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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**SAFE HAVEN, A FEE-FOR-SERVICE  
REPRESENTATIVE PAYEE FOR THE  
SOCIAL SECURITY ADMINISTRATION**

**September 2010**

**A-07-10-21062**

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**AUDIT REPORT**

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## 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: September 21, 2010

Refer To:

To: Michael W. Grochowski  
Regional Commissioner  
Kansas City

From: Inspector General

Subject: Safe Haven, A Fee-for-Service Representative Payee for the Social Security Administration (A-07-10-21062)

## OBJECTIVE

Our objectives were to determine whether Safe Haven (1) used and accounted for Social Security benefits in accordance with Social Security Administration (SSA) policies and procedures, (2) had effective safeguards over the receipt and disbursement of Social Security benefits, and (3) adequately protected the beneficiaries' personally identifiable information (PII).

## 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 from the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs.<sup>1</sup> A representative payee may be an individual or an organization. SSA's regulations indicate the Agency will select representative payees for beneficiaries when representative payments would serve the individuals' interests.<sup>2</sup> Representative payees are responsible for managing benefits in the best interest of the beneficiary.<sup>3</sup> See Appendix B for additional representative payee responsibilities.

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

<sup>2</sup> 20 C.F.R. §§ 404.2001 and 416.601.

<sup>3</sup> *Id.* Also, we use the term "benefits" to refer to OASDI benefits and SSI payments. Likewise, we use the term "beneficiaries" to refer to OASDI beneficiaries and SSI recipients.

Safe Haven is a fee-for-service organization with five employees, including a Director, and is located in Scottsbluff, Nebraska. The representative payee is a nonprofit social service agency that received payments under SSA's OASDI and SSI programs on behalf of 396 beneficiaries. SSA's Kansas City Regional Office requested this audit. See Appendix C for the scope and methodology of our review.

## **RESULTS OF REVIEW**

Our audit period was from October 1, 2008 to September 30, 2009. We found that, during this time, Safe Haven had the appropriate safeguards to secure beneficiaries' personal and financial information. Further, Safe Haven had effective safeguards over the receipt of Social Security benefits. However, we found that Safe Haven:

- Did not use and account for Social Security benefits in accordance with SSA's policies and procedures. Safe Haven operated as a conduit payee for over half the 50 SSA beneficiaries we reviewed.<sup>4</sup> Also, Safe Haven had inadequate internal controls related to SSI resource limits, conserved funds, interest-bearing accounts, representative payee fees, and representative payee reporting.
- Did not have effective safeguards over the disbursement of Social Security benefits. Specifically, Safe Haven did not have adequate bond coverage, maintain receipts supporting all expenditures, or adequately segregate duties when disbursing beneficiaries' funds.
- May not have been meeting the needs of some beneficiaries.

## **USE AND ACCOUNTING FOR BENEFITS**

We found that Safe Haven did not use and account for Social Security benefits in accordance with SSA's policies and procedures. Specifically, Safe Haven

- operated as a conduit payee for over half the 50 SSA beneficiaries we reviewed,
- failed to adequately monitor and effectively manage SSI recipients' resources,
- failed to timely return conserved funds for 38 beneficiaries who were no longer under its care,
- failed to place conserved funds in interest bearing accounts,
- charged SSA beneficiaries unallowable representative payee fees, and

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<sup>4</sup> A conduit payee turns over the full amount of the SSA benefit to the beneficiary or another person, such as a care facility. SSA, POMS, GN 00608.044.B and GN 00605.067.D.1.

- reported inaccurate beneficiary information on the SSA Representative Payee Reports.

### **Conduit Payee**

From our sample of 50 beneficiaries, we found that Safe Haven operated as a conduit payee for 26 beneficiaries. These beneficiaries lived in care facilities, which included nursing homes, assisted living facilities, and room and board facilities. A conduit payee does not exercise control over the benefits and cannot fully account for how the benefits are spent.<sup>5</sup>

For the 26 beneficiaries, Safe Haven turned over the full amount of the SSA benefits – less its payee fees – to the care facilities. As a conduit payee, Safe Haven did not control how the beneficiaries' personal allowances were used by the care facilities. For example, Safe Haven did not collect cash ledgers and receipts from the care facilities to account for the expenses as required by SSA's instructions.<sup>6</sup>

Since Safe Haven operated as a conduit payee for over half the SSA beneficiaries in our sample, it is possible that Safe Haven also operated as a conduit payee for other SSA beneficiaries who lived in care facilities. In fact, during the audit period, Safe Haven was managing funds for approximately 255 SSA beneficiaries who lived in care facilities.

### **SSI Resources**

We identified seven beneficiaries who incurred \$22,926 in overpayments by exceeding the SSI resource limit during our audit period. This occurred because Safe Haven did not have adequate internal controls to monitor SSI recipients' accounts.

Furthermore, during our audit, Safe Haven identified an additional 11 SSI recipients who exceeded the SSI resource limit resulting in overpayments totaling \$36,630. We did not confirm the results of Safe Haven's review.

SSI overpayments occur when (1) a recipient's resources exceed the allowable resource limit because of changes in the recipient's circumstances that affect eligibility for benefits<sup>7</sup> or (2) the representative payee is improperly conserving benefits by not

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<sup>5</sup> SSA, POMS, GN 00605.067.D.1.

<sup>6</sup> SSA, POMS, GN 00602.001.B; GN 00605.067.D.1 and D.3; GN 00605.420.C.14a; SSA, *A Guide for Organizational Representative Payees* (No. 17-013), p. 10.

<sup>7</sup> The resource limit for SSI recipients is \$2,000 for an individual and \$3,000 for a married couple. See 20 C.F.R. § 416.1205(c), and SSA, POMS, SI 01110.003.A.2. Changes in a beneficiary's circumstances that affect eligibility for benefits include new living arrangements, marriage, divorce, incarceration, and employment earnings. See 20 C.F.R. §§ 416.635(d) and 416.708; SSA, POMS, GN 00502.113.C.1.

spending the funds on the recipient's current and foreseeable needs.<sup>8</sup> The representative payee is responsible for informing SSA about changes in a recipient's circumstances and when the recipient's resources exceed the allowable limit.<sup>9</sup>

During our audit, Safe Haven instituted new procedures to monitor the beneficiaries' ledgers for resources exceeding the allowable limit. Safe Haven now sends a monthly report to SSA with the names of recipients whose resources are nearing or have exceeded the SSI resource limit. We verified that SSA receives these reports. However, we did not review the monthly lists to ensure that the procedures are identifying all recipients who exceed the SSI resource limit.

### Conserved Funds

We identified 2 beneficiaries in our sample of 50 whose conserved funds,<sup>10</sup> totaling \$2,655, were retained by Safe Haven for 5 and 6 months, respectively, after the beneficiaries left its care. This occurred because Safe Haven did not have procedures in place to return conserved funds to SSA timely when its payee services ended.

During our audit, Safe Haven reviewed the accounts for beneficiaries who were no longer under its care. This review identified conserved funds totaling \$24,890 for 47 beneficiaries, including the 2 beneficiaries we identified.<sup>11</sup> We confirmed that Safe Haven returned the \$24,890 to SSA.<sup>12</sup> However, these conserved funds were not returned to SSA for an average of 20 months after the beneficiaries were no longer under Safe Haven's care. In fact, 15 beneficiaries left Safe Haven's care before 2008, and Safe Haven retained their conserved funds, totaling \$9,776, for an average of 4 years.

To ensure that Safe Haven's review identified all beneficiaries with conserved funds who were no longer under its care, we reviewed Safe Haven's financial records to determine whether funds were being retained for other SSA beneficiaries who had left Safe Haven's care. We identified an additional 38 beneficiaries no longer under Safe Haven's care, including 16 deceased beneficiaries, with conserved funds. The 38 beneficiaries had conserved funds totaling \$39,302.

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<sup>8</sup> SSA, POMS, GN 00602.130.A and GN 00603.001.B.2.

<sup>9</sup> 20 C.F.R. §§ 416.708 and 416.1205(c); SSA, POMS, SI 01110.003.A.2 and GN 00502.113.C.1; SSA, *A Guide for Representative Payees* (No. 05-10076), pp. 16-17, January 2009.

<sup>10</sup> Conserved funds are the benefits remaining (or saved) after the immediate or reasonably foreseeable needs of the beneficiary are met. See SSA, POMS, GN 00603.001.A.

<sup>11</sup> Checks sent to SSA were dated from October 26, 2009 through January 8, 2010.

<sup>12</sup> Two of the 47 beneficiaries were deceased—1 beneficiary died in 2004 and the other died in 2009. Therefore, Safe Haven should have returned the conserved funds to the legal representative of the beneficiary's estate instead of SSA as required by SSA, POMS, GN 00603.100.B.2.

For a beneficiary who is deceased, SSA requires that the representative payee send conserved funds to the beneficiary's estate.<sup>13</sup> For a beneficiary with a successor payee, SSA requires that the representative payee return conserved funds to SSA after a representative payee's service to a beneficiary ends. SSA then reissues the conserved funds to the successor payee so the beneficiary's needs can continue to be met.<sup>14</sup> Although SSA does not specify a time period in which to return conserved funds, retaining funds belonging to SSA beneficiaries prevented SSA from timely reissuing the funds to the new representative payees so the beneficiaries' needs could be met.

### **Non-Interest Bearing Collective Account**

Safe Haven's collective account is a non-interest bearing account. SSA requires that the representative payee with a collective account place a beneficiary's conserved funds in excess of \$500 in an interest-bearing account or other investment that is relatively free of risk.<sup>15</sup> For 36 of the 50 beneficiaries in our sample, Safe Haven had not placed their conserved funds in an interest-bearing account, although their conserved funds exceeded \$500. In fact, 25 of the 36 had over \$1,000 of conserved funds in their accounts.

### **Representative Payee Fees**

We found that Safe Haven charged 11 of the 50 beneficiaries in our sample unallowable representative payee fees totaling \$2,031.<sup>16</sup> SSA approved Safe Haven to collect a fee for its payee services equal to the lesser of 10 percent of the beneficiary's monthly payment or \$37.<sup>17</sup> However, we found the following.

- Eight beneficiaries were charged \$1,365 over the allowable monthly fee to compensate for prior months when the full fee was not charged. For example, a beneficiary was not charged a fee in a month when Safe Haven considered the beneficiary's account funds too low. However, in a following month Safe Haven collected a double fee—\$74 instead of \$37. SSA prohibits the practice of using the benefits from a following month to make up for past uncollected fees.<sup>18</sup>

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<sup>13</sup> SSA, POMS, GN 00603.100.B.2.

<sup>14</sup> SSA, POMS, GN 00605.370.A, GN 00603.055.A, GN 00502.113.C.1; SSA, *A Guide for Representative Payees* (No. 05-10076), p. 19, January 2009.

<sup>15</sup> SSA, POMS, GN 00603.020.B.1.c.

<sup>16</sup> We originally identified unallowable fees of \$2,142. However, Safe Haven returned \$111 to one beneficiary in November 2009.

<sup>17</sup> SSA, POMS, GN 00506.200.A and C.2. During our audit period, Safe Haven was allowed to charge \$35 per month for October and November 2008 and \$37 per month from December 2008 to September 2009.

<sup>18</sup> SSA, POMS, GN 00506.210.A.1.

- One beneficiary did not receive SSA funds for 2 months, but Safe Haven charged the fees totaling \$74. SSA prohibits a representative payee from charging a fee when the beneficiary does not receive a monthly SSA payment.<sup>19</sup>
- One beneficiary was charged a fee of \$130 instead of the \$37 allowable resulting in a \$93 overcharge. The \$130 included a \$10 representative payee fee and a \$120 guardianship fee. SSA prohibits a representative payee from charging both fees if the total monthly fee collected exceeds the \$37 allowed by SSA.<sup>20</sup>
- One beneficiary received Veterans Affairs (VA) benefits in addition to SSA benefits. Safe Haven received permission from VA to collect a 4-percent fee per month on the VA benefits only. However, Safe Haven's practice was to total all benefits received in a month, including the SSA benefits, and calculate the 4-percent fee. Therefore, the fee was computed incorrectly, and Safe Haven overcharged the beneficiary \$499 during the audit period. The 4 percent applied to non-VA benefits is not allowable.<sup>21</sup>

SSA requires that a representative payee use benefits to meet a beneficiary's current and foreseeable needs. Any other use of benefits, such as unauthorized fees charged by the representative payee, may constitute misuse of benefits.

### Representative Payee Reports

We found that Safe Haven inaccurately reported the representative payee fees charged to some beneficiaries on the SSA Representative Payee Reports. We examined 21 reports and found that Safe Haven underreported the fees it collected by at least \$845 for 7 beneficiaries. A representative payee's duties include keeping detailed and accurate records of how benefits are used to provide an accurate report to SSA.<sup>22</sup> SSA uses this information to assist in determining the representative payee's continued suitability to be a payee and the beneficiary's need for representative payment.<sup>23</sup>

We also found inaccuracies in the reporting of other expenses on the Representative Payee Reports.<sup>24</sup> Other expenses include the beneficiary's personal allowance and specific disbursements the representative payee makes for clothing, education, medical, dental, recreation, and personal items. The required minimum expenditure on these

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<sup>19</sup> SSA, POMS, GN 00506.220.A.

<sup>20</sup> SSA, POMS, GN 00602.040 and GN 00506.220.A.

<sup>21</sup> SSA, POMS, GN 00506.220.A.

<sup>22</sup> SSA, POMS, GN 00502.113.C.1 and D.3.b; SSA, *A Guide for Representative Payees* (No. 05-10076), p. 14, January 2009.

<sup>23</sup> SSA, POMS, GN 00605.001.B.1.

<sup>24</sup> The overlap of the audit period with the dates of the report period was from 1 to 11 months.

items was \$30 per month or \$360 per year.<sup>25</sup> We found that Safe Haven reported the required minimum expenditure of \$360 on 9 of the 21 reports. When we examined the actual expenditures for the nine beneficiaries—all of whom lived in care facilities—we found widely differing amounts ranging from \$90 to \$1,365. We concluded that Safe Haven did not track the actual expenditures and intentionally chose to report \$360 on the payee reports regardless of the actual expenditures.

## **SAFEGUARDS FOR THE DISBURSEMENT OF BENEFITS**

Our review determined that Safe Haven did not have adequate bond coverage to protect against theft, did not maintain supporting receipts for all expenditures, and did not have adequate segregation of duties in the disbursement of beneficiaries' funds.

### **Bond Coverage**

We found that Safe Haven did not have adequate bond coverage to protect the representative payee, SSA, and the beneficiaries from financial loss because of theft. During our audit period, Safe Haven was insured for \$500,000. However, per SSA policy, the minimum coverage must equal the amount of beneficiaries' conserved funds on hand plus the average monthly amount of Social Security payments received by the organization.<sup>26</sup> In mid-October 2009, we determined that \$667,696 in conserved funds was on hand, and the average monthly amount of Social Security payments received by Safe Haven during the audit period was \$240,409. Therefore, Safe Haven had an uninsured balance of \$408,105.<sup>27</sup>

### **Receipts and Other Supporting Documentation**

For the 50 beneficiaries in our sample, we found Safe Haven did not maintain receipts and other documentation to support how 20 percent of the total expenditure of beneficiaries' funds was spent.<sup>28</sup> Specifically, of the \$437,094 expended during the audit period for the 50 beneficiaries we reviewed, Safe Haven did not have receipts or other supporting documentation for \$85,256. For the \$85,256 not supported by documentation, we examined Safe Haven's ledgers and canceled checks to identify the purpose of the expenditures. The ledgers and canceled checks provided expense information for what appeared to be legitimate purposes, such as rent, food, utilities,

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<sup>25</sup> SSA, POMS, GN 00602.010.B.2 and B.3, and GN00605.067.F and G.

<sup>26</sup> SSA, POMS, GN 00506.105.C.5.

<sup>27</sup> We computed the uninsured balance by adding the \$667,696 conserved funds on hand to the \$240,409 average monthly Social Security payments less the \$500,000 currently insured amount for a total of \$408,105.

<sup>28</sup> Missing documentation included lease agreements, care facility agreements, and receipts for personal allowances, specific personal needs, and other expenses.

and other items. Although we cannot confirm how the funds were actually expended without receipts and supporting documentation, nothing came to our attention during our examination of the ledgers and canceled checks that led us to believe the expenditures were not for the beneficiaries' needs.

Inadequate documentation for beneficiaries' personal allowances and specific needs was of particular concern. We found that \$20,710 (64 percent) of the \$32,357 provided directly to the beneficiaries and care facilities had no documentation to support the expenditures. According to SSA, the payee is responsible for keeping accurate and complete records to show how benefits are used.<sup>29</sup> This includes the beneficiaries' personal allowances. The representative payee should control and maintain the appropriate ledger and receipts for these expenses. Maintenance of this documentation is a safeguard the representative payee must have in place for all expenditures, regardless of the monetary value, to show that Social Security benefits were spent for the beneficiaries' needs.<sup>30</sup>

### **Segregation of Duties**

Safe Haven did not have adequate segregation of duties in the disbursement of Social Security funds. Specifically, the same employee who authorized a check also recorded the expenditure in the ledger and printed the check. In addition, before a check was issued to a vendor, there was no verification that documentation supported the expenditure or that the check accurately reflected the correct amount and vendor.

No one person should control all aspects of financial transactions.<sup>31</sup> Adequate segregation of duties ensures that key duties and responsibilities are divided among different people to reduce the risk of error, misuse, and/or fraud. The limited number of Safe Haven staff may make total segregation of duties difficult, but compensating controls could be instituted. For example, key financial transaction duties can be divided among two or more employees.

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<sup>29</sup> SSA, POMS, GN 00502.113.C.1 and D.3.b.

<sup>30</sup> SSA regulations indicate that representative payees must account for the use of benefits, should keep records of how benefits were used to complete accounting reports, and must make those records available upon SSA's request. 20 C.F.R. §§ 404.2065 and 416.665.

<sup>31</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government*, AIMD-00-21.3.1, pp. 12, 14; SSA, *Best Practices for Maintaining an Effective Representative Payee Accounting System*, "Separation of Employee Duties," <http://www.ssa.gov/payee/best.htm>; SSA, *A Guide for Organizational Representative Payees* (No. 17-013), p. 34.

## MEETING THE NEEDS OF BENEFICIARIES

We found Safe Haven may not have been meeting the needs of some beneficiaries. Specifically, of the 10 beneficiaries we interviewed, 2 beneficiaries informed us that Safe Haven was not sending sufficient funds for them to purchase food and other needed items, and Safe Haven was not routinely meeting with 4 beneficiaries to determine their current and foreseeable needs. In addition, of the 50 beneficiaries in our sample, Safe Haven did not spend the required \$360 per year for 3 beneficiaries in care facilities.

### Beneficiary Needs

Of the 10 beneficiaries we interviewed, 2 told us that Safe Haven had refused their requests to send the money necessary for them to purchase food and other needed items.

- One beneficiary was 79 years old and lived alone in her home, which we observed was in need of paint and repairs. The beneficiary told us her food allowance was not enough to purchase what she needed for groceries and other necessary items. She requested more funds from Safe Haven but was refused. As of September 2009, according to Safe Haven's records, the beneficiary had \$1,537 in conserved funds.
- The other beneficiary was 58 years old and married with two children. The beneficiary told us that his weekly food allowance was not enough to feed his family. He requested more funds from Safe Haven but was refused. As of September 2009, according to Safe Haven's records, he had \$2,267 in conserved funds. In addition, because Safe Haven allowed him to exceed the SSI resource limit, this beneficiary incurred overpayments from December 2008 through June 2009 totaling \$810.<sup>32</sup>

SSA requires that the representative payee provide for the beneficiary's needs, such as food, housing, clothing, medical care, and personal comfort items.<sup>33</sup> SSA also prohibits the representative payee from improperly conserving funds leaving beneficiaries with current unmet needs.<sup>34</sup>

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<sup>32</sup> On April 15, 2010, we referred the names of these two individuals to the Kansas City Regional Commissioner for appropriate action in determining whether the needs of these beneficiaries are being met. The Regional office responded that one beneficiary now has a new representative payee and the other beneficiary is managing his own funds.

<sup>33</sup> SSA, POMS, GN 00602.001.A.2.

<sup>34</sup> SSA, POMS, GN 00602.130.A.

## Beneficiary Visits

Of the 10 beneficiaries we interviewed, we found that Safe Haven had visited 6 beneficiaries at least once in the past year. However, Safe Haven had not visited the remaining four beneficiaries in several years. Specifically,

- one beneficiary, living on her own, had not been visited in 2 years;
- one beneficiary, living on his own, had not been visited in 3 years; and
- two beneficiaries, one living on her own and one living in a State institution, had not been visited in 5 years.

SSA requires that a representative payee regularly meet with the beneficiary to ascertain the beneficiary's current and foreseeable needs, although SSA does not specify how often the representative payee should meet with the beneficiary.<sup>35</sup> When we interviewed the Director of Safe Haven, she stated that she tried to visit each beneficiary at least once per year.

## Personal Allowances

In our sample of 50 beneficiaries, we found the representative payee did not spend the required \$360 per year on 3 beneficiaries living in care facilities. Specifically, one beneficiary received \$90, another beneficiary received \$100, and a third beneficiary received \$165. Other than expenses for care and maintenance, SSA requires that the representative payee spend a minimum of \$30 a month on goods and services for the individual's benefit. These items include clothing, special medical expenses or equipment (such as hearing aids or eyeglasses), room furnishings, personal articles, recreational items, and magazine subscriptions.<sup>36</sup>

Safe Haven stated that these three beneficiaries lived in nursing homes that limited the amount of personal spending money they would hold on the beneficiaries' behalf. When the balance exceeds this limit, the facilities requested Safe Haven stop sending the personal allowance money.

As a conduit payee for these three beneficiaries, Safe Haven relinquished the responsibility to the care facility of meeting the needs of the beneficiaries, including the expenditure of beneficiaries' personal allowances. In doing so, Safe Haven did not know whether these beneficiaries needed personal allowance items which the care facility did not provide. Regardless, it is the representative payee's duty to ascertain the beneficiaries' current and foreseeable needs and to spend at least \$360 a year on these needs. If it is not possible to spend the required \$360, the representative payee should document the circumstances and inform SSA.<sup>37</sup>

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<sup>35</sup> SSA, POMS, GN 00502.113.C.1.

<sup>36</sup> SSA, POMS, GN 00602.010.B.2 and B.3, and GN 00605.067.F and G.

<sup>37</sup> SSA, POMS, GN 00605.067.G.

## CONCLUSION AND RECOMMENDATIONS

We found that the representative payee did not use and account for Social Security benefits in accordance with SSA's policies and procedures and did not effectively safeguard the disbursement of Social Security benefits. We also found that the representative payee may not have met the needs of some beneficiaries.

We recommend that SSA

1. Refrain from placing additional beneficiaries with Safe Haven until the representative payee has implemented corrective actions to ensure Social Security benefits are properly used and accounted for, the disbursement of Social Security benefits is safeguarded, and the needs of beneficiaries are being met. If these corrective actions are not implemented timely, SSA should place this representative payee's beneficiaries with a new representative payee.
2. Review Safe Haven's management of SSA benefits for the 255 beneficiaries living in care facilities to determine whether Safe Haven is operating as a conduit payee.
3. Determine whether the beneficiaries for whom Safe Haven is operating as a conduit payee would be better served if the care facility were selected as the representative payee.
4. Instruct Safe Haven to establish procedures to effectively manage SSI recipients' accounts to avoid excess resources.
5. Remind Safe Haven to return conserved funds in accordance with SSA's instructions.
6. Instruct Safe Haven to return the \$39,302 in conserved funds for the 38 beneficiaries we identified as no longer under its care.
7. Instruct Safe Haven to place beneficiaries' conserved funds of \$500 or more in an interest-bearing account or a relatively risk-free investment.
8. Seek restitution from Safe Haven for the \$2,031 in unallowable representative payee fees.
9. Determine whether the unallowable representative payee fees meet SSA's definition of misuse and take appropriate action.
10. Instruct Safe Haven to accurately report beneficiary expenditures on the annual Representative Payee Report.
11. Instruct Safe Haven to purchase adequate bond coverage.

12. Instruct Safe Haven to maintain sufficient documentation for all the beneficiaries it serves to support that Social Security benefits are used in the best interest of the beneficiaries.
13. Assist Safe Haven to implement adequate segregation of duties for the disbursement of benefits.
14. Instruct Safe Haven to regularly meet with all beneficiaries to ascertain their current and foreseeable needs.
15. Instruct Safe Haven to spend at least \$360 per year for each beneficiary's personal allowance or inform SSA of the circumstances that prevent it from doing so.

### **AGENCY COMMENTS**

SSA agreed with our recommendations (see Appendix D).

### **SAFE HAVEN COMMENTS**

Safe Haven stated that it is working with SSA to implement corrective actions on all of the audit findings.



Patrick P. O'Carroll, Jr.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Representative Payee Responsibilities

APPENDIX C – Scope and Methodology

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

## Acronyms

|        |   |
|--------|---|
| C.F.R. | Code of Federal Regulations                 |
| OASDI  | Old-Age, Survivors and Disability Insurance |
| OIG    | Office of the Inspector General             |
| PII    | Personally Identifiable Information         |
| POMS   | Program Operations Manual System            |
| SSA    | Social Security Administration              |
| SSI    | Supplemental Security Income                |
| U.S.C. | United States Code                          |
| VA     | Veterans Affairs                            |

# Representative Payee Responsibilities

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

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

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<sup>1</sup> 20 C.F.R. § 404.2001 *et seq.* and § 416.601 *et seq.*

### Scope and Methodology

Our audit covered the period October 1, 2008 to September 30, 2009. To accomplish our objectives, we:

- Reviewed applicable Federal laws and regulations as well as Social Security Administration (SSA) policies and procedures pertaining to representative payees.
- Reviewed prior work performed by the Office of the Inspector General and SSA in the representative payee area.
- Contacted the SSA Kansas City Regional Office and the Scottsbluff, Nebraska, Field Office to obtain background information and prior audits regarding Safe Haven.
- Compared and reconciled the payee's list of SSA beneficiaries in Safe Haven's care to a list obtained from SSA's Representative Payee System.
- Reviewed Safe Haven's internal controls over the receipt and disbursement of Social Security benefits.
- Selected a sample of 50 beneficiaries in the representative payee's care during the audit period and performed the following tests.
  - Compared and reconciled benefit amounts received according to Safe Haven's records to benefit amounts paid according to SSA's records.
  - Reviewed Safe Haven's accounting records to determine whether benefits were properly spent or conserved on the individual's behalf.
  - Traced all recorded expenses to available source documents and examined the documentation for reasonableness and authenticity.
- Reconciled bank records and Safe Haven's records for all individuals in Safe Haven's collective account.
- Interviewed a sample of 10 beneficiaries to determine whether their basic needs were being met and observed their living conditions.
- Reviewed the current Representative Payee Accounting Reports for 21 of the 50 beneficiaries sampled to determine whether Safe Haven properly reported to SSA how their benefits were used.

- Reviewed data extracts from SSA's systems to determine whether payments were sent to Safe Haven when Safe Haven was not the beneficiary's official representative payee.

We performed our fieldwork for this review in Scottsbluff, Nebraska, and Kansas City, Missouri, between November 2009 and March 2010. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Agency Comments

August 19, 2010

**Subject:** Fee-for-Service Representative Payee in Scottsbluff, Nebraska - Response Signed Draft Report (A-07-10-21062) - Kansas City Response

To: Inspector General

From: Regional Commissioner  
Kansas City Region

Subject: OIG Report: Fee-for-Service Representative Payee in Scottsbluff, Nebraska – Response

Thank you for the opportunity to comment on the FFS Representative Payee draft report. The Scottsbluff field office has been holding regular meetings and educational sessions with Safe Haven representatives both prior to and after the audit. Based on the results of the audit, a meeting with Safe Haven and the field office manager has been scheduled for Monday, September 13<sup>th</sup>, to further facilitate payee education and implementation of the audit recommendations. If Safe Haven cannot meet SSA requirements, new payees will be selected for the individuals they currently serve. Our responses to the individual audit recommendations are listed below.

**Recommendation 1** - Refrain from placing additional beneficiaries with Safe Haven until the representative payee has implemented corrective actions to ensure Social Security benefits are properly used and accounted for, the disbursement of Social Security benefits is safeguarded, and the needs of beneficiaries are being met. If these corrective actions are not implemented timely, SSA should place this representative payee's beneficiaries with a new representative payee.

- We agree with this recommendation. On April 12, 2010, the Area Director's office notified field office managers to stop selecting Safe Haven as representative payee.

**Recommendation 2** - Review Safe Haven's management of SSA benefits for the 255 beneficiaries living in care facilities to determine whether Safe Haven is operating as a conduit payee.

- We agree with this recommendation. The Scottsbluff field office is reviewing all 255 beneficiaries to determine if Safe Haven is acting as a conduit payee. As part of this review, the field office is determining capability for all beneficiaries/recipients currently residing in care facilities, and will take appropriate action based on the findings. This is an ongoing process.

**Recommendation 3** - Determine whether the beneficiaries for whom Safe Haven is operating as a conduit payee would be better served if the care facility were selected as the representative payee.

- We agree with this recommendation. In relation to Recommendation 2, where a conduit payee exists for all incapable beneficiaries/recipients, the office is working with the care facility to determine if that facility should be payee, and making the necessary changes.

**Recommendation 4** - Instruct Safe Haven to establish procedures to effectively manage Supplemental Security Income recipients' accounts to avoid excess resources.

- We agree with this recommendation. The Scottsbluff field office previously provided training/education to Safe Haven on SSI income and resources. During the September 13<sup>th</sup>

meeting, the field office will provide additional training, including assistance to the payee in establishing a process to notify SSA in the event a beneficiary is close to the resource limit or has a change in income.

**Recommendation 5** - Remind Safe Haven to return conserved funds in accordance with SSA's instructions.

- We agree with this recommendation. As of April 1, 2010, Safe Haven had remitted \$90,240.92 in conserved funds and overpayments. The Scottsbluff field office continues to work with Safe Haven to ensure all conserved funds are returned. Additional information and reminders will be discussed during the September 13<sup>th</sup> meeting.

**Recommendation 6** - Instruct Safe Haven to return the \$39,302 in conserved funds for the 38 beneficiaries we identified as no longer under its care.

- We agree with this recommendation. The field office has instructed Safe Haven to return these identified conserved funds prior to the September 13<sup>th</sup> meeting.

**Recommendation 7** - Instruct Safe Haven to place beneficiaries' conserved funds of \$500 or more in an interest-bearing account or a relatively risk-free investment.

- We agree with this recommendation. This training and instruction will be reinforced during the September 13<sup>th</sup> meeting. During the meeting, we will work with Safe Haven on a deadline for completing this action.

**Recommendation 8** - Seek restitution from Safe Haven for the \$2,031 in unallowable representative payee fees.

- We agree with this recommendation. Upon receiving photocopies of the fee checks, the Scottsbluff field office prepared the notice to Safe Haven, instructing them to return the unallowable fees. That notice is currently being reviewed by the regional office and will be released prior to August 27<sup>th</sup>.

**Recommendation 9** - Determine whether the unallowable representative payee fees meet SSA's definition of misuse and take appropriate action.

- We agree with this recommendation. The Scottsbluff field office is currently reviewing all beneficiaries records for possible misuse. If misuse is found, we will take appropriate actions to change payees, reconcile funds, etc.

**Recommendation 10** - Instruct Safe Haven to accurately report beneficiary expenditures on the annual Representative Payee Report.

- We agree with this recommendation. The Scottsbluff field office will provide refresher training during the September 13<sup>th</sup> meeting.

**Recommendation 11** - Instruct Safe Haven to purchase adequate bond coverage.

- We agree with this recommendation. The Scottsbluff field office has previously worked with Safe Haven to ensure they have adequate bond coverage. We received verification of a corrected bond as of June 1, 2010.

**Recommendation 12** - Instruct Safe Haven to maintain sufficient documentation for all the beneficiaries it serves to support that Social Security benefits are used in the best interest of the beneficiaries.

- We agree with this recommendation. The Scottsbluff field office has been working with Safe Haven on this issue and will provide additional educational training on September 13, on proper documentation.

**Recommendation 13** - Assist Safe Haven to implement adequate segregation of duties for the disbursement of benefits.

- We agree with this recommendation. The Scottsbluff field office has been working with Safe Haven on this issue and will continue to provide guidance as needed. We will reiterate during the September 13<sup>th</sup> meeting the importance of establishing adequate segregation of duties.

**Recommendation 14** - Instruct Safe Haven to regularly meet with all beneficiaries to ascertain their current and foreseeable needs.

- We agree with this recommendation. The Scottsbluff field office has been working with Safe Haven on this issue and will ensure they have a plan in place prior to the September 13<sup>th</sup> meeting.

**Recommendation 15** - Instruct Safe Haven to spend at least \$360 per year for each beneficiary's personal allowance or inform SSA of the circumstances that prevent it from doing so.

- We agree with this recommendation. The Scottsbluff field office has been working with Safe Haven on this issue and will provide additional education and guidance to Safe Haven on the proper use of benefits and personal allowance spending and documentation during the September 13, meeting.

If you have any questions, please contact me at 816-936-5700. If your staff needs additional information or assistance, they may contact Kathy Smith, Center for Programs Support, at 816-936-5643 or Shelli Reicks, Center for Programs Support, at 816-936-5655.

/s/

Michael W. Grochowski

## **OIG Contacts and Staff Acknowledgments**

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