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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**MENTAL HEALTH CENTER OF  
BOULDER COUNTY, INC. –  
AN ORGANIZATIONAL  
REPRESENTATIVE  
PAYEE FOR THE SOCIAL  
SECURITY ADMINISTRATION**

September 2004

A-06-04-14038

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**AUDIT REPORT**

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## SOCIAL SECURITY

### MEMORANDUM

Date: September 29, 2004

Refer To:

To: James Everett  
Regional Commissioner  
Denver

From: Assistant Inspector General  
for Audit

Subject: Mental Health Center of Boulder County, Inc. – An Organizational Representative Payee for the Social Security Administration (A-06-04-14038)

### OBJECTIVE

Our objectives were to determine whether the Mental Health Center of Boulder County, Inc., (MHCBC) (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

### BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' and recipients' benefit payments.<sup>1</sup> A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries or Supplemental Security Income (SSI) recipients when the use of a representative payee would serve the individual's best interest.<sup>2</sup> Appendix B contains additional information about representative payees' responsibilities.

MHCBC is a private, nonprofit organization offering mental health and social services for Boulder County, Colorado. From August 1, 2002 to July 31, 2003, MHCBC acted as

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<sup>1</sup> 42 U.S.C. § 405(j).

<sup>2</sup> We use the term "beneficiary" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

representative payee for 151 SSA beneficiaries. During this period, SSA paid MHCBC approximately \$312,461 on behalf of the 50 beneficiaries we selected for our review. Appendix C contains the Scope and Methodology of our review.

## **RESULTS OF REVIEW**

MHCBC generally had effective safeguards over the receipt and disbursement of Social Security benefits and ensured Social Security benefit payments were used and accounted for in accordance with SSA's policies and procedures. Specifically, MHCBC maintained current records of receipts, disbursements, and balances identifiable to each beneficiary. However, we identified the following areas where MHCBC needed to improve its performance as a representative payee.

- The administration of the beneficiary collective bank account.
- Timely cancellation of unnegotiated checks issued on behalf of beneficiaries.
- Notifying SSA that it received Social Security payments on behalf of individuals for whom MHCBC was not the designated representative payee.
- Notifying SSA of changes in beneficiary circumstances.
- Notifying SSA when SSI beneficiaries' conserved funds exceed resource limits.

We also determined that information in SSA's Representative Payee System (RPS) was not always accurate. Finally, SSA was not able to provide us with all Representative Payee Reports (RPR) for the beneficiaries included in our review.

## **ADMINISTRATION OF THE BENEFICIARY COLLECTIVE BANK ACCOUNT**

MHCBC used a collective bank account for beneficiary funds; however, the funds were commingled with MHCBC operational housing funds and funds of individuals for whom MHCBC was not the representative payee. Further, the collective bank account lacked a title identifying the fiduciary relationship between MHCBC and the beneficiaries. We also found that MHCBC did not use the collective bank account for three SSA beneficiaries. Instead, the benefit payments for these three individuals were deposited into the MHCBC operating account. This occurred because MHCBC did not believe this was an issue as long as individual beneficiary balances were accurately tracked within the commingled account.

To protect beneficiaries' funds, SSA policy states that collective accounts must be separate from the representative payee's operating account, and the account title must show the funds belong to the beneficiaries and not the representative payee.<sup>3</sup> The account must be in a form that clearly shows the representative payee has only fiduciary and not personal interest in the funds.<sup>4</sup>

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<sup>3</sup> *Program Operations Manual System (POMS)*, GN 00603.020.

<sup>4</sup> SSA, POMS, GN 00603.010.

## **TIMELY CANCELLATION OF UNNEGOTIATED CHECKS**

MHCBC did not timely cancel unnegotiated checks issued on behalf of beneficiaries. While there are no definitive guidelines concerning how long a check may remain outstanding before it should be voided, we believe the representative payee should use a reasonable period, such as 6 months or 1 year, to follow up on unnegotiated checks to ensure beneficiaries do not lose the use of their funds. As of July 31, 2003, 85 checks, totaling \$2,085, issued during Calendar Year 2001 and 154 checks, totaling \$5,938, issued during Calendar Year 2002 had not been negotiated for payment.

This occurred because MHCBC did not have procedures to cancel checks that went unnegotiated for an extended period of time. We notified MHCBC of this problem, and it took action to cancel outstanding checks issued during Calendar Year 2001 and credit the appropriate beneficiary accounts. MHCBC planned to do the same for outstanding checks issued during Calendar Year 2002.

## **RECEIPT OF PAYMENTS FOR NON-REPRESENTED BENEFICIARIES**

MHCBC received checks or direct deposit payments on behalf of nine SSA beneficiaries for whom MHCBC was not the designated representative payee. None of these nine beneficiaries had a representative payee; therefore, SSA made all the checks or direct deposit payments payable to the beneficiaries. SSA mailed three beneficiaries' checks directly to MHCBC, who, in turn, endorsed and deposited the checks into the beneficiary collective account. SSA had five beneficiaries' payments direct deposited into the beneficiary collective account. The remaining beneficiary used MHCBC's address as a mailing address where he picked up his monthly check. MHCBC considered these nine individuals as clients to whom it provided a service. However, because MHCBC was not designated as the representative payee for these individuals, it did not have assigned accountability for the funds, and SSA had no assurance the funds were used in the beneficiaries' best interests.

## **NOTIFICATION OF CHANGES IN BENEFICIARY CIRCUMSTANCES**

MHCBC did not always notify SSA of changes in beneficiary circumstances or return conserved fund balances for individuals whose circumstances had changed. This included seven beneficiaries who transferred to another representative payee, three beneficiaries who became their own payee, and two deceased beneficiaries.

Representative payees must report changes or events that could affect the beneficiary's eligibility for benefits.<sup>5</sup> SSA's policy requires that representative payees return any conserved funds or unused benefits to SSA to reissue funds to either a successor payee or the beneficiary.<sup>6</sup>

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<sup>5</sup> *Representative Payment Program, Guide for Organizational Representative Payees*, July 2001, page 9.

<sup>6</sup> SSA, POMS, GN 00603.055.A.

This occurred because MHCBC did not have procedures to ensure these changes were promptly reported to SSA. As a result, these 12 individuals did not receive \$11,993 in funds to which they were entitled. During our audit, MHCBC agreed to take action to determine the proper disposition of these individuals' funds.

### **EXCESS SUPPLEMENTAL SECURITY INCOME RESOURCES**

Individuals with resources in excess of \$2,000 are not eligible for SSI payments. Individuals are expected to use these excess resources to meet their needs before becoming eligible for SSI payments. Representative payees must notify SSA if the conserved funds for current SSI recipients exceed the \$2,000 resource limit at the beginning of any calendar month.<sup>7</sup>

We identified three beneficiaries with account balances in excess of \$2,000 as of July 31, 2003 who received SSI payments in August 2003. We determined that MHCBC did not effectively monitor fund balances for resource limits and, consequently, did not notify SSA when beneficiary fund balances exceeded the resource limits. As a result, these beneficiaries may have received SSI payments to which they were not entitled.

### **INACCURATE REPRESENTATIVE PAYEE SYSTEM DATA AND MISSING REPRESENTATIVE PAYEE REPORTS**

The RPS contained inaccurate information, and SSA was not able to provide us with all RPRs for the selected beneficiaries included in our review.

The Omnibus Budget Reconciliation Act of 1990 requires that SSA provide for specific identification and control of all representative payees and the beneficiaries they serve. As a result, SSA established RPS, an on-line system for entering and retrieving information about representative payees and those applying to be representative payees.<sup>8</sup> Representative payees are responsible for keeping records and completing an RPR annually to report the use of each beneficiary's payments. In addition, SSA is required to review the RPRs and retain them for 2 years after the last month of the reporting period.<sup>9</sup>

We found SSA had listed MHCBC under three different names in the RPS. SSA also had MHCBC listed as the representative payee for a beneficiary although MHCBC had not been the beneficiary's representative payee since 1999. When we informed SSA, it queried the RPS and merged the multiple names into one active listing. However, as of April 2004, there were still two inactive names listed in the RPS. Each representative

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<sup>7</sup> SSA, POMS, SI 01110.001.A. and B., SI 01110.003.A., and GN 00605.068.F.

<sup>8</sup> SSA, POMS, GN 00502.120.A.

<sup>9</sup> SSA, POMS, GN 00605.001.B.1. and GN 00605.055.B.1.

payee should be listed once in the RPS to enable users to identify all recipients in a representative payee's care.

SSA was not able to provide us with the RPRs for all of the beneficiaries included in our review. We requested that SSA provide the most recently completed RPRs for 36 beneficiaries in MHCBC's care from August 1, 2002 to July 31, 2003. SSA initially provided 25 RPRs, but 13 did not pertain to our audit period. Therefore, SSA provided current RPRs for only 12 of the 36 beneficiaries. Without the RPRs, we could not independently confirm that MHCBC met its reporting responsibilities.

## **CONCLUSIONS AND RECOMMENDATIONS**

MHCBC needs to improve its performance as a representative payee with respect to the administration of the beneficiary collective bank account, timely cancellation of unnegotiated checks issued on behalf of beneficiaries, notifying SSA when it receives Social Security payments on behalf of individuals for whom MHCBC is not the designated representative payee, notifying SSA of changes in beneficiary circumstances, and notifying SSA when SSI beneficiaries' conserved funds exceed resource limits.

We recommend that SSA:

1. Direct MHCBC to establish a collective bank account specifically for SSA beneficiary funds that is properly titled to reflect beneficiary ownership interest and the fiduciary relationship between it and the beneficiaries.
2. Ensure MHCBC cancels unnegotiated checks issued during Calendar Year 2002, credits the beneficiary accounts, and establishes procedures for identifying and canceling checks issued on the beneficiary collective account that go unnegotiated for an extended period of time.
3. Ensure MHCBC no longer negotiates Social Security payments to beneficiaries for whom MHCBC is not the representative payee. In addition, SSA should determine whether the nine beneficiaries identified during the audit should be assigned a representative payee.
4. Direct MHCBC to establish procedures to timely identify and report changes in beneficiary circumstances to SSA and refund the \$11,993 in conserved funds to the appropriate individuals.
5. Direct MHCBC to develop procedures to timely identify and report to SSA any SSI recipients with excess resources.
6. Correct the RPS to consolidate MHCBC's multiple listings and account for all individuals for whom MHCBC is listed as the representative payee.

## **AGENCY AND MHCBC COMMENTS**

SSA and MHCBC agreed with our recommendations. See Appendices D and E for the full text of the comments provided.

A handwritten signature in black ink, reading "Steven L. Schaeffer". The signature is written in a cursive style with a large, stylized "S" and "L".

Steven L. Schaeffer



# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Background

APPENDIX C – Scope and Methodology

APPENDIX D – Agency Comments

APPENDIX E – Mental Health Center of Boulder County, Inc. Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

## Acronyms

MHCBC	Mental Health Center of Boulder County, Inc.
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
RPR	Representative Payee Report
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income

## Background

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

- using benefits to meet the beneficiary's current needs;
- conserving and investing benefits not needed to meet the beneficiary's current needs;
- maintaining accounting records of how the benefits are received and used;
- reporting events to the Social Security Administration that may affect the individual's entitlement or benefit payment amount;
- reporting any changes in circumstances that would affect their performance as a representative payee; and
- providing SSA an annual Representative Payee Report to account for benefits spent and invested.

About 7.6 million individuals have representative payees-approximately 4.5 million are Old-Age, Survivors and Disability Insurance beneficiaries, 2.3 million are Supplemental Security Income recipients, and 800,000 are entitled to both. The following chart reflects the types of representative payees and the number of individuals they serve.

Type of Representative Payee	Number of Representative Payees	Number of Individuals Served
Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others	5,333,200	6,685,100
Organizational Payees: State Institutions, Local Governments, and Others	41,500	807,400
Organizational Payees: Fee-for-Service	900	104,200
<b>Total</b>	<b>5,375,600</b>	<b>7,596,700</b>

Source: Master Representative Payee File as of January 2003.

<sup>1</sup> 20 C.F.R, § 404, subpart U, and § 416, subpart F (2003).

### Scope and Methodology

Our audit covered the period August 1, 2002 through July 31, 2003. To accomplish our objectives, we:

- Reviewed the Social Security Act and Social Security Administration (SSA) policies and procedures pertaining to representative payees.
- Contacted SSA regional office and field office staffs to obtain background information about the representative payee's performance.
- Obtained from SSA's Representative Payee System (RPS) a list of individuals who were in the representative payee's care as of July 31, 2003 or who left the representative payee's care after August 1, 2002.
- Obtained from the representative payee a list of individuals who were in its care and had received SSA funds as of July 31, 2003 or who left its care after August 1, 2002.
- Compared and reconciled the RPS list to the representative payee's list to identify the population of SSA beneficiaries who were in the representative payee's care from August 1, 2002 through July 31, 2003.
- Reviewed the representative payee's internal controls over the receipt and disbursement of Old-Age, Survivors and Disability Insurance benefits and Supplemental Security Income payments.
- Performed the following tests for the 50 randomly selected beneficiaries:
  - Compared and reconciled benefit amounts received according to the representative payee's records to benefit amounts paid according to SSA's records.
  - Reviewed the representative payee'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.
- Reviewed a sample of Representative Payee Reports to determine whether the representative payee properly reported to SSA how benefits were used.

We performed our field work in Dallas, Texas, and Boulder, Colorado, between August 2003 and March 2004. We conducted our audit in accordance with generally accepted government auditing standards.

## Agency Comments

Thank you for the opportunity to review and respond to the draft report on the Mental Health Center of Boulder County, Inc. We agree with and support each of the recommendations. We are taking appropriate steps on recommendations 3 and 4. Recommendation 6 has already been resolved.

If you have questions, staff may contact Renee Booker, RSI at 303-844-3481.

James Everett

Mental Health Center of Boulder County, Inc.  
Comments

# **MENTAL HEALTH CENTER OF BOULDER COUNTY, INC. – AN ORGANIZAIONAL REPRESENTATIVE PAYEE FOR THE SOCIAL SECURITY ADMINISTRATION**

## **Response to the Draft Audit Report**

### **ADMINISTRATION OF THE BENEFICIARY COLLECTIVE ACCOUNT:**

- The House Funds will be removed from the Custodial Account effective October 2004.
- The three individuals whose monies were deposited into a different account within the Mental Health Center were incorporated into the Custodial Account effective January 1, 2004. Billy Mize was aware of this change.
- The Mental Health Center will re-title the Custodial Account to reflect that the MHC is the Representative Payee for Social Security and SSI Beneficiaries.

### **TIMELY CANCELLATION OF UNNEGOCIATED CHECKS:**

- The Mental Health Center now has procedures in effect that will insure checks are cancelled and the funds credited to the beneficiaries on a regular basis.
  - “Void after 120 days” has been added to all checks
  - Account will be reviewed on a quarterly basis and checks will be cleared and funds credited to beneficiaries.

### **RECEIPT OF PAYMENTS FOR NON-REPRESENTED BENEFICIARIES:**

- The Mental Health Center has received the list of names from the Boulder Social Security office.
  - The individual case managers will be contacted to determine the possibility that the clients can handle their own funds.
  - If the client isn't capable of handling their own finances, the Mental Health Center will apply to be their payee.
- In reference to the individual who uses the Mental Health Centers address, the MHC does not negotiate the check.
  - This needs to be a service the MHC can continue to offer because many of our clients are homeless and this gives them a way to receive their check.

### **NOTIFICATION OF CHANGES IN BENEFICIARY CIRCUMSTANCES:**

- The Mental Health Center will work with the Boulder Social Security office to disburse \$11,606.31 of reserved funds on hand and establish a procedure to handle this type of situation in the future.
  - The MHC has resolved the balance for [ ]. (Name redacted from report.)

### **EXCESS SUPPLEMENTAL SECURITY INCOME RESOUSCES:**

- The Mental Health Center has established a procedure to notify case managers when the beneficiary's resources are close to \$2,000.

### **INACCURATE REPRESENTATIVE PAYEE SYSTEM DATA AND MISSING REPRESENTATIVE PAYEE REPROTS:**

- The Mental Health Center is setting up procedures to centralize this function.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Paul Davila, Director (214) 767-6317

Ron Gunia, Audit Manager (214) 767-6620

### ***Acknowledgments***

In addition to those named above:

Billy Mize, Senior Auditor

Wanda Renteria, Auditor

Kimberly Beauchamp, Writer-Editor

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