
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**NORTHVIEW VILLAGE, INC., AN ORGANIZATIONAL
REPRESENTATIVE PAYEE
FOR THE SOCIAL SECURITY ADMINISTRATION**

June 2012 A-07-11-01137

AUDIT REPORT



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- 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.**
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SOCIAL SECURITY

MEMORANDUM

Date: June 21, 2012

Refer To:

To: Carolyn L. Simmons
Regional Commissioner
Kansas City

From: Inspector General

Subject: Northview Village, Inc., an Organizational Representative Payee for the Social Security Administration (A-07-11-01137)

OBJECTIVES

Our objectives were to determine whether Northview Village, Inc., (1) had effective safeguards over the receipt and disbursement of Social Security benefits, (2) used and accounted for Social Security benefits in accordance with Social Security Administration (SSA) policies and procedures, and (3) adequately protected 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.¹ 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.² Representative payees are responsible for managing benefits in the best interest of the beneficiary.³ See Appendix B for representative payee responsibilities.

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

² 20 C.F.R. §§ 404.2001 and 416.601.

³ 20 C.F.R. §§ 404.2035 and 416.635. Note: 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.

Northview Village, Inc., (Northview Village) is a for-profit nursing home in St. Louis, Missouri. As a representative payee, Northview Village received payments under SSA's OASDI and SSI programs on behalf of 135 beneficiaries.

We performed this audit at the request of SSA's Kansas City Regional Office. See Appendix C for the scope and methodology of our review.

RESULTS OF REVIEW

Our audit period was from May 1, 2010 to April 30, 2011. We found that Northview Village generally had effective safeguards over the receipt and disbursement of Social Security benefits, used and accounted for Social Security benefits in accordance with SSA policies and procedures, and adequately protected beneficiaries' PII.

However, Northview Village could improve its safeguards over the disbursement of Social Security benefits by (1) following its own internal controls and SSA's policies and procedures for disbursements and (2) maintaining sufficient documentation to support that it uses Social Security benefits in the beneficiaries' best interests.

We also found that Northview Village did not submit the annual Representative Payee Report (Form SSA-623) to SSA to account for the benefits of two beneficiaries. Finally, Northview Village served as the unofficial representative payee for 26 beneficiaries during the audit period. We are not making formal recommendations on these issues, but we do bring them to the Agency's attention in the Other Matters section of this report.

SAFEGUARDS OVER THE DISBURSEMENT OF BENEFITS

Our review determined that Northview Village's safeguards over the disbursement of Social Security benefits were generally effective. However, Northview Village needed to address some weaknesses in its safeguards. Specifically, Northview Village did not

- follow its own internal policies or SSA's policies in the disbursement of beneficiaries' funds;
- maintain ledgers that had sufficient detail; and
- maintain receipts to support all expenditures.

Internal Controls in Disbursing Funds

Northview Village's process of disbursing funds to beneficiaries, vendors, and others needed improvement. Safeguards over disbursements could be more effective if Northview Village were more diligent in following its own internal control procedures and SSA's procedures.

- Of the 85 checks we reviewed, 13 (15.3 percent) had only 1 signature.⁴ Northview Village had established a countersignature control but was not consistently using it during the audit period. SSA's procedures suggest a countersignature for all checks.⁵
- To close a beneficiary's trust account after a new representative payee had been appointed, Northview Village inappropriately issued an \$836 check with the beneficiary named as the payee.⁶ Northview Village should have sent the funds to SSA or to the beneficiary's successor payee with SSA's permission.⁷

Beneficiaries' Trust Account Ledgers

Our review of the beneficiaries' trust account ledgers found they lacked sufficient detail to determine the legitimacy of the expenditures. Specifically, the beneficiaries' trust account ledgers did not have columns for transaction type, check number, check payee name, and reason for the disbursement. Per SSA guidelines, ledgers should generally have separate columns identifying the transaction type, transaction date, check number, check payee name, and reason for disbursement, as well as credits, debits, and a running balance.

Given the condition of the ledgers, we requested additional documentation from Northview Village to determine the nature of, and reason for, the expenditures. Based on the additional documentation, we found that the expenses were legitimate.

Receipts and Other Supporting Documentation

Of the \$355,145 Northview Village expended during the audit period for the 50 beneficiaries we reviewed, it did not have receipts or other documentation for \$14,315 (4 percent).⁸ We examined Northview Village's ledgers, canceled checks, expenditure authorization forms, and cash logs to identify the purpose of the expenditures. The documentation we reviewed provided information for what appeared

⁴ The 13 checks totaling \$3,004 ranged in amount from about \$21 to \$709.

⁵ In SSA's *Guide for Organizational Representative Payees 2008* (No. 17-013), page 35, SSA states that, for adequate review and supervision of accounting functions, the representative payee should establish a countersignature requirement for all checks or those that exceed a certain threshold.

⁶ Giving a large sum of money to a beneficiary whom SSA found incapable of managing funds is contrary to SSA's policy and procedures. See SSA, POMS, GN 00502.020.A (December 4, 2007), and GN 00502.010 (February 25, 2003).

⁷ SSA, POMS, GN 00603.055.A (December 6, 2010).

⁸ Northview Village gave about \$10,597 (74 percent) of the \$14,315 to beneficiaries for their cash allowances. However, Northview Village did not require the beneficiaries to provide receipts to show how the cash allowances were spent. In addition, we found several large expenditures of \$100 or more, totaling \$2,411 (or about 17 percent of the \$14,315), which did not have receipts to show how the beneficiaries' funds were spent.

to be legitimate purposes, such as allowance money, clothing, and personal items. Although we cannot confirm what was purchased without receipts, nothing came to our attention that led us to believe the expenditures were not for the beneficiaries' needs.

According to SSA, the payee is responsible for keeping accurate and complete records to show how benefits are used.⁹ This includes documentation for large expenditures and for the beneficiaries' personal allowances. The representative payee should maintain 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 it spent Social Security benefits for the beneficiaries' needs.¹⁰

CONCLUSION AND RECOMMENDATIONS

We found that Northview Village generally had effective safeguards over the receipt and disbursement of Social Security benefits, used and accounted for Social Security benefits in accordance with SSA policies and procedures, and adequately protected beneficiaries' PII. However, Northview Village could improve the effectiveness of its safeguards over the disbursement of Social Security benefits. Therefore, we recommend that the SSA Regional Commissioner:

1. Remind Northview Village to follow its internal controls and SSA's policies and procedures over the disbursement of Social Security benefits in those areas where we identified weaknesses.
2. Instruct Northview Village to maintain sufficient documentation, including complete trust account ledgers and receipts, for all the beneficiaries it serves to support that it uses Social Security benefits for the best interest of the beneficiaries.

OTHER MATTERS

Northview Village did not submit the annual Representative Payee Report to SSA to account for two beneficiaries' benefits. In addition, Northview Village served as the unofficial representative payee for 26 beneficiaries.

⁹ SSA, POMS, GN 00502.113.C.1 and D.3.b (October 13, 2011).

¹⁰ 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.

Representative Payee Report

Northview Village did not submit Representative Payee Reports to SSA to show how it spent \$85,211 in benefits on behalf of two beneficiaries.¹¹ This occurred because Northview Village did not contact the local field office to inquire when SSA did not send the annual Representative Payee Report to Northview Village.¹²

SSA informed us that it did not provide Northview Village the required Representative Payee Reports because of an error in its electronic systems. SSA could not tell us when the problem would be resolved, but it did instruct the local field office to ensure it sent Northview Village the Representative Payee Reports.

Unofficial Representative Payee for SSA Beneficiaries

During our audit period, Northview Village managed Social Security funds for 63 beneficiaries but SSA did not assign Northview as their official representative payee. We requested that SSA perform capability determinations on the 63 beneficiaries to decide if they needed a representative payee to manage their benefits.¹³ At the time of the capability determinations, Northview Village was still managing Social Security funds for 33 of the 63 beneficiaries.¹⁴

After completing the capability determinations, SSA found 26 (79 percent) of the 33 beneficiaries were incapable of managing or directing the management of their own benefits and needed a representative payee. The 26 beneficiaries received \$157,375 in Social Security benefits during our audit period. SSA appointed Northview Village as the representative payee for 25 of these beneficiaries. For the remaining beneficiary, SSA appointed a relative as the payee.

¹¹ Representative payees are responsible for keeping records and reporting on the use of benefits by completing the Representative Payee Report annually for each beneficiary (SSA, POMS, GN 00605.001.B.1 (November 7, 2008)). The use of Social Security funds was not reported to SSA for 6 years (from January 2006 through December 2011) for one beneficiary and 3 years (from January 2009 through December 2011) for the other beneficiary.

¹² SSA, POMS, GN 00502.113.C.1 (October 13, 2011) reads, in part, “. . . a payee’s duties include . . . keeping detailed and accurate records of how benefits are used in order to provide an accurate report to SSA *when requested* . . .” (italics added).

¹³ Whenever a field office receives an allegation or evidence from a medical or lay source, such as Northview Village, that a capable beneficiary may have become incapable of managing or directing the management of benefits, the field office can initiate a capability determination. SSA, POMS, GN 00502.001.A.1 (March 16, 2011); GN 00502.020.A (December 4, 2007).

¹⁴ SSA did not do capability determinations on 30 beneficiaries because 11 beneficiaries died and 19 were no longer residing at Northview Village. Capability determinations on the remaining 33 beneficiaries were performed in January, February, and March 2012.

SSA's *Guide for Organizational Representative Payees* clearly states, “. . . if you have a beneficiary in your care who is receiving Social Security, and/or SSI benefits who loses the ability to manage money, you should promptly report this to SSA.”¹⁵ Northview Village did not report changes in the beneficiaries' capability to SSA. Instead, Northview Village acted as the beneficiaries' unofficial payee without having to account for the benefits it received on the beneficiaries' behalf.

AGENCY COMMENTS

SSA agreed with our recommendations (see Appendix D). With regard to corrective actions, SSA stated that in August 2012, its field office staff in St. Louis, Missouri, would meet with Northview Village to ensure full implementation of our recommendations.



Patrick P. O'Carroll, Jr.

¹⁵ SSA, *Guide for Organizational Representative Payees 2008* (No. 17-013), page 7.

Appendices

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
Northview Village	Northview Village, Inc.
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

Representative Payee Responsibilities

Representative payees are responsible for using Social Security benefits to serve the beneficiary's best interests. The responsibilities include the following.¹

- 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 (Form SSA-623) to account for benefits spent and invested.
- Return any payments to SSA to 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 other income Supplemental Security Income recipients may have, and monitor their conserved funds to ensure they do not exceed resource limits.

¹ 20 C.F.R. §§ 404.2035 and 416.635.

Scope and Methodology

Our audit covered the period May 1, 2010 to April 30, 2011. 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.
- Communicated with the SSA Kansas City Regional Office and the St. Louis, Missouri, field office to obtain background information and prior audits regarding Northview Village, Inc (Northview Village).
- Compared and reconciled the payee's list of SSA beneficiaries in Northview Village's care to a list obtained from SSA's Representative Payee System.
- Reviewed Northview Village's internal controls over the receipt and disbursement of Social Security benefits.
- Selected a random 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 Northview Village's records to benefit amounts paid according to SSA's records.
 - Reviewed Northview Village'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 Northview Village's records for April 2011.
- Interviewed nine beneficiaries and talked with the Northview Village caseworkers about three additional beneficiaries who were ill and unable to be interviewed to determine whether their basic needs were being met. We also observed their living conditions.
- Reviewed the current Representative Payee Reports (Form SSA-623) for 36 beneficiaries to determine whether Northview Village properly reported to SSA how their benefits were used.

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

We performed our fieldwork for this review in St. Louis and Kansas City, Missouri, between September 2011 and March 2012. 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

Tuesday, June 05, 2012

Signed Draft Report (A-07-11-01137) - Kansas City Response

To: Inspector General

From: Regional Commissioner
Kansas City

Subject: Signed Draft Report (A-07-11-01137) - Response

Thank you for the opportunity to review the draft report: Northview Village, A Fee-for-Service Representative Payee for the Social Security Administration. Our responses to the individual audit recommendations are below.

Recommendation 1 – Remind Northview Village to follow its internal controls and the SSA’s policies and procedures over the disbursement of Social Security benefits in those areas where we identified weaknesses.

- We agree with this recommendation. The field office will perform an educational visit with Northview Village in August 2012 and remind Northview Village to follow its internal controls and SSA’s policies and procedures for Social Security benefits.

Recommendation 2 – Instruct Northview Village to maintain sufficient documentation, including complete trust account ledgers and receipts, for all the beneficiaries it serves to support that it uses Social Security benefits for the best interest of the beneficiaries.

- We agree with this recommendation. The field office will work with Northview Village to ensure the organization understands their responsibilities and will instruct Northview Village to maintain sufficient documentation, including complete trust account ledgers and receipts, for all the beneficiaries it serves.

If you have any questions, please contact me at 816-936-5700. If members of your staff need additional information, they may contact Kathy Smith, Center for Programs Support, at 816-936-5643.

Carolyn L. Simmons

OIG Contacts and Staff Acknowledgments

OIG Contacts

Mark Bailey, Director, Kansas City Audit Division

Ken Bennett, Information Technology Specialist

Acknowledgments

In addition to those named above:

Carol Cockrell, Evaluator

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