits and providing them with a banking tool (that is, a debit card). As noted earlier, CASE made $97,000 in debit/credit card withdrawals from the collective account that was not recorded as expenditures in the beneficiaries' accounting records. It is possible the monetary anomalies at CASE could have been avoided had SSA been more familiar with the organization's business practices.

Financial Analysis

SSA did not perform a timely financial analysis of CASE. SSA is mandated by law[24] to obtain information about an organization before authorizing it to serve as a fee for

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[20] SSA, *Guide for Organizational Representative Payees*, page 5.

[21] SSA, POMS, GN 00602.001B.1—*FO Responsibility*.

[22] Id.

[23] SSA, *Guide for Organizational Representative Payees*, page 9.

[24] Pub. L. No.101-508 §§ 5105(a)(1) and (2).

service (FFS) organizational representative payee. SSA obtains credit information about FFS organizational payees to strengthen the investigation process for FFS payees.[25] While CASE had been collecting fees from SSA beneficiaries[26] since January 2005, the Cleveland FO did not request a credit analysis until November 2007, 1 month before a scheduled review of CASE began. We requested a copy of the November 2007 financial analysis report from the FO and found the report did not identify any financial irregularities at CASE.[27]

Bond Requirement

CASE did not maintain appropriate bond insurance coverage protecting the Agency's interests, as required. [28] According to Agency policy, the amount of the bond must be sufficient to compensate the organization or SSA for any loss of SSA client benefits and conserved funds.[29] CASE held a bond for the period January 18, 2007 through January 18, 2008 covering losses totaling $50,000 of insurance per occurrence. However, during our audit period, the conserved funds plus the average monthly amount of Social Security payments of the SSA beneficiaries added to approximately $100,000. Moreover, the bond had expired by the time SSA notified CASE that beneficiaries would be transferred to new representative payees. Finally, a review of the bond document determined that SSA was never named on the bond, so the Agency most likely had no coverage under the bond regardless of the document's expiration.

We later learned that CASE was not included in an Agency mailing to FFS representative payees in August 2007 advising them to have SSA's name added to their bond. The Cleveland FO manager indicated that CASE was not advised of this requirement because they were not listed as a FFS within SSA records, even though

[25] SSA, POMS, GN 00506.600.A—*Credit Reporting for New Fee-for-Service Applicants* and GN 00605.420.B—*Procedures-Completion of Pre-Visit Background Information for SSA Use, Question 16 – Is the payee fee for services (FFS)?*

[26] The former Cleveland FO manager stated that he approved CASE to charge a fee for its services. However, we were unable to find evidence of the approval in SSA's records.

[27] The report was indeterminate in some areas.

[28] SSA policy indicates that a non-governmental FFS organization must be bonded in order to be authorized by SSA to collect a fee. SSA, POMS, GN 00506.105.A—*Bonding and Licensing Guidelines for Non-Governmental Fee For Service (FFS) Organizations*.

[29] SSA, POMS, GN 00506.105.C.5.

CASE had been a FFS since January 2005.[30] As a result, SSA's beneficiaries lacked the required protection under the bond and any losses may now be the responsibility of SSA.[31]

Inaccurate Beneficiary Addresses

SSA did not maintain updated mailing addresses for beneficiaries relocated to other organizations after they left CASE. SSA's guidance requires that representative payees report when the beneficiary moves.[32] SSA's records contained incorrect beneficiary addresses for 79 beneficiaries who were relocated to 3 other organizational representative payees. We learned of the issue after we used the current mailing addresses from SSA's records to notify 134 of the 218 beneficiaries with individual bank accounts of our need to subpoena their bank statements.[33] The subpoena letters were returned as undeliverable in 79 of the 134 cases (59 percent). We advised the Cleveland FO manager of this issue, and, as a result, the current representative payees are being contacted and beneficiary addresses are being updated. To protect beneficiaries, SSA needs to ensure that payees understand their responsibility to notify SSA when they learn of a beneficiary's change of address.

CONCLUSION AND RECOMMENDATIONS

Our review disclosed that CASE did not properly account for the benefits received and disbursed on behalf of SSA beneficiaries. In addition, we identified program oversight weaknesses at SSA. Even though CASE is no longer operating as an SSA representative payee, the Agency still needs to take actions regarding the beneficiaries formerly served by CASE. Moreover, given the oversight issues noted in our report, the Chicago Regional Office may want to reinforce its representative payee policies in the field with additional guidance and training as it relates to our findings.

To resolve the matters associated with CASE and improve the oversight of representative payees, we recommend that the Chicago Regional Commissioner:

1. Appropriately adjust the account balances of the beneficiaries transferred from CASE based on the beneficiary account ending balances provided by CASE as well as the audited differences identified during our audit period.

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[30] CASE was not initially listed as an FFS in SSA records as a result of a clerical error at SSA. SSA records now reflect CASE was an FFS representative payee.

[31] As noted earlier, under the *Social Security Protection Act of 2004*, SSA is required to pay to the beneficiary or the new representative payee an amount equal to the amount misused. See the *Social Security Protection Act of 2004*, Pub. L. No. 108-203, § 107.

[32] SSA, *Guide for Organizational Representative Payees*, page 13.

[33] CASE was unable to provide any of the individual bank statements for the 134 beneficiaries who had individual bank accounts during our audit period.

2. Ensure regional employees are aware of the policies and procedures regarding representative payee oversight, including identification of conduit payees, timely financial analysis review, proper annotation of a representative payee's FFS status in SSA systems, and appropriate bond wording and coverage.

3. Ensure that the contact information of beneficiaries transferred from CASE is updated in SSA records.

AGENCY COMMENTS

SSA agreed with all of our recommendations. See Appendix E for the full text of SSA's comments.

Patrick P. O'Carroll, Jr.

Appendices

Acronyms

CASE	Consciously Aware Services That Empower, Inc.
FFS	Fee For Service
FO	Field Office
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income

Scope and Methodology

Our audit covered the period July 1, 2006 through June 30, 2007. To accomplish our objectives, we:

- Reviewed applicable Federal regulations, the *Social Security Act*, and Social Security Administration (SSA) policies and procedures pertaining to representative payees.
- Contacted SSA Chicago Regional Office staff to obtain background information about Consciously Aware Services that Empower, Inc. (CASE).
- Obtained from SSA's Representative Payee System (RPS) a list of individuals who were served by CASE at some time during the audit period.
- Interviewed CASE management and obtained beneficiary information and available financial records, including a list of individuals who had CASE as a representative payee and had received SSA funds at some point during the audit period.
- Compared the RPS list, Master Beneficiary Record, Supplemental Security Record, and Treasury Check Information System and reconciled them to CASE's list to identify the population of SSA beneficiaries who were served by CASE at some point during the audit period.
- Performed a 100-percent review of a population of 218 beneficiaries who were served by CASE during the audit period. We performed the following tests for the 218 beneficiaries.
  - Compared and reconciled benefit amounts received according to CASE's records to benefit amounts paid according to SSA's records.
  - Reviewed CASE's accounting records to determine whether benefits were properly spent or conserved on the individual's behalf.
  - Traced a sample of recorded expenses to source documents and examined the underlying documentation for reasonableness and authenticity.
  - Interviewed 10 beneficiaries to determine whether their basic needs were being met.
  - Subpoenaed 135 bank statements from the financial institution to determine whether benefits were received and appropriately managed on the beneficiaries' behalf.

CASE's accounting data were not reliable. The results of our data testing are found in the body of this report. We performed our fieldwork in Chicago, Illinois, and Cleveland, Ohio, between February 2008 and November 2009. We audited CASE, a private firm, and the Cleveland, Ohio, Field Office, which is under SSA's Chicago Regional Office. We conducted this 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.

Oversight of Representative Payees and Representative Payee Responsibilities

The Social Security Administration (SSA) has established criteria for representative payees handling SSA funds as well as periodic monitoring of the performance of representative payees. We have provided some of these criteria below.

Representative Payee Responsibilities

The *Guide for Organizational Representative Payees*[1] recommends that representative payee organizations develop internal procedures and guidelines governing how their organization manages beneficiary funds and ensure their employees follow them. The Guide also indicates that these internal procedures should include internal controls to help ensure the integrity and accuracy of the accounting system.

Representative payees are responsible for using benefits to serve the beneficiary's best interests. The responsibilities include:[2]

- Determine the beneficiary's current needs for day-to-day living and use the benefit payments to meet those needs.
- Conserve and invest benefits not needed to meet the beneficiary's current needs.
- Maintain accounting records of how the benefits are received and used.
- Report events to SSA that may affect the individual's entitlement or benefit payment amount.
- Report any changes in circumstances that would affect their performance as a representative payee.
- Provide SSA an annual Representative Payee Report to account for benefits spent and invested.
- Return any payments to SSA for which the beneficiary is not entitled.

[1] SSA, *Guide for Organizational Representative Payees*, online guide located at http://www.ssa.gov/payee/NewGuide/toc.htm (December 21, 2009), page 31.

[2] 20 Code of Federal Regulation § 404, subpart U, and § 416, subpart F.

- Return conserved funds to SSA when no longer the beneficiary's representative payee.

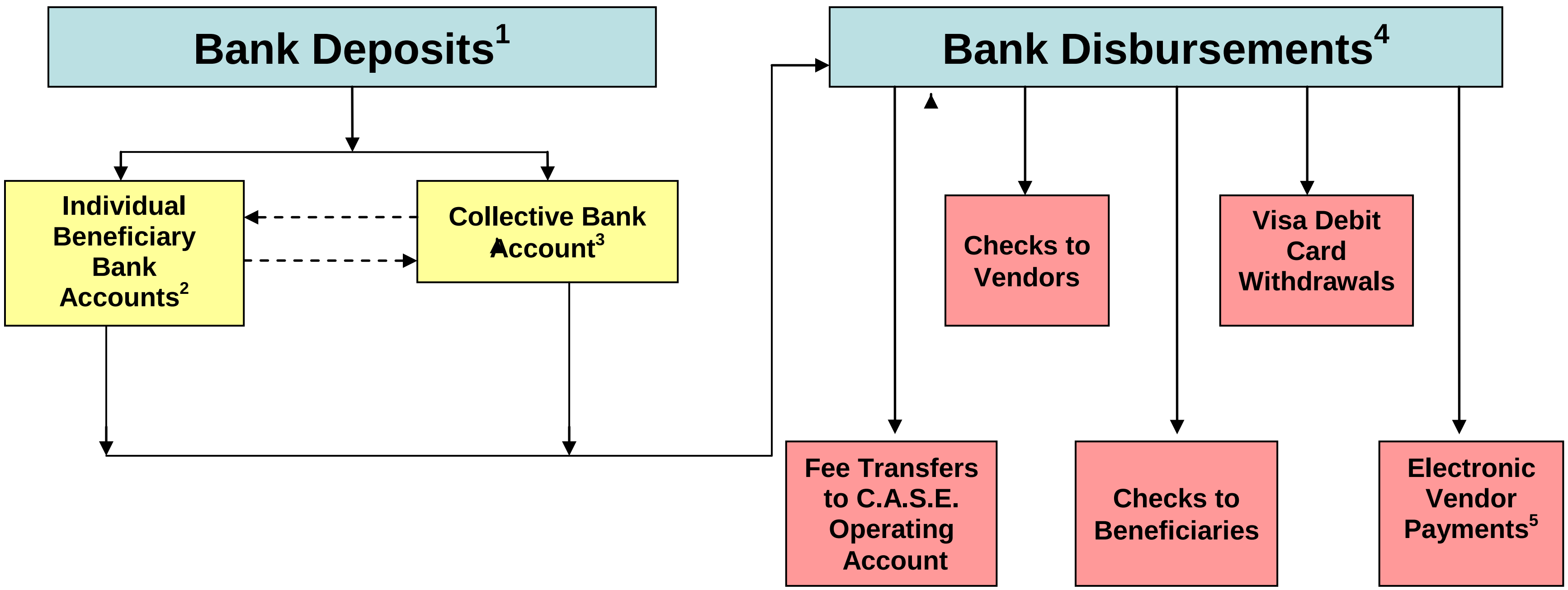
- Ensure Supplemental Security Income recipients do not exceed their resource limits, be aware of any other income they may have and monitor their conserved funds.

SSA Oversight of Representative Payees

To oversee its representative payees, SSA implemented the Expanded Monitoring Program for fee for service (FFS) and volume payees and the Onsite Review Program for State institutions. Under the Expanded Monitoring Program, SSA conducts a site review of all FFS and volume payees at least once every 3 years.

FFS and volume payees are also subject to random reviews, quick response checks, and educational visits. The purpose of the Expanded Monitoring Program is to (1) allow SSA to determine whether representative payees are performing satisfactorily, (2) deter potential misuse, (3) keep the lines of communication open between representative payees and local SSA offices, (4) reinforce SSA's efforts to educate representative payees about their duties and responsibilities, and (5) be responsive and proactive in determining what representative payees need from SSA.

Consciously Aware Services That Empower, Inc., Bank Deposit and Disbursement Flowchart



Notes:

1. CASE was the representative payee for 218 SSA beneficiaries and received $1.1 million on their behalf from July 2006 through June 2007.

2. SSA deposits were made to the individual beneficiary bank accounts as well as to the collective bank account. CASE also transferred funds to and from the individual beneficiary bank accounts and collective bank account.

   Until April 2007, CASE maintained both a single collective bank account as well as individual bank accounts for the majority of the beneficiaries for deposits and disbursed funds. In April 2007, CASE opened a new collective bank account and consolidated the existing funds from the earlier collective and individual bank accounts into this new collective bank account. The various accounts made it difficult to confirm the accuracy of the beneficiary account balances. As a result, until April 2007, CASE was operating at least 135 separate bank accounts for the beneficiaries.

3. The collective bank account was primarily used to make beneficiary deposits and disbursements. Deposits made to the collective bank account were sometimes transferred to the individual bank accounts. However, funds were transferred back to the collective bank account for expenditure disbursements.

4. Funds were disbursed from both the individual beneficiary bank accounts and collective bank accounts. Disbursements included checks to vendors, checks to beneficiaries, Visa debit/credit card withdrawals, electronic vendor payments, and transfers to the operating account related to representative payee fees.

5. Vendor payments were made on-line directly to the vendor from both the individual bank accounts and the collective bank accounts.

Agency Comments

TO: Office of Inspector General (OIG)

FROM: Deputy Commissioner for Operations (DCO)

SUBJECT: DCO REPLY: Request for Draft Report Comments - Audit # 22008033, Organizational Representative Payee in Ohio (Trudy Williams Email, 4/27/10)

Thank you for the opportunity to comment on the draft report presenting the results of your audit of Consciously Aware Services that Empower, Inc. (CASE), a representative payee in Ohio. Having reviewed the report, we submit the following comments for your consideration:

Recommendations and Conclusions

You recommend that the Chicago Regional Commissioner:

1. Appropriately adjust the account balances of the beneficiaries transferred from CASE based on the beneficiary account ending balances provided by CASE as well as the audited differences identified during our audit period.

Response:
Our policy requires that we make restitution to the beneficiaries for funds misused by organizational representative payees. As stated in the report, the field office manager asked OIG Criminal Division to help determine the amounts of misused funds for each beneficiary. OIG Criminal Division declined to open a criminal case, but requested OIG Audit Division to help. We greatly appreciate the assistance given to us by your Audit Division. The audit deals only with the period June 2006 through July 2007. However, the period of probable misuse extended to January 2008, when the payee admitted she had been using money from the collective account for operating expenses. A determination of the total misuse amount still needs to be made. We have been advised by OIG Audit staff that they will assist in determining the total amount of misused funds, and we appreciate this additional effort on their part.

2. Ensure regional employees are aware of the policies and procedures regarding representative payee oversight, including identification of conduit payees, timely financial analysis review, proper annotation of a representative payee’s FFS status in SSA systems, and appropriate bond wording and coverage.

Response:
To effectively exercise the Agency’s oversight responsibilities, we are keenly aware of the need for field office staff to be knowledgeable about complex policies and procedures. We conduct regular and intensive Regional training for key field office staff on all aspects of the Expanded Monitoring Program. This training is then supplemented by fan–down training in field offices. In addition, we recently issued a comprehensive Regional POMS Supplement that provides specific guidance on handling problems encountered during site reviews of organizational representative payees, including misuse. We will continue to offer ongoing guidance and refresher training for managers and field office staff.

3. Ensure that the contact information of beneficiaries transferred from CASE is updated in SSA records.

Response:
While we agree with this recommendation in principle, we are not able to comply fully, given the constraints of our systems. While the SSID can be updated with address changes for Title 16 beneficiaries, the MBR houses address data only for representative payees, not for the Title 2 beneficiaries whose benefits they manage.

Other Issues in the Report

Unauthorized Representation of Beneficiaries

The audit revealed that CASE was acting as *de facto* representative payee for three beneficiaries who were in direct pay. While we acknowledge this practice is undesirable, SSA has no control over individuals who voluntarily permit others to control their benefits, without the Agency's knowledge. When an arrangement of this type is brought to the Agency's attention, we, of course take the appropriate action to determine if the beneficiary is incapable of managing his or her own funds.

SSA's Representative Payee Application and Selection Process

You state in the report that "SSA should have been aware that CASE's business plan stated that the organization would assist its consumers by teaching them to become conscientious of their spending habits and providing them with a banking tool." There is no requirement in POMS that the field office review a payee applicant's business plan. Moreover, the supervised use of a debit card for personal purchases (after the payee has paid basic costs of food and shelter) was described to the FO as a means of helping the beneficiaries develop good spending practices. While this practice apparently was not followed as planned, the triennial review initiated in December 2007 was the first opportunity field office staff had to examine CASE's financial records in detail. As soon as the misuse was revealed, the FO took immediate steps to replace the payee.

We will discuss with our policy component at SSA headquarters the concerns raised in this audit report, and the possibility of establishing more rigorous Fee for Service selection criteria.

If members of your staff have questions, they may contact Marva Watkins at 312-575-4207.

Roger McDonnell for Mary Glenn-Croft

OIG Contacts and Staff Acknowledgments

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Acknowledgments

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

Office of Audit

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

Office of Investigations

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

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

Office of External Relations

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

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