



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Mosaic, an Organizational
Representative Payee for the Social
Security Administration

A-07-13-23007 | June 2013

MEMORANDUM

Date: June 7, 2013

Refer To:

To: Ken Powell
Regional Commissioner
Kansas City

From: Inspector General

Subject: Mosaic, an Organizational Representative Payee for the Social Security Administration
(A-07-13-23007)

The attached final report presents the results of our audit. Our objectives were to determine whether Mosaic (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 policies and procedures, and (3) adequately protected beneficiaries' personally identifiable information. In addition, we reviewed Mosaic national headquarters' oversight of representative payees at its other sites in Kansas, Nebraska, and Iowa as well as the two collective bank accounts in which funds were deposited for beneficiaries at those sites.

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



Patrick P. O'Carroll, Jr.

Attachment

cc:

Gina Clemons, Acting Associate Commissioner for Office of Income Security Programs
Gary S. Hatcher, Senior Advisor for Records Management and Audit Liaison Staff

Mosaic, an Organizational Representative Payee for the Social Security Administration

A-07-13-23007



June 2013

Office of Audit Report Summary

Objectives

To determine whether Mosaic (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). In addition, we reviewed Mosaic national headquarters' oversight of representative payees at its other sites in Kansas, Nebraska, and Iowa as well as the two collective bank accounts in which funds were deposited for beneficiaries at those sites.

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. Representative payees are responsible for managing benefits in the beneficiaries' best interests.

Our Findings

Our audit period was from June 1, 2011 to May 31, 2012. Mosaic generally had adequate 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 PII. Also, Mosaic's national headquarters had adequate oversight of the representative payee program at its other sites in the Kansas City Region as well as the two collective bank accounts in which funds were deposited for beneficiaries at those sites.

However, Mosaic could improve its safeguards over the disbursement of Social Security benefits by maintaining adequate documentation for all beneficiaries' expenditures. This includes documentation for cash given to beneficiaries whom SSA had determined were incapable of managing or directing the management of their benefits.

Our Recommendation

We recommended that SSA instruct Mosaic to maintain sufficient and appropriate documentation for all the beneficiaries it serves to support that it uses Social Security benefits in the beneficiaries' best interest.

SSA agreed with our recommendation.

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ABBREVIATIONS

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 Insurance
U.S.C.	United States Code

OBJECTIVES

The objectives of this review were to determine whether Mosaic (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). In addition, we reviewed Mosaic national headquarters' oversight of representative payees at its other sites in Kansas, Nebraska, and Iowa as well as the two collective bank accounts in which funds were deposited for beneficiaries at those sites.

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 beneficiaries' best interests.³ See Appendix A for representative payee responsibilities.

Mosaic is a nonprofit organization with multiple agencies nationwide, providing both residential and nonresidential services to the developmentally disabled. At the request of SSA's Kansas City Regional Office, we audited the Mosaic agency in Omaha, Nebraska. As a representative payee, Mosaic received payments under SSA's OASDI and SSI programs on behalf of 95 beneficiaries. We also conducted a limited review of Mosaic's national headquarters in Omaha, Nebraska. See Appendix B for the scope and methodology of our review.

RESULTS OF REVIEW

Our audit period was from June 1, 2011 to May 31, 2012. Mosaic generally had adequate 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. Also, Mosaic's national headquarters had adequate oversight of the

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. 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.

representative payee program at its other sites in the Kansas City Region as well as the two collective bank accounts in which funds were deposited for beneficiaries at those sites.

However, Mosaic could improve its safeguards over the disbursement of Social Security benefits by maintaining adequate documentation for all beneficiaries' expenditures. This includes documentation for cash given to beneficiaries whom SSA determined were incapable of managing or directing the management of their benefits.

Receipts and Other Supporting Documentation

A detailed review of the expenditures for seven beneficiaries in our sample disclosed that Mosaic did not maintain receipts and other documentation to support all the expenditures.⁴ Specifically, of the \$123,683 expended during the audit period on behalf of the seven beneficiaries, Mosaic did not have receipts for \$22,899 (19 percent).⁵

We reviewed the documentation Mosaic provided to determine the purpose of the expenditures without receipts. It appeared the funds were intended for legitimate purchases, such as food, clothing, and personal needs items. Without receipts, we cannot confirm how the funds were actually used. However, nothing came to our attention that led us to believe the expenditures were not used for the beneficiaries' needs and personal use.

Of the \$22,899 without supporting documentation, \$12,967 (57 percent) was personal spending money given to the seven beneficiaries, with \$11,652 going to four beneficiaries.⁶ Mosaic gave these four beneficiaries cash, ranging from \$100 to \$600, several times during the audit period, without requiring receipts to show how the beneficiaries spent their funds.⁷ Mosaic created this condition by deciding how much money to give each beneficiary for personal spending and to what extent each beneficiary should be responsible for obtaining receipts. When SSA appointed Mosaic as the beneficiaries' representative payee, SSA had already determined these beneficiaries were incapable of managing or directing the management of their benefits.⁸ Consequently, Mosaic's practices of giving some beneficiaries \$100 to \$600 cash based on its own determinations as well as not requiring receipts for how the money was expended did not meet some of the basic responsibilities of SSA's Representative Payment Program.

⁴ We selected these beneficiaries because they had a large number of expenditures or a large amount of spending compared to the other beneficiaries.

⁵ We reviewed selected large and unusual expenditures for the remaining 43 beneficiaries in our sample of 50 and did not identify any material problems.

⁶ Personal spending money included the beneficiaries' regular personal allowances and any additional discretionary spending money.

⁷ For one beneficiary, some of the money was given to a caregiver who, in turn, gave the money to the beneficiary.

⁸ SSA, POMS, GN 00502.001.A.3 and A.4 (March 16, 2011).

According to SSA, the representative payee must accurately account for the use of benefits, should keep complete and detailed records of how benefits were used to complete annual accounting reports, and must make those records available at SSA's request.⁹ The representative payee should obtain receipts for all expenditures, including the beneficiaries' personal spending money. Maintenance of this documentation is a safeguard the representative payee must have in place for all expenditures, regardless of the monetary value, to show it spent SSA benefits in the beneficiaries' best interest and minimize the risk of fraud and abuse.

During the audit, Mosaic instituted a policy change to require receipts for all purchases over \$100. Further, Mosaic changed its procedures for deciding how much money to give each beneficiary for personal spending and to what extent each beneficiary should be responsible for obtaining receipts. Mosaic anticipates this change will result in decreasing the amounts of cash given to some beneficiaries and increasing receipts to account for beneficiaries' purchases. While these are steps in the right direction, the payee needs to make additional changes to fully meet the payee's obligations to accurately and completely account for, and manage, beneficiaries' funds.

CONCLUSIONS

Mosaic generally had adequate 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, Mosaic could improve the effectiveness of its safeguards over the disbursement of Social Security benefits.

RECOMMENDATION

We recommend that SSA instruct Mosaic to maintain sufficient and appropriate documentation for all the beneficiaries it serves to support that it uses Social Security benefits in the beneficiaries' best interest.

AGENCY COMMENT

SSA agreed with our recommendation. See Appendix C for the full text of SSA's comments.

⁹ SSA, POMS, GN 00502.113.C.1 and D.3.b (October 13, 2011); 20 C.F.R. §§ 404.2065 and 416.665.

APPENDICES

Appendix A – REPRESENTATIVE PAYEE RESPONSIBILITIES

Representative payees are responsible for using Social Security benefits to serve the beneficiary's best interests. The responsibilities include, but are not limited to, the following.¹

- Determine the beneficiary's current needs for day-to-day living and use his/her payments to meet those needs.
- Conserve and invest benefits not needed to meet the beneficiary's current needs.
- Keep benefits received on the beneficiary's behalf separate from the payee's own funds.
- 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 to which the beneficiary is not entitled.
- Return conserved funds to SSA when it is 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.

Appendix B – SCOPE AND METHODOLOGY

Our audit covered the period June 1, 2011 to May 31, 2012. 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 Omaha, Nebraska, field office to obtain background information and prior audits regarding Mosaic.
- Compared and reconciled the payee's list of SSA beneficiaries in Mosaic's care to a list obtained from SSA's Representative Payee System.
- Reviewed Mosaic'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 Mosaic's records to benefit amounts paid according to SSA's records.
 - Reviewed Mosaic's accounting records to determine whether benefits were properly spent or conserved on the individual's behalf.
 - For selected beneficiaries and large or unusual transactions, traced all recorded expenses to available source documents and examined the documentation for reasonableness and authenticity.
- Reconciled bank records and Mosaic's records for May 2012.
- Interviewed 10 beneficiaries and observed their living conditions.
- Observed three Mosaic work sites to determine whether the beneficiaries' working conditions were adequate.
- Reviewed the available annual representative payee reports to determine whether Mosaic properly reported to SSA how the beneficiaries' funds were used.
- Interviewed employees at Mosaic national headquarters regarding its oversight of the representative payee program at its other sites in Kansas, Nebraska, and Iowa as well as the two collective bank accounts in which funds were deposited for beneficiaries at those sites.

We conducted our fieldwork for this review in Omaha, Nebraska, and Kansas City, Missouri, between July 2012 and February 2013. We tested the data obtained for our review and determined them to be sufficiently reliable to meet our objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix C – AGENCY COMMENTS

Date: May 20, 2013
To: Inspector General
From: Regional Commissioner
Kansas City
Subject: Signed Draft Report (A-07-13-23007) – Response

Thank you for the opportunity to review the draft audit report for Mosaic, an Organizational Representative Payee for the Social Security Administration. We agree with the report recommendation. Our comments are listed below.

Recommendation 1 – Instruct Mosaic to maintain sufficient and appropriate documentation for all beneficiaries it serves to support that it uses Social Security Benefits in the beneficiaries’ best interest.

- The representative payee cadre will work with Mosaic to ensure the organization maintains supporting documentation for all beneficiary expenditures.

If you have any questions, please contact me at 816-936-5700. If members of your staff have questions or need additional information, they may contact Shelli Reicks, Center for Programs Support, at 816-936-5656.

Ken Powell

Appendix D – MAJOR CONTRIBUTORS

Mark Bailey, Director, Kansas City Audit Division

Tonya Eickman, Audit Manager

Carol Cockrell, Evaluator

Jesse Card, Auditor

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