
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**GATEWAY REPRESENTATIVE PAYEE
PROGRAM, AN ORGANIZATIONAL
REPRESENTATIVE PAYEE FOR THE
SOCIAL SECURITY ADMINISTRATION**

March 2011

A-08-10-11048

AUDIT REPORT



Mission

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

Authority

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

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

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

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
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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: March 7, 2011

Refer To:

To: Michael W. Grochowski
Regional Commissioner
Atlanta

From: Inspector General

Subject: Gateway Representative Payee Program, an Organizational Representative Payee for the Social Security Administration (A-08-10-11048)

OBJECTIVE

Our objectives were to determine whether Gateway Representative Payee Program (Gateway), an organizational representative payee for the Social Security Administration (SSA), had effective safeguards over the receipt and disbursement of Social Security benefits and used and accounted for these benefits in accordance with SSA's policies and procedures.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments.¹ A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI)² beneficiaries or Supplemental Security Income (SSI)³ recipients when representative payments would serve the individuals' interests. Representative payees are responsible for managing benefits⁴ in the beneficiary's⁵ best interest. Refer to Appendix B for specific representative payee responsibilities.

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

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

³ The SSI program provides payments to individuals who have limited income and resources and are age 65 or older, blind, or disabled. *Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

⁴ We use the term "benefits" generically in this report to refer to both OASDI benefits and SSI payments.

⁵ The term "beneficiary" is used generically in this report to refer to both OASDI beneficiaries and SSI recipients.

Since 2003, Gateway operated as a fee-for-service (FFS) representative payee for individuals who receive payments under SSA's OASDI and SSI programs. During our audit period, January 1 to December 31, 2009, Gateway served as representative payee for 184 (active and terminated) Social Security beneficiaries. SSA has guidance on selecting a representative payee and provides a payee preference list. SSA prefers individuals and other organizational payees over FFS representative payees, such as Gateway, since other payees are willing to serve as payee without collecting a fee. Each payee application is evaluated to determine whether the payee selection (including the selection of an FFS) is in the best interest of the beneficiary.⁶

Prior Reviews of Gateway's Financial Records

In 2006, SSA performed a triennial review⁷ of Gateway's financial records for some beneficiaries under its care. During this review, SSA determined that Gateway did not always follow the Agency's guidelines for representative payees. For example, Gateway released large sums of money directly to beneficiaries. For some beneficiaries participating in a rehabilitation program, Gateway also released their money to the program's employees. SSA stated that such payments created a conduit condition for Gateway because it allowed another entity to have direct control over how beneficiaries' personal allowance funds were used. SSA instructed Gateway to comply with its guidelines, which included ceasing the conduit relationship with the rehabilitation program.

According to SSA, when it began its 2009 triennial review, it learned that an employee in the rehabilitation program had been dismissed for allegedly misusing and/or misappropriating funds belonging to some SSA beneficiaries. Because of this finding, SSA reviewed Gateway records for beneficiaries who participated in the rehabilitation program. SSA concluded that Gateway had continued its conduit relationship with the rehabilitation program; did not pay beneficiary bills timely; did not keep sufficient documentation of expenditures to support whether funds were used to pay for beneficiaries' current and foreseeable needs; and maintained negative balances for several beneficiaries.

During its 2009 review, SSA decided it would no longer assign beneficiaries to Gateway's care and requested that we audit Gateway. Before our review, Gateway provided SSA and its beneficiaries with notice of its discontinuance of the "representative payee" component of its business. Gateway provided representative payee services until September 2010.

⁶ SSA, Program Operations Manual System (POMS), GN 00502.105.C.

⁷ Every 3 years, SSA performs a "site review" to assess the performance of FFS and volume payees. Volume payees are organizations that serve 50 or more beneficiaries or individual payees who serve 15 or more beneficiaries.

Scope and Methodology

We performed audit tests on 50 randomly selected beneficiaries to determine whether Gateway properly managed their benefits in Calendar Year 2009. See Appendix C for our complete Scope and Methodology.

RESULTS OF REVIEW

Gateway did not always meet the needs of beneficiaries in its care. In addition, Gateway did not have adequate controls over the receipt and disbursement of Social Security benefits. For example, we determined that Gateway did not

- have adequate managerial oversight or separation of duties over the receipt and disbursement of Social Security benefits;
- always identify that beneficiary ledger accounts exceeded the \$2,000 SSI resource limit; or
- always require documentation to support whether funds were used to pay for the beneficiaries' current and foreseeable needs.

Generally, Gateway did account for the *receipt* of Social Security benefits in accordance with SSA's policies and procedures. However, it did not always appropriately account for, or adequately exercise full control over, the *use* of beneficiary funds.

We believe beneficiary funds were at risk for improper safekeeping and use. Because of Gateway's continued problems in carrying out its representative payee duties and our confirmation that these issues still exist, we agree with SSA's decision to terminate the assignment of beneficiaries to Gateway's care.

BENEFICIARY NEEDS NOT ALWAYS MET

Gateway did not always ensure beneficiaries' needs were met. SSA requires that representative payees provide for beneficiaries' current and foreseeable needs—that is, food, housing, clothing, medical care, and personal comfort items.⁸

Of the 10 beneficiaries we visited, 1 individual's home did not have telephone and natural gas services or a bed. In fact, the beneficiary's home had been without gas service for several months. According to the beneficiary, she and her nurses and therapists had left telephone messages with Gateway about her needs, but Gateway did not return their calls. In addition, 1 month before we visited the beneficiary, a police officer contacted Gateway and informed them that the beneficiary's gas service had been disconnected.

⁸ SSA, POMS, GN 00602.001.A.2.

We discussed the beneficiary's living conditions with Gateway and learned it had visited the beneficiary only once in 10 months. Moreover, Gateway's Benefits Coordinator told us she was unaware the beneficiary did not have a bed or gas and telephone services and questioned why the beneficiary had not told her about these issues during their telephone conversations. Yet, Gateway's records reflected it purchased a gas oven for the beneficiary, meaning it should have anticipated the beneficiary's gas bills regardless of the circumstances and was aware that the beneficiary did not have a bed.

Because of contradictory testimonial evidence, we could not conclude whether Gateway and the beneficiary held telephone conversations regarding the beneficiary's needs. Nevertheless, Gateway should have had a system in place that ensured it paid beneficiary bills when due and adequately followed up with beneficiaries to ascertain whether their needs were met. According to Gateway, it did not have adequate staffing to ensure beneficiary needs were met. In fact, Gateway's Benefits Coordinator acknowledged that Gateway was unable to inspect every house or apartment where beneficiaries resided.⁹

SAFEGUARDS INSUFFICIENT FOR THE RECEIPT AND DISBURSEMENT OF BENEFITS

Gateway did not have adequate internal controls over the receipt and disbursement of Social Security benefits. Internal controls are a major component in the effective management of an organization and serve as the first line of defense in safeguarding assets and preventing and detecting errors and fraud.

Managerial Oversight and Separation of Duties Were Lacking

Gateway did not have effective managerial oversight of its Representative Payee program or require separation of duties for the receipt and disbursement of Social Security benefits. One employee had sole responsibility for writing checks, recording receipt and disbursement transactions, maintaining custody of blank checks, and reconciling bank statements for Gateway's Representative Payee program. Effective internal controls ensure no one person controls all aspects of financial transactions.¹⁰ Adequate separation of employee duties ensures that key duties and responsibilities are divided among different people to reduce the risk of error, misuse,

⁹ After we notified Gateway of the beneficiary's circumstances, Gateway paid the beneficiary's outstanding telephone bill and reestablished service. According to Gateway, they paid the beneficiary's outstanding gas bill and reestablished service using the beneficiary's funds and charitable sources. In addition, an individual provided the beneficiary with a bed.

¹⁰ SSA, *Guide for Organizational Representative Payees – Maintaining an Effective Representative Payee Accounting System*.

and/or fraud.¹¹ Furthermore, effective managerial oversight provides for adequate review and supervision of accounting functions.¹²

While we did not identify any Gateway employee fraud during our review, we believe that compensating controls, such as supervisory or independent review of beneficiary accounting records, would have helped Gateway identify errors in its records. For example, from the 66 disbursements reviewed, we determined that Gateway (1) paid 1 beneficiary's rent twice and deducted another's monthly fee twice and (2) made late payments on several beneficiary accounts, which resulted in late fees and disconnection notices. As previously indicated, we believe Gateway's reliance on one person to perform all its representative payee duties and lack of managerial oversight over account activities resulted in a beneficiary's utility service being disconnected.

According to Gateway, the funding it received from beneficiary fees was not enough to hire additional staff for the representative payee component of its business. However, Gateway still expected its staff to provide more oversight than occurred.

Monitoring of SSI Recipients' Account Balances Was Not Always Adequate

Gateway staff did not always timely monitor SSI recipients' account balances nor did management provide proper oversight of staff. During our audit period, Gateway allowed 2 (4 percent) of the 50 sampled SSI recipients' ledger balances to exceed the \$2,000 maximum allowed.¹³ As a result, these beneficiaries received \$288 in overpayments. At our request, SSA calculated the amount of the overpayments, and we will recommend that the Agency pursue collection. SSA already recommends that representative payees monitor SSI recipients' accounts, so that when balances approach the allowable resource limit, the payee can assess their personal needs, such as clothing, education, and entertainment, and use their money accordingly.¹⁴

Excess account balances for these SSI recipients occurred primarily because Gateway had inadequate staffing to handle beneficiary accounts. One person was responsible for recording benefit receipts and disbursements for approximately 180 beneficiaries, and Gateway did not establish effective monitoring or reviews of beneficiary accounts.

¹¹ Id.

¹² SSA, *Guide for Organizational Representative Payees – Best Practices*.

¹³ 20 C.F.R. §416.1205.

¹⁴ SSA, *Guide for Organizational Representative Payees – Best Practices*.

Inadequate Accounting of Disbursements

Of the 66 disbursement items reviewed, Gateway retained supporting documentation for only 36 (55 percent).¹⁵ As such, Gateway was unable to provide documentation supporting \$4,987 in disbursements. Because Gateway could not provide proper receipts for these transactions, we were unable to determine whether funds were used for the beneficiaries.

SSA requires that representative payees keep accurate and complete records to show how beneficiaries' money was used.¹⁶ In SSA's *Guide for Organizational Representative Payees (Guide)*, the Agency informs payees that they are required to keep written records for at least 2 years, which includes retaining receipts or cancelled checks for rent, utilities, and major purchases.¹⁷ In fact, SSA provides an example in its *Guide* to illustrate that payees are required to keep receipts for major purchases and document how smaller amounts were spent.

During our audit period, Gateway recorded 2,294 personal allowance disbursements, totaling approximately \$169,000, for our sample beneficiaries.¹⁸ Gateway did not always retain/request expenditure receipts or document how beneficiaries' money was spent because it had inadequate staffing and did not always monitor or review beneficiary accounts.

INSUFFICIENT CONTROL OVER BENEFICIARY FUNDS

Gateway did not exercise sufficient control over beneficiary funds. This occurred because Gateway permitted the beneficiaries in our sample to use a significant amount of their benefits at their own discretion and allowed rehabilitation program employees to control how some beneficiaries used their personal allowance money.

During our audit period, Gateway gave beneficiaries in our sample approximately 40 percent of their benefits as personal allowances. In fact, 16 (32 percent) of 50 beneficiaries received 50 percent or more of their benefits as personal allowances. Following its 2006 triennial review, SSA advised Gateway that it could provide beneficiaries, at most, a \$75 weekly personal allowance. However, we identified a few instances where Gateway gave over \$1,000 in personal allowances to beneficiaries

¹⁵ Of the 66 disbursements, 7 were paid to the beneficiary as personal allowances, and 6 of those were unsupported. A personal allowance is money provided directly to the beneficiary for food and personal items.

¹⁶ 20 C.F.R. §§ 404.2065 and 416.665.

¹⁷ SSA, *Guide for Organizational Representative Payees – What Are Your Duties as a Representative Payee?*

¹⁸ We did not review Gateway's records to determine whether it had support for all 2,294 personal allowance disbursements. For those we did review and found unsupported, the amounts were included in the \$4,987 mentioned earlier in this report.

within 1 month. Because SSA placed these beneficiaries under Gateway's care, Gateway should have understood that these individuals were incapable of managing or directing the management of large amounts of money.

We also determined that, for beneficiaries who participated in a rehabilitation program, Gateway gave approximately \$4,700 of their personal allowance money directly to the program's employees. By doing so, Gateway essentially assigned its responsibilities to a third party. In SSA's 2006 triennial review, the Agency told Gateway that this practice was not permitted and requested that it cease this practice. However, Gateway did not comply with SSA's directive or require that the rehabilitation program provide evidence on how the money was spent. We believe this practice may have contributed to the alleged misuse of beneficiaries' funds by the rehabilitation employee. Although we did not review records for the entire period the misuse may have occurred, we believe Gateway should ultimately be held accountable. As such, if SSA determines that beneficiary funds were misused/misappropriated by the program employee—and, can ascertain the exact amount of the misused funds—Gateway should be required to refund the amount to SSA and its beneficiaries.¹⁹

CONCLUSION AND RECOMMENDATIONS

We concluded that Gateway did not improve deficiencies previously identified by SSA's triennial reviews and continued to perform its representative payee duties poorly. Because of Gateway's continued problems in carrying out its representative payee duties and our confirmation that these issues still existed, we agree with SSA's decision to terminate the assignment of beneficiaries to Gateway's care.

Accordingly, we recommend SSA:

1. Pursue collection of the overpayments that resulted from SSI recipients' account balances exceeding the \$2,000 maximum allowed—either from the beneficiaries if their conserved funds still exceed the maximum, or from Gateway if, due to its insufficient monitoring, the representative payee should be held accountable.
2. Pursue collection of the \$4,987 in unsupported disbursements from Gateway.
3. Request a refund from Gateway for any amount determined to have been misused/misappropriated by the rehabilitation employee, and apply the funds to the appropriate SSA beneficiaries.

¹⁹ Because Gateway relinquished control of the funds to the rehabilitation program and/or its employees (by writing checks directly to its employees) and did not always request documentation as to how the money was spent, we were unable to determine whether the funds were misused and, if so, in what amount.

AGENCY AND REPRESENTATIVE PAYEE COMMENTS

SSA agreed with our recommendations. Gateway provided additional documentation with its comments, and we revised the report where appropriate. See Appendix D for the full text of SSA's comments and Appendix E for the full text of Gateway's comments.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Representative Payee Responsibilities

APPENDIX C – Scope and Methodology

APPENDIX D – Agency Comments

APPENDIX E – Representative Payee Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Acronyms

C.F.R.	Code of Federal Regulations
FFS	Fee-for-Service
Gateway	Gateway Representative Payee Program
<i>Guide</i>	<i>Guide for Organizational Representative Payees</i>
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Representative Payee Responsibilities

Representative payees are responsible for using benefits to serve its beneficiaries' best interests. The responsibilities include:¹

- Determine beneficiaries' current needs for day-to-day living and use their payments to meet those needs.
- Conserve and invest benefits not needed to meet their current needs.
- Maintain accounting records of how their benefits are received and used.
- Report events to the Social Security Administration (SSA) that may affect their 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 a beneficiary is not entitled.
- Return conserved funds to SSA when no longer the representative payee for a beneficiary.
- Ensure Supplemental Security Income recipients do not exceed their resource limits, be aware of any other income they may have, and monitor their conserved funds.

¹ 20 C.F.R. §§ 404.2035 and 416.635. See also SSA, *Guide for Organizational Representative Payees - Developing a Representative Payee Accounting System and What are Your Duties as a Representative Payee?*

Scope and Methodology

Our audit covered the period January 1 through December 31, 2009. To accomplish our objectives, we:

- Reviewed applicable Federal laws and regulations and Social Security Administration (SSA) policies and procedures pertaining to representative payees.
- Queried SSA's Representative Payee System (RPS) for a list of individuals who were in the care of the Gateway Representative Payee Program (Gateway) as of December 31, 2009 or who left Gateway's care before January 1, 2010.
- Obtained from Gateway a list of individuals who were in its care and had received Social Security funds as of December 31, 2009 or who left its care during the period January 1 through December 31, 2009.
- Compared and reconciled RPS' and Gateway's lists to identify the population of SSA beneficiaries who were in Gateway's care from January 1 through December 31, 2009.
- Reviewed Gateway's internal controls over the receipt and disbursement of Social Security benefits.
- Randomly sampled 50 beneficiaries from a population of 184 beneficiaries who were in Gateway's care at some time during the period January 1 through December 31, 2009.
- Performed the following tests for the 50 randomly selected beneficiaries.
 - ✓ Compared and reconciled benefit amounts received according to Gateway's records to benefit amounts paid according to SSA's records.
 - ✓ Reviewed Gateway's accounting records to determine whether benefits were properly spent or conserved on a beneficiary's behalf.
 - ✓ Traced a sample of recorded expenses to source documents and examined underlying documentation for reasonableness and authenticity.
- Visited and interviewed 10 beneficiaries to determine whether their basic needs were being met.

We determined the data we obtained and analyzed from SSA and Gateway's beneficiary ledgers were sufficiently reliable to meet the objectives of our review. We performed our fieldwork in Birmingham, Alabama, between March and October 2010. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Agency Comments

January 27, 2011

Gateway Representative Payee Program, an Organizational Payee for Social Security Administration (A-08-10-11048) – REPLY (Atlanta)

To: Inspector General

From: Regional Commissioner
Atlanta

Subject: Gateway Representative Payee Program, an Organizational Payee for Social Security Administration (A-08-10-11048) – REPLY (Atlanta)

Thank you for the opportunity to review and comment on the subject draft report. Below you will find our response to the specific recommendations.

The objective of the audit was to determine whether Gateway had effective safeguards over the receipt and disbursement of Social Security benefits and ensure Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

The audit identified that Gateway accounted for the *receipt* of Social Security benefits in accordance with SSA's policies and procedures. However, it did not always appropriately account for, or adequately exercise full control over, the *use* of beneficiaries' funds.

Recommendation 1

Pursue collection of the overpayments that resulted from SSI recipients' account balances exceeding the \$2,000 maximum allowed—either from the beneficiaries if their conserved funds still exceed the maximum, or from Gateway if, due to its insufficient monitoring, the representative payee should be held accountable.

SSA Comment

We agree. We will make liability determinations for repayment of the overpayments and pursue collection.

Recommendation 2

Pursue collection of the \$5,523 in unsupported disbursements from Gateway.

SSA Comment

We agree. We will include this amount in our misuse determination and make restitution to the affected beneficiaries.

Recommendation 3

Request a refund from Gateway any amount determined to have been misused/misappropriated by the rehabilitation employee, and apply the funds to the appropriate SSA beneficiaries.

SSA Comment

We agree. We will proceed with completing our misuse investigation. We plan to remedy the situation by reissuing any misused funds to the affected beneficiaries and recouping the misused funds from Gateway.

Additional SSA Comment

We suggest rephrasing the following statement, found on page 2, “SSA considers FFS representative payees, such as Gateway, to be a payee of last resort, meaning many of the beneficiaries it manages do not have family members or friends available or willing to represent them.”

SSA has guidance on selecting a representative payee and provides a payee preference list. SSA prefers individuals and other organizational payees over FFS representative payees, such as Gateway, since other payees are willing to serve as payee without collecting a fee. Each payee application is evaluated to determine if the payee selection (including the selection of an FFS) is in the best interest of the beneficiary.

If you have any questions, please contact [Tiffany Schaefer](#) of the RSI Programs Team. She can be reached at (404) 562-1322.

Michael W. Grochowski

Representative Payee Comments

February 10, 2011

Office of the Inspector General
Social Security Administration

Re: Audit report draft of Gateway Representative Payee Program

Please accept this letter as the official response of Gateway Representative Payee Program (GRPP) to the audit completed by the Office of the Inspector General (OIG). It is Gateway's understanding that the comments below will be included as an appendix to the report, and that portions of the report itself could change depending on the review of these comments.

First, thank you for the opportunity to respond to the draft. Second, please forgive the length of this response, but we wanted to respond specifically to several of the topic areas.

Background

Gateway was approved to start the GRPP in April of 2002. There was no formal training. The agency simply began providing services based upon what it knew from the SSA website and conversations with the office manager in the downtown branch. From the beginning, Gateway understood that its primary, if not exclusive, duty as the payee was to manage the beneficiaries' money for them. This understanding derives from the "Guidebook For Organizational Representative Payees" where all but one of the "required duties" involve managing or reporting the beneficiaries' finances.

Gateway then began the GRPP on a "full-time" basis (one f/t staff), with some internal grant funds in the fall of 2003. Those funds allowed the program to grow and meet its expenses. However, after the first two years, those funds were gone. Therefore, for the program to continue, it had to grow rapidly to attempt to bring in enough revenue to support it. GRPP searched for additional outside sources of revenue (beyond the client fee), but were never able to find something that worked. After the 2006 triennial review Gateway hired a 2nd staff person to help in the office. However, the program never came close to having enough revenue to pay a 2nd person's salary and benefits and eventually had to let that person go.

Finally, in July of 2009, after trying to serve a high volume of clients and make ends meet for more than 3 years, Gateway's Board officially made the decision that the program did not have the capacity to provide all of the support and services desired by the SSA. GRPP could significantly reduce the number of clients and therefore be able

to provide adequate service. But that would reduce revenue greatly and the program would not break even. GRPP could maintain a caseload of 170 clients and be fiscally sound, but not be able to provide the necessary services with the quality desired at Gateway. The agency continued to try to meet the need for a payee program it had identified in the community as best it could with the limited resources it had. However, once Gateway realized the full scope of what was expected of the program staff, it knew it would have to make this difficult decision. This is when Gateway's Board of Directors decided it would be best to close the program.

General Statements

First, Gateway firmly believes that every issue discussed can be traced back to the fact that the program simply did not have enough staff (only one person for most of the program) to provide all of the care and detail desired by the SSA. In addition, it was not until the triennial review in 2009 that the program truly understood what was expected of it in relation to "case management" for beneficiaries as opposed to money managers. For example, in a memo written in 2005, GRPP said, "The Representative Payee Program is structured to assist with money management for mentally and/or physically challenged clients..." This was the program's focus, even after the 2006 review. Some things said to us during the 2009 review changed our understanding.

Second, on a few occasions the draft references the "2009 triennial review" including noting its completion. From Gateway's perspective, this review was not completed. On May 22, 2009, the Program Director wrote a summary of a meeting held that same day with the SSA. One of the first notes regarding the meeting was that the program was told "the review is not yet complete," but that it was to be completed after the "auditors" (meaning OIG) were completed.

Third, there is a statement on page 3 that ends with the words, "... suggests a lack of interest by the payee." **Gateway is requesting that this entire sentence be removed from the final report.** Gateway understood that the purpose of the site visit was to "determine whether GRPP..., had effective safeguards over the receipt and disbursement of Social Security benefits and used and accounted for these benefits in accordance with SSA's policies and procedures." This particular sentence appears to go beyond the scope of determining effective safeguards, and moves into judging of motives ("lack of interest...").

Fourth, contrary to a statement on page 7, there was improvement on many of the deficiencies noted, especially from the 2006 review. There were numerous findings in the 2006 review and many of those were resolved. On January 29, 2009, GRPP staff met formally with SSA representatives that had begun the 2009 review. It was specifically stated in that meeting that Gateway was "moving in the right direction from the last review." Also, in an e-mail dated June 9, 2009, the following was stated by an SSA representative regarding a May 22, 2009 meeting: "as we stated in our closeout session with you, because we were reviewing files from 07/04 through 03/09, we would probably mention some of the same things you were made aware of in 2006." In that meeting it was specifically stated that the reviewers did not differentiate between findings from prior to May of 2006 and after that time.

Response to Specific Issues Raised and/or Recommendations made in the draft

1. Prior Reviews of Gateway's Financial Records (Pages 2-3)

- a. Correction to the first sentence of paragraph 2 regarding the SSA learning in 2009 about an employee in the rehab program that had been dismissed. Please note that Gateway self-reported this problem to the SSA on November 25, 2008 (phone call to Lana Turner).
- b. Gateway was told on April 9, 2009 that until the review was completed the SSA would no longer assign beneficiaries to Gateway. However, at least one beneficiary was approved and began the program in late May of 2009. There were several others that were approved from February thru April 9, 2009, after the review had begun.

2. Beneficiary Needs not always met (pages 3-4)

Due to lack of staffing, Gateway was unable to always meet every client's needs.

There is documentation in the notes over a period of a couple of years, of quite a few times prior to 2010 that Gateway had discussions with nurses, social workers, etc. for medical situations regarding this beneficiary. In addition, Gateway had helped the beneficiary move to a safer, more stable environment but he/she insisted on moving back to the apartment where he/she was interviewed.

Please note, Gateway did know he/she originally had gas and phone service. GRPP did not know, unfortunately, they had been disconnected. The bills were initially coming to Gateway, but the beneficiary had them changed to his/her own address and they did not get paid.

In hindsight (20/20) this is a beneficiary GRPP probably should have terminated months earlier when he/she insisted on moving back to the less safe, less stable environment – because, as the SSA says, the program is charged to do what is in the beneficiary's best interest. Returning to that apartment was not in his/her best interest.

Thank you for noting that Gateway did rectify this situation upon notification of it from the SSA, and please also note that part of the gas bill was raised/paid from charitable sources outside of Gateway and the beneficiary's funds because the beneficiary did not have enough to pay the full bill.

3. Monitoring SSI Recipients' Account Balances was not always adequate (page 5)

The amount of over payment noted was \$2310.00, but Gateway thinks the amount of overpayments is at most, \$289.75; \$4.28 from C.A. – client # 50612 and \$285.47 from R.C. – client # 50361. The discrepancy is explained by two issues:

- a. In 3 of the months in question (end of January, February and October), the 1st of the next month was on the weekend and therefore the beneficiary's money

came on the last day of the previous month. So, for example, \$674.00 came in for one person on October 30th, but that was November's money. By very early November, the balance had decreased to under \$2000.00.

- b. In one month, and on two beneficiaries, it was a posting/batch issue. On March 31, the bank clearly showed that the money was in transit from the SSA. Therefore, GRPP "posted" it to the beneficiaries' accounts in its software system. However, the batch date was April 1, the SSA money did not actually hit the bank until April 1st, and therefore the clients were not over \$2000.00 on March 31st.
- c. To summarize, based on the information above (and additional documentation GRPP will supply if requested) the amount of stated overpayment should be greatly reduced.

4. Inadequate Accounting of Disbursements (page 6)

- a. While acknowledging that some cases lack sufficient supporting documentation, Gateway will request the reconsideration of the SSA of the amount noted. Gateway does have supporting documentation for several of the 33 items in question, and will provide that documentation upon request.
- b. It has always been the understanding of Gateway that the program did not have to have receipts/supporting documentation for weekly personal allowance checks of \$75.00 or less.

5. Insufficient Control Over Beneficiary Funds

- a. As noted, up to \$75/week was allowable for personal allowances. That is \$300/month which is equal to 44.5% of most beneficiaries' monthly check. And in the months where there were 5 checks distributed to individuals this could equal 55.6% for that month. Therefore, if there was room in their budget, based upon other expenses (rent, utilities, etc.), beneficiaries could have easily gone over 40% of their income for personal allowances and this should not be stated as a problem.

- b. Beneficiaries where over \$1000.00 was given in a month:

In two instances of this situation, the following occurred:

1. On May 1, the personal allowance checks for the month were cut and then disbursed during the month of May.
2. On May 27, the personal allowance checks for June were cut and then distributed in June. (Documentation will be provided upon request).
3. A separate \$250 check was distributed to each that was a government stimulus refund check. GRPP asked for advice from the SSA for how to handle these checks and were told to simply distribute them to the beneficiaries.

c. Rehabilitation program question / issues:

In the 2006 triennial review, the SSA wrote to Gateway: "... Basically you are relinquishing your representative payee responsibilities to another party. This practice should be discontinued as you have no control over the funds you are responsible for and no documentation of how the money has been spent."

Gateway responded on June 27, 2006, saying: "... per the recommendation of the SSA, we have discontinued this practice. [This meant the method by which we provided and documented funds with the REACT Team.] For convenience, checks are still sent to the REACT Team, but they are made out to the beneficiary only for those persons that can handle a weekly allowance. For those that cannot, we will be meeting shortly with the REACT Team to create an appropriate, workable process."

After this letter to the SSA, there was discussion back and forth with the SSA regarding what could work and not work. The benefits coordinator and Program Director remember a specific conversation in his office that took place in August of 2006 with two reviewers from the SSA. This was a follow-up to the 2006 triennial review. In that meeting, the benefits coordinator showed the reviewers the new form/ledger GRPP intended to use with REACT for the clients whose illness was so significant that even a weekly check was too much of a challenge. Gateway staff remembers the form being approved. Unfortunately, that conversation was not put into writing.

Gateway understands the SSA's position regarding this issue: Gateway is the payee and therefore, the SSA will hold Gateway responsible. However, because of GRPP's understanding of being allowed to proceed, and because each check contained clear instructions for how the money was to be used, Gateway believes it is the REACT program that should be held ultimately responsible for any misuse of funds. It is also the program's understanding that there is an ongoing investigation relative to this particular issue.

Summary

Did Gateway make mistakes while operating as a Representative Payee? Yes. But not to the degree that is alleged in this report. And, every mistake can be traced back to the lack of staff / oversight. This was not about being indifferent. This was not about intentionally ignoring beneficiary needs. This was not about not requiring clients to provide documentation. Documentation was routinely requested, but unfortunately not all received.

For more than eight years, GRPP worked with diligence and compassion to be a "partner in money management" for SSA and/or SSI beneficiaries. But when the program and Gateway's Board of Directors fully realized the GRPP was being asked to provide case management, not just money management, the decision was made to bring the program to an end.

Finally, as noted several times elsewhere, Gateway will work diligently to supply any additional documentation requested by the SSA.

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Theresa Roberts, Audit Manager

Acknowledgments

In addition to those named above:

Hollie Calhoun, Senior Auditor

Charles Zaepfel, IT Specialist

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