



## **Mission**

**We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the 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**

**By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.**



## SOCIAL SECURITY

### MEMORANDUM

Date: October 8, 2002

Refer To:

To: Carmen Maria Keller  
Regional Commissioner  
for Seattle

From: Assistant Inspector General  
for Audit

Subject: Financial-Related Audit of the Washington State Department of Social and Health Services – An Organizational Representative Payee for the Social Security Administration (A-13-02-12010)

Attached is a copy of our final report. Our objectives were to determine whether the Washington State Department of Social and Health Services (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's policies and procedures.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Shirley Todd, Director of General Management Audit Division, at (410) 966-9365.

A handwritten signature in cursive script that reads "Steven L. Schaeffer".

Steven L Schaeffer

Attachment

cc:

Fritz Streckewald  
JoEllen Felice  
Candace Skurnik

# Executive Summary

---

## OBJECTIVE

Our objectives were to determine whether the Washington State Department of Social and Health Services (WSDSHS) (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

## BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees (Rep Payee) to receive and manage these beneficiaries'<sup>1</sup> payments. A Rep Payee may be an individual or an organization. SSA selects Rep Payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individual's interests.

Rep Payees are responsible for using benefits in the beneficiary's best interests. Their duties include:

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

---

<sup>1</sup> We use the term "beneficiary" generically in this report to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

## RESULTS OF REVIEW

Our audit showed that WSDSHS generally (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. However, we identified two areas where WSDSHS could improve its performance as a Rep Payee.

- WSDSHS held \$1.2 million in conserved funds in 2 bank accounts for 241 beneficiaries. We found that WSDSHS' bank accounts were not properly titled to show the funds belonged to the SSA beneficiaries. In addition, the accounts did not meet the Federal Deposit Insurance Corporation requirements to be properly insured. As a result, approximately \$1 million in beneficiary funds were at-risk of loss.
- WSDSHS receives approximately 1,600 monthly benefit payments by check. However, WSDSHS' operational efficiencies and safeguards over beneficiary receipts would be improved if it received those payments by direct deposit. WSDSHS recognizes the benefits of direct deposit and plans to use it when its new accounting system is implemented in about 1 year.

We also identified two areas where SSA needs to improve its monitoring of Rep Payees. Specifically:

- SSA did not record in its Representative Payee System (RPS) 10 beneficiaries in WSDSHS' care. We provided SSA the names of the affected beneficiaries so it could add them to the RPS.
- SSA could not provide 17 of the 30 RPRs we requested (see Other Matters). We therefore could not determine whether WSDSHS properly reported to SSA how benefits were spent and invested.

Finally, we learned that WSDSHS may have to repay approximately \$77 million to former and current SSA beneficiaries in its care. In October 2001, the Washington State Supreme Court ruled that WSDSHS was holding itself out as a creditor of SSA beneficiaries and therefore was violating the Social Security Act. In its decision, the State Supreme Court held that WSDSHS is prohibited from using a foster child's Old-Age, Survivors and Disability Insurance or Supplemental Security Income benefit payments to pay the costs the State incurs in providing that child with foster care, including food, shelter, and clothing. In March 2002, WSDSHS filed a petition for writ of certiorari with the U.S. Supreme Court. On May 28, 2002 the U.S. Supreme Court granted the petition. The Supreme Court also stayed enforcement of the State Court's judgment pending issuance of a final decision and mandate by the Supreme Court.

On March 1, 2002, the Solicitor General for the United States filed a brief on behalf of WSDSHS. In the brief, the Solicitor General noted that the Commissioner of SSA has consistently stated that it is permissible for a State entity, as a Rep Payee, to use a foster child's Old-Age, Survivors and Disability Insurance or Supplemental Security Income benefits to offset the costs of providing that child care (see Other Matters). We offer no opinion on this litigation nor do we address SSA's policy of permitting State entities serving as Rep Payee to use a foster child's benefits to offset associated State costs. We did not consider the State Court's ruling in connection with this audit.

## **CONCLUSIONS AND RECOMMENDATIONS**

Generally, WSDSHS (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) did ensure that Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. However, WSDSHS should title its bank accounts to reflect the interest of SSA beneficiaries and use direct deposit to improve operational efficiency and safeguards over receipt of beneficiary payments. Also, SSA could improve the information about WSDSHS contained in the RPS. We recommend that SSA:

1. Direct WSDSHS to change its bank account titles to show that conserved funds belong to the beneficiaries and to ensure the Federal Deposit Insurance Corporation insures each beneficiary for \$100,000.
2. Ensure that WSDSHS uses direct deposit for all beneficiaries in its care.
3. Correct RPS to include all beneficiaries for whom WSDSHS was selected as Rep Payee.

## **AGENCY COMMENTS**

SSA agreed with all of our recommendations. SSA also reported that corrective actions had already been completed on two of the findings. (See Appendix A for the full text of SSA's comments.)

## **REP PAYEE COMMENTS**

We requested WSDSHS to comment on the findings and recommendations related to its duties as a Rep Payee (Recommendations 1 and 2).

WSDSHS stated it re-titled benefit accounts to ensure all beneficiaries' funds are protected from loss. WSDSHS also agreed to implement direct deposit for all beneficiaries in its care. (See Appendix B for the full text of WSDSHS' comments.)

# Table of Contents

---

	Page
<b>INTRODUCTION</b> .....	1
<b>RESULTS OF REVIEW</b> .....	4
Bank Accounts Were Not Properly Titled .....	4
Direct Deposit Was Not Being Used .....	5
Not All Beneficiaries Were Recorded In the Representative Payee System .....	6
<b>CONCLUSIONS AND RECOMMENDATIONS</b> .....	7
<b>OTHER MATTERS</b> .....	8
Representative Payee Reports .....	8
Washington State Supreme Court Decision .....	8
<b>APPENDICES</b>	
<b>APPENDIX A</b> – Agency Comments	
<b>APPENDIX B</b> – Representative Payee’s Comments	
<b>APPENDIX C</b> – OIG Contacts and Staff Acknowledgments	

# Acronyms

---

FDIC	Federal Deposit Insurance Corporation
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
Rep Payee	Representative Payee
RPR	Representative Payee Report
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
WSDSHS	Washington State Department of Social and Health Services



## OBJECTIVE

Our objectives were to determine whether the Washington State Department of Social and Health Services (WSDSHS) (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

## BACKGROUND

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

Rep Payees are responsible for using benefits to serve the beneficiary's best interests. Their duties include:<sup>3</sup>

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

---

<sup>2</sup> 42 U.S.C. §§ 405(j) and 1383(a)(2).

<sup>3</sup> Id.; 20 C.F.R. Part 404, Subpart U, and Part 416, Subpart F.

About 7 million individuals have Rep Payees—approximately 4.4 million are OASDI beneficiaries, 2 million are SSI recipients, and 600,000 are entitled to both OASDI and SSI. The following chart reflects the types of Rep Payees and the number of individuals they serve.

Type of Rep Payee	Number of Rep Payees	Number of Individuals Served
<i>Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others</i>	4,949,000	6,160,000
<i>Organizational Payees: State Institutions, Local Governments and Others</i>	44,150	759,000
<i>Organizational Payees: Fee-for-Service</i>	850	81,000
<b>TOTAL</b>	<b>4,994,000</b>	<b>7,000,000</b>

## Washington State Department of Social and Health Services

WSDSHS is a State agency charged with protecting children from abuse and neglect, providing family reconciliation services, arranging for foster home care and adoption services, and licensing child care providers. WSDSHS received about \$8 million in SSA benefit payments from May 1, 2000 through April 30, 2001 for 2,144 SSA beneficiaries. All of the beneficiaries were children who lived in a foster care home, a group home, or an institution.

## SCOPE AND METHODOLOGY

Our audit covered the period May 1, 2000 through April 30, 2001.

To accomplish our objectives, we:

- Reviewed the Social Security Act and SSA policies and procedures pertaining to Rep Payees.
- Contacted SSA regional office and field office staffs to obtain background information about WSDSHS performance as a Rep Payee.
- Reviewed previous on-site reviews performed by SSA.
- Obtained from SSA’s Representative Payee System (RPS) a list of individuals who were in WSDSHS’ care as of April 30, 2001 or whose benefits ceased after May 1, 2000.
- Obtained from WSDSHS a list of individuals who were in its care and had received SSA funds as of April 30, 2001.

- Compared and reconciled the Agency's RPS list to WSDSHS' list to identify the population of SSA beneficiaries who were in WSDSHS' care from May 1, 2000 to April 30, 2001.
- Reviewed WSDSHS' internal controls over the receipt and disbursement of SSA benefit payments.
- Performed the following tests for a random sample of 100 beneficiaries.
  - Compared and reconciled benefit amounts received according to WSDSHS' records to benefit amounts paid according to SSA's payment records.
  - Reviewed WSDSHS' accounting records to determine whether benefits were properly spent or conserved on the individual's behalf.
  - Traced a sample of expenses to source documents and examined the underlying documentation for reasonableness and authenticity.
- Determined whether WSDSHS effectively monitored and reported to SSA changes in beneficiaries' circumstances that affected benefit eligibility.
- Interviewed a sample of foster parents to determine whether the beneficiaries' basic needs were being met.
- Reviewed a sample of RPRs to determine whether WSDSHS properly reported to SSA how benefits were used.
- Reviewed a sample of Representative Payee Applications (SSA-11) to determine whether authorized agents of WSDHS properly signed them.
- Obtained information on the amount of benefits WSDSHS may have to repay to former and current SSA beneficiaries in its care because of a Washington State Supreme Court decision.
- Obtained the current status of WSDSHS' appeal to the U.S. Supreme Court.

We performed our audit in Olympia, Washington, and Baltimore, Maryland, from June 2001 to March 2002. We conducted our audit in accordance with generally accepted government auditing standards.

# Results of Review

---

Our audit showed that WSDSHS generally (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured that Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. However, we identified two areas where WSDSHS could improve its performance as a Rep Payee. WSDSHS did not title its bank accounts to reflect the interest of SSA beneficiaries or use direct deposit.

We also identified one area where SSA needs to improve its monitoring of Rep Payees. Specifically, we found that WSDSHS was the Rep Payee for 10 beneficiaries who were not recorded in SSA's Representative Payee System (RPS).

---

## **Bank Accounts Were Not Properly Titled**

---

The Social Security Act states that any benefits that are not needed for the beneficiaries' immediate or reasonably foreseeable current needs must be conserved or invested. All investments must show that the Rep Payee holds the benefits in trust for the beneficiary.<sup>4</sup> These funds may be deposited in an interest- or dividend-bearing account in a bank, trust company, or credit union that is insured under either Federal or State law. SSA policy states that a Rep Payee may establish collective checking and savings accounts to hold monies belonging to several beneficiaries. However, to protect the beneficiaries' funds, the account title must show that the funds belong to the beneficiaries and not the Rep Payee.<sup>5</sup>

The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$100,000 per individual.<sup>6</sup> FDIC provides additional coverage of \$100,000 per individual for collective bank accounts if the account is properly titled to show the fiduciary relationship between the account holder and its clients. FDIC recognizes a claim for insurance coverage based on a fiduciary relationship only if the relationship is expressly disclosed, by way of specific references, in the bank's deposit account records.<sup>7</sup> We contacted FDIC's Legal Division for its interpretation of proper bank titling requirements. FDIC said that it prefers specificity in titling account records when it has to determine insurance amounts in the case of bank failure. With more titling specifics, the FDIC can more easily identify insured beneficiaries in situations where deposit account records do not clearly identify depositors' ownership of the accounts.

---

<sup>4</sup> 20 C.F.R. 404.2045, 416.645.

<sup>5</sup> Program Operations Manual System (POMS), GN 00603.020.

<sup>6</sup> 12 U.S.C. § 1821(a)(1).

<sup>7</sup> 12 C.F.R. § 330.5(a)(1) and (b)(1).

WSDSHS has two bank accounts for beneficiary-conserved funds. As of April 2001, these bank accounts had conserved funds of \$1.2 million for 241 beneficiaries. However, our review found that WSDSHS' bank accounts were not properly titled to show the funds belonged to the SSA beneficiaries. In addition, the account was not properly titled, as required by the FDIC, to insure each beneficiary for \$100,000. WSDSHS told us it was not aware its bank accounts were not titled as required by SSA and the FDIC. As a result, \$1,080,741 in beneficiary funds was at-risk of loss as of April 30, 2001.

<b>Account</b>	<b>Conserved Funds</b>	<b>FDIC Insured Amount</b> <small>(based on current account title)</small>	<b>Beneficiary Funds at Risk</b>
Saving 1	\$1,105,738	\$100,000	\$1,005,738
Saving 2	175,003	100,000	75,003
<b>TOTAL</b>	<b>\$1,280,741</b>	<b>\$200,000</b>	<b>\$1,080,741</b>

WSDSHS needs to revise its collective bank accounts to be properly titled and to insure each beneficiary for \$100,000. Although the accounts do not need to list the specific beneficiaries by name, the accounts need to show they consist of funds SSA paid that are being held in trust for the beneficiaries. This would then properly associate the accounts with the records that WSDSHS regularly maintains and therefore could be relied upon by the FDIC in the event of a bank failure. An example of an appropriate account title is *WSDSHS Representative-Payee Trust Fund of Social Security Benefits for Current Wards of the State*.

**Direct Deposit Was Not Being Used** Regulations<sup>8</sup> adopted under the Debt Collection Improvement Act of 1996<sup>9</sup> require most Federal payments to be made by electronic funds transfer, otherwise known as direct deposit. However, the requirement to receive payments by direct deposit can be waived if it would impose a hardship on the individual.<sup>10</sup> SSA's *Guide for Organizational Representative Payees* strongly encourages the Rep Payee to have benefit payments directly deposited in a bank account.

<sup>8</sup> 31 C.F.R. § 208.3.

<sup>9</sup> Pub. L. No. 104-134, section 31001(x).

<sup>10</sup> 31 C.F.R. § 208.4.

Direct deposit is a secure way of receiving payments and protecting beneficiaries from the loss, theft, or delays associated with mailing paper checks. For a Rep Payee, direct deposit is an effective and efficient process that saves the time and effort of handling numerous benefit checks. WSDSHS receives approximately 1,600 monthly benefit payments by check rather than direct deposit.

We found the manner in which WSDSHS processed beneficiaries' checks to be labor-intensive. Currently, WSDSHS' mail unit receives beneficiaries' checks. The mail unit enters identifying information (for example, name, payment amount, and Social Security number) into a software program called *PC Cash*. This information is controlled in batches for "item counts" and "dollar totals" and is reconciled to the amounts in *PC Cash* before the batch is released to the next operation.

The mail unit then forwards the checks, along with the *PC Cash* file, to the cash unit. The cash unit prepares a deposit slip and stamps the back of the checks "for deposit only." Checks are held in a locked safe until a courier from the bank arrives daily to obtain the deposits. The cash unit also assigns a State account number and prepares the cash receipts and summary journal. A copy of the cash receipts and summary journal is then sent to the Trust Fund Unit to post the receipts to the beneficiary's ledger.

WSDSHS acknowledged the benefits of using direct deposit and plans to use it when its new accounting system is implemented in about 1 year.

---

**Not All  
Beneficiaries Were  
Recorded in the  
Representative  
Payee System**

---

The Omnibus Budget Reconciliation Act of 1990<sup>11</sup> requires SSA to provide for specific identification and control of all Rep Payees and the beneficiaries they serve. As a result, SSA established RPS, an on-line system for entering and retrieving information about Rep Payees and those applying to be Rep Payees. RPS contains data about Rep Payee applicants, beneficiaries in the Rep Payee's care, and the relationship between the Rep Payee and the beneficiaries. In addition, SSA uses the RPS to select a sample of beneficiaries for review during its site visits of Rep Payees.

To determine the number of beneficiaries in WSDSHS' care, we compared WSDSHS records to information contained in RPS. As a result, we identified 10 beneficiaries for whom WSDSHS was serving as the Rep Payee but for whom WSDSHS was not recorded as the Rep Payee on the RPS.

We analyzed information pertaining to these beneficiaries to determine why WSDSHS had not been recorded on RPS as the Rep Payee. We found that SSA personnel can by-pass RPS to establish a Rep Payee. Agency staff can establish a Rep Payee by identifying individuals or organizations as the beneficiaries' Rep Payee directly on the Master Beneficiary Record or the Supplemental Security Record. We provided SSA the names of the 10 beneficiaries so it could add them to RPS.

---

<sup>11</sup> Pub. L. No. 101-508, sec. 5105, codified at 42 U.S.C. § 405(j)(2).

# Conclusions and Recommendations

---

Generally, WSDSHS (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) did ensure that Social Security benefits were used and accounted for in accordance with SSA's policies and procedures. However, WSDSHS should title its bank accounts to reflect the interest of SSA beneficiaries and use direct deposit to improve operational efficiency and safeguards over receipt of beneficiary payments. Also, SSA could improve the information about WSDSHS contained within the RPS. We recommend that SSA:

1. Direct WSDSHS to change its bank account titles to show that conserved funds belong to the beneficiaries and to ensure the FDIC insures each beneficiary for \$100,000.
2. Ensure that WSDSHS uses direct deposit for all beneficiaries in its care.
3. Correct RPS to include all beneficiaries for whom WSDSHS was selected as Rep Payee.

## AGENCY COMMENTS

SSA agreed with all of our recommendations. SSA also reported that corrective actions had already been completed on two of the findings. (See Appendix A for the full text of SSA's comments.)

## REP PAYEE COMMENTS

We requested WSDSHS to comment on the findings and recommendations related to its duties as a Rep Payee (Recommendations 1 and 2).

WSDSHS stated it re-titled benefit accounts to ensure all beneficiaries' funds are protected from loss. WSDSHS also agreed to implement direct deposit for all beneficiaries in its care. (See Appendix B for the full text of WSDSHS' comments.)

# Other Matters

---

## **Representative Payee Reports**

One method SSA uses to monitor Rep Payees is the RPR. The RPR is intended to assist SSA in determining the (1) use of benefits during the preceding 12-month reporting period, (2) Rep Payee's continuing suitability, and (3) continuing need for representative payment.<sup>12</sup> Depending on the Rep Payee's responses, SSA may contact the Rep Payee to determine its continued suitability. We found that SSA could not always retrieve WSDSHS' completed RPRs.

As part of our audit, we planned to review a sample of completed RPRs to determine whether WSDSHS met its reporting responsibilities. We requested the most recently completed RPRs for 30 beneficiaries. However, SSA only provided 13 of the 30 RPRs we requested. For the remaining 17, we could not determine whether WSDSHS properly submitted RPRs.

## **Washington State Supreme Court Decision**

On October 11, 2001 the Washington State Supreme Court held that WSDSHS as a Rep Payee violated the Social Security Act.<sup>13</sup> In its decision, the Washington State Supreme Court held that WSDSHS is prohibited from using a foster child's OASDI or SSI benefit payments to pay the costs the State incurs in providing that child's foster care, including food, shelter, and clothing.<sup>14</sup> The Washington State Supreme Court decision requires WSDSHS to establish a fund to pay back approximately \$77 million in benefit payments covering the period from April 18, 1977 through October 31, 2001. This amount continues to grow by approximately \$7 million per year.

On October 31, 2001 WSDSHS filed a motion with the Washington State Supreme Court for a reconsideration of its ruling. The Washington State Supreme Court denied the reconsideration on December 14, 2001. WSDSHS filed a motion with the U.S. Supreme Court for a temporary stay of the Washington State Supreme Court order and was granted a temporary stay on January 29, 2002. A permanent stay was granted on March 13, 2002. WSDSHS filed on March 14, 2002 a petition with the U.S. Supreme Court to review the case. On May 28, 2002 the U.S. Supreme Court agreed to hear WSDSHS' appeal.

The Solicitor General filed a brief on March 1, 2002, stating that, under the Social Security Act and implementing regulations, and the Commissioner of Social Security interpretation thereof, a State agency appointed as Rep Payee may use Social Security and SSI benefit payments to pay the costs of the child's foster care.

---

<sup>12</sup> SSA POMS, GN 00605.066, GN 00605.067, GN 00605.090, GN 00605.221.

<sup>13</sup> 42 U.S.C. § 207.

<sup>14</sup> *Estate of Keffeler v. State of Washington Department of Social and Health Services*, 145 Wn.2d 1, 32 P.3d 267 (2001).



# *Appendices*

---

## Agency Comments

Social Security Administration

MEMORANDUM

Refer To: S2DXG3:RSN

Date: September 20, 2002

From: Regional Commissioner  
Seattle Region

Subject: Draft Report of Financial Audit of Washington State Department of Social and Health Services A-13-02-12010 (Your memorandum Dated 08/28/02) - REPLY

To: Inspector General  
Office of the Inspector General

Thank you for the opportunity to comment on the draft findings of the Washington State Department of Social and Health Services (WSDSHS) financial audit. I am pleased to report that corrective action has already been completed on two of the three items identified, and that action has been initiated on the third, with completion expected by March 2003. Specifics follow:

**Improperly Titled Bank Accounts**

Subsequent to the OIG visit, the Olympia field office (FO) worked closely with WSDSHS to ensure that the collective bank account into which Social Security benefits are deposited is correctly titled. WSDSHS is currently changing banks from US Bank to Heritage Bank. All accounts are now correctly titled to reflect that the funds belong to the beneficiaries, thus ensuring FDIC coverage of \$100,000 per individual.

**Direct Deposit Not Utilized by WSDSHS**

WSDSHS has assured SSA that they intend to establish payment by direct deposit for all SSA beneficiaries upon completion of a new accounting software program. They anticipate that this program will be completed by March 2003. The Olympia office will work closely with WSDSHS to ensure a smooth transition to direct deposit for all beneficiaries that WSDSHS serves.

**Some Beneficiaries Not Recorded in the Representative Payee System**

The Representative Payee System (RPS) yields a wealth of information about representative payees and the beneficiaries that they serve. However, payee records established manually or before the implementation of RPS are not recorded in this system. The OIG audit uncovered ten cases that were not recorded in RPS. The Olympia FO obtained a complete list of SSA beneficiaries who receive payee services from WSDSHS. All individuals who receive payee services from WSDSHS are now loaded into RPS.

If your staff have any questions, they may contact Joan Nicholson by phone at 206-615-2133, by fax at 206-615-2643, or by email at [Joan.Nicholson@ssa.gov](mailto:Joan.Nicholson@ssa.gov).

Carmen Maria Keller

cc: ORC  
AD I

## Representative Payee's Comments

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Shirley E. Todd, Director, General Management Audit Division (410) 966-9365

Jim Klein, Audit Manager (410) 965-9739

### ***Acknowledgments***

In addition to the persons named above:

Randy Townsley, Auditor-in-Charge

Janet Stein-Pezza, Senior Program Analyst

Alan Carr, Senior Auditor

Gerald Hockstein, Senior Program Analyst

Linda Webester, Auditor

Kimberly Beauchamp, Writer-Editor

For additional copies of this report, please visit our web site at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-13-02-12010.

## DISTRIBUTION SCHEDULE

	<u>No. of Copies</u>
Commissioner of Social Security	1
Management Analysis and Audit Program Support Staff, OFAM	10
Inspector General	1
Assistant Inspector General for Investigations	1
Assistant Inspector General for Executive Operations	3
Assistant Inspector General for Audit	1
Deputy Assistant Inspector General for Audit	1
Director, Data Analysis and Technology Audit Division	1
Director, Financial Audit Division	1
Director, Southern Audit Division	1
Director, Western Audit Division	1
Director, Northern Audit Division	1
Director, General Management Audit Division	1
Team Leaders	25
Income Maintenance Branch, Office of Management and Budget	1
Chairman, Committee on Ways and Means	1
Ranking Minority Member, Committee on Ways and Means	1
Chief of Staff, Committee on Ways and Means	1
Chairman, Subcommittee on Social Security	2
Ranking Minority Member, Subcommittee on Social Security	1
Majority Staff Director, Subcommittee on Social Security	2
Minority Staff Director, Subcommittee on Social Security	2
Chairman, Subcommittee on Human Resources	1
Ranking Minority Member, Subcommittee on Human Resources	1
Chairman, Committee on Budget, House of Representatives	1
Ranking Minority Member, Committee on Budget, House of Representatives	1
Chairman, Committee on Government Reform and Oversight	1
Ranking Minority Member, Committee on Government Reform and Oversight	1
Chairman, Committee on Governmental Affairs	1

Ranking Minority Member, Committee on Governmental Affairs	1
Chairman, Committee on Appropriations, House of Representatives	1
Ranking Minority Member, Committee on Appropriations, House of Representatives	1
Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives	1
Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives	1
Chairman, Committee on Appropriations, U.S. Senate	1
Ranking Minority Member, Committee on Appropriations, U.S. Senate	1
Chairman, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate	1
Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate	1
Chairman, Committee on Finance	1
Ranking Minority Member, Committee on Finance	1
Chairman, Subcommittee on Social Security and Family Policy	1
Ranking Minority Member, Subcommittee on Social Security and Family Policy	1
Chairman, Senate Special Committee on Aging	1
Ranking Minority Member, Senate Special Committee on Aging	1
President, National Council of Social Security Management Associations, Incorporated	1
Treasurer, National Council of Social Security Management Associations, Incorporated	1
Social Security Advisory Board	1
AFGE General Committee	9
President, Federal Managers Association	1
Regional Public Affairs Officer	1
Washington State Department of Social and Health Services	1
<b>Total</b>	<b>97</b>

# **Overview of the Office of the Inspector General**

## **Office of Audit**

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers' Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations and cash flow. Performance audits review the economy, efficiency and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency, rather than detecting problems after they occur.

## **Office of Executive Operations**

The Office of Executive Operations (OEO) supports the Office of the Inspector General (OIG) by providing information resource management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this office is the focal point for the OIG's strategic planning function and the development and implementation of performance measures required by the *Government Performance and Results Act*. OEO is also responsible for performing internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from SSA, as well as conducting investigations of OIG employees, when necessary. Finally, OEO administers OIG's public affairs, media, and interagency activities, coordinates responses to Congressional requests for information, and also communicates OIG's planned and current activities and their results to the Commissioner and Congress.

## **Office of Investigations**

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## **Counsel to the Inspector General**

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.