



SOCIAL SECURITY

MEMORANDUM

Date: July 26, 2005

Refer To:

To: The Commissioner

From: Inspector General

Subject: Nation-wide Review of Individual Representative Payees for the Social Security Administration (A-13-05-25006)

The attached final report presents the results of our audit. Our objective was to confirm that beneficiaries in the care of representative payees existed; and, through personal observation and interviews, determine whether the beneficiaries' food, clothing and shelter needs were being met.

Please provide within 60 days a corrective action plan that addresses each recommendation. 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.

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.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**NATION-WIDE REVIEW OF INDIVIDUAL
REPRESENTATIVE PAYEES FOR THE
SOCIAL SECURITY ADMINISTRATION**

July 2005

A-13-05-25006

**EVALUATION
REPORT**



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.

Executive Summary

OBJECTIVE

Our objective was to confirm that beneficiaries in the care of representative payees existed; and, through personal observation and interviews, determine whether the beneficiaries' food, clothing and shelter needs were being met.

BACKGROUND

We conducted a nation-wide review of individual representative payees serving 14 or fewer beneficiaries who met our selection criteria. As of May 2004, there were about 4.3 million of these representative payees managing about \$35.1 billion in benefit payments annually for approximately 5.5 million beneficiaries and recipients. To provide statistically valid nation-wide projections, we selected 275 payees for review.

RESULTS OF REVIEW

We confirmed the existence of all 359 beneficiaries that were in the care of the 275 representative payees in our sample. We concluded, through personal observation and interviews, that the food, clothing and shelter needs of 356 beneficiaries were being met. For these individuals, nothing came to our attention that would lead us to believe the representative payees did not use the Social Security benefits received for the beneficiaries' needs. For the remaining three beneficiaries, we could not conclude the food, clothing and shelter needs of the beneficiaries were being met.

We found 13 representative payees did not comply with certain Social Security Administration (SSA) policies. Eight payees acted as conduit payees, and five payees failed to report to SSA events that may have affected eligibility or benefit payment amount. Representative payees function as conduit payees by providing the beneficiaries or other third parties the entire amount of the benefit payment without instruction. In addition, SSA did not take prompt action on events reported by payees that could have affected the amount of benefit payments or the beneficiaries' right to receive payments; information in SSA's Representative Payee System was not always accurate; and the Agency did not provide us all Representative Payee Reports for the beneficiaries included in our review.

RECOMMENDATIONS

We recommend that SSA (1) increase outreach efforts to educate representative payees on their responsibility to manage the beneficiaries' funds appropriately and report any changes that may affect the beneficiaries' eligibility or benefit payment amounts and (2) take appropriate follow-up actions to ensure the 10 recommendations reported to the Regional Commissioners are implemented.

AGENCY COMMENTS

In its comments to our draft report, SSA agreed with our recommendations. See Appendix G for the full text of SSA's comments.

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OBJECTIVE

Our objective was to confirm that beneficiaries in the care of representative payees existed; and, through personal observation and interviews, determine whether the beneficiaries' food, clothing and shelter needs were being met.

BACKGROUND

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

SSA's primary concern is to select the payee who will best serve the beneficiary's interest; and preference is normally given to a parent, legal guardian, spouse, or other relative of a beneficiary.³ SSA considers payments to a representative payee to have been used for the benefit of the beneficiary if they were spent on the beneficiary's current maintenance—which includes the costs "...incurred in obtaining food, shelter, clothing, medical care, and personal comfort items."⁴

We conducted a nation-wide review of individual representative payees serving 14 or fewer beneficiaries who met our selection criteria. As of May 2004, there were about 4.3 million of these representative payees managing about \$35.1 billion in benefit payments annually for approximately 5.5 million beneficiaries. To provide statistically valid nation-wide projections, we selected 275 payees for review. See Appendices B, C, and D for detailed discussions of the Background, Scope, and Sampling Methodology.

¹ The term "beneficiaries" is used generically to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

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

³ 20 C.F.R. §§ 404.2021 and 416.621.

⁴ 20 C.F.R. §§ 404.2040(a) and 416.640(a).

Table 1 identifies the number and location of representative payees and beneficiaries we reviewed.

Table 1: Individual Representative Payee Population			
SSA Region	Population of Payees	Payees Reviewed	Beneficiaries Reviewed
Boston	190,789	11	14
New York	366,253	22	29
Philadelphia	441,756	31	41
Atlanta	1,067,319	75	96
Chicago	747,924	39	49
Dallas	547,142	36	51
Kansas City	187,489	14	25
Denver	98,145	7	8
San Francisco	528,006	35	41
Seattle	131,956	5	5
Total	4,306,779	275	359

Results of Review

We confirmed the existence of all 359 beneficiaries who were in the care of the 275 representative payees in our sample. Of the 359, we also concluded the needs of 356 beneficiaries were being met. For the remaining three beneficiaries, we could not conclude the food, clothing and shelter needs were being met. Because we only identified three cases where the beneficiaries' needs were not being met, our results do not support an estimate. Therefore, we did not make a projection based on these three cases.

Although most of the beneficiaries' needs were being met, we found eight representative payees acted as conduit payees, and five payees failed to report to SSA events that may have affected a beneficiary's eligibility or payment amount.

All Beneficiaries Existed and Most Had Their Needs Met

During our review, we confirmed the existence of all 359 beneficiaries who were in the care of the 275 representative payees. These representative payees received and managed about \$2.6 million annually in benefit payments. Furthermore, we determined the needs of most beneficiaries included in our review were met. We determined, through personal observation and interviews that 356 beneficiaries' food, clothing and shelter needs were being met. For these individuals, nothing came to our attention that would lead us to believe the representative payees did not use the Social Security benefits received for the beneficiaries' needs.

Our contact with the 275 payees included in our review provided local SSA staff the opportunity to address other issues facing the payees and beneficiaries. Below are examples of situations local SSA staff addressed as a result of our review.

- At the time of our visit to Burlington, Vermont, the beneficiary was 17 years old and receiving OASDI survivor benefits—which will stop when she reaches age 18. Based on our observations and those of the SSA District Manager who accompanied us on our visit, it appeared the beneficiary may have been eligible for disability benefits. The SSA District Manager told the representative payee how to apply for disability benefits for the beneficiary; and the representative payee was grateful for the information.
- Accompanied by an SSA field office (FO) employee, we visited a woman in Fenton, Michigan. The woman served as representative payee for her 15-year-old daughter, who was receiving OASDI survivor benefits. During our interview, the FO employee answered the representative payee's questions on the proper use of SSA benefits. The representative payee expressed gratitude for the information the FO employee provided.

- Accompanied by an SSA FO employee, we visited a woman in Cedar Rapids, Iowa, who served as a representative payee for her 9-year-old son. The beneficiary received SSI disability benefits for cerebral palsy.⁵ The beneficiary was unable to walk, but the representative payee could not afford to purchase a wheelchair. Therefore, the representative payee had to carry the child. During our interview, the representative payee asked if there was an assistance program to help her obtain a wheelchair. The FO employee provided the representative payee with the name of an organization known for providing assistance to disabled children. The FO employee also answered the representative payee's question on receipt maintenance. The representative payee expressed gratitude for the information the FO employee provided.

We Could Not Conclude All Beneficiaries' Needs Were Being Met

Of the 359 beneficiaries included in our review, we could not conclude the food, clothing and shelter needs of 3 beneficiaries in the care of 3 representative payees were being met. One beneficiary's basic shelter needs were met, but the representative payee did not ensure the remaining funds were used to meet the beneficiary's other needs. We could not verify the living conditions for another beneficiary. Finally, one beneficiary was incarcerated during our review period, so we could not observe his living arrangements when he was not incarcerated. Additional information concerning these beneficiaries is discussed below.

- In the New York Region, we found a beneficiary's current representative payee intended to continue a practice established by the previous payee. The previous representative payee paid the beneficiary's rent of \$350 per month and then gave free access to the remaining \$300 of his benefit payments. At the time of our review, the beneficiary received \$587 monthly since his benefits were reduced to repay an overpayment. The current representative payee stated she would continue the same practice established by the previous representative payee of paying the rent of \$350 per month and providing free access to the remaining \$237 per month. Given this situation, the representative payee did not ensure a significant portion of the beneficiary's benefits were used to meet his current needs, such as food and clothing. This is of particular concern in light of the beneficiary's admission that he does not have enough money for food. At the current benefit rate, approximately \$2,844 per year is at-risk of not being managed appropriately.

In January 2005, SSA asked the servicing FO to meet with the representative payee to ensure she understood the role and responsibilities of serving as payee and the events that need to be reported to SSA. In addition, the FO was advised to re-contact the representative payee 6 months after the meeting to obtain an updated accounting.

⁵ Before the interview, the representative payee relocated in the Cedar Rapids area and did not report the change of address to SSA. SSA updated its records to reflect the change of address.

- In the Philadelphia Region, we could not determine whether a representative payee was meeting a beneficiary's shelter needs because we were unable to determine where the beneficiary was living. The beneficiary was interviewed in the lobby of the apartment building where SSA's records showed the representative payee and beneficiary were living. However, during our interview, the representative payee contradicted this information. We requested that SSA follow up on the case to determine where the representative payee was living and whether a change of payee was indicated. In November 2004, a new payee was appointed at the beneficiary's request. At the time of our review, approximately \$7,092 per year was at-risk of not being managed appropriately.
- In the Atlanta Region, a beneficiary was incarcerated during our review period. We could not observe his living arrangements when he was not incarcerated. As a result, we could not determine whether his food, clothing and shelter needs were being met by the Representative Payment Program. We referred this case to SSA for review. We were subsequently advised that the Agency had appointed the beneficiary as his own payee. An SSA staff member explained the local FO was unable to locate any other individual or agency to serve as the beneficiary's representative payee.

Representative Payees Did Not Comply with Certain SSA Policies

Of the 275 representative payees reviewed, we found 13 representative payees did not comply with certain SSA policies. During our review, we found payees who did not decide how benefit payments were used or did not comply with the policies for reporting significant events to the Agency. Specifically, we determined eight payees functioned as conduit payees. Further, we found five payees failed to report events that could have affected the amount of benefit payments the beneficiaries received or the beneficiaries' right to receive benefit payments. In some instances, more than one condition may have applied to the same payee.

Representative Payees Serving as Conduit Payees

SSA policy states that conduit payees do not exercise control over the funds and cannot accurately account for how the funds are spent.⁶ See GN 00605.066 B.2 for SSA's definition of conduit payee. SSA policy states a conduit payee situation may indicate lack of payee interest or the beneficiary is capable of managing his or her own benefits. When a conduit payee is indicated, SSA is required to determine whether a new payee is needed or if the beneficiary is capable of receiving direct payment.⁷ We found eight payees serving nine

⁶ SSA Program Operations Manual System (POMS) GN 00605.067 D.1.

⁷ Id.

beneficiaries functioned as conduit payees by providing the beneficiaries or other third parties the entire amount of the benefit payment without instruction.⁸

Based on the results of our review, we estimate approximately 125,288 conduit representative payees were in our sample population of those representative payees who served 14 or fewer beneficiaries. These payees managed about \$1.1 billion annually in benefit payments (Appendix D).

- In the Philadelphia Region, a representative payee (who was the beneficiary's sister) turned over the entire \$611 in monthly benefits to the beneficiary without providing direction or instruction on how to spend it and did not account for how the funds were spent. This occurred because the representative payee believed the beneficiary was capable of managing her own benefits. As a result of our interview, SSA reevaluated the beneficiary's need for a representative payee and determined the beneficiary was capable of managing her own benefits. The beneficiary was subsequently appointed as her own payee.
- In the Philadelphia Region, one individual was the representative payee of record, but had relinquished his duties to another individual. The representative payee (who was the beneficiary's father) turned over the entire \$603 in monthly benefits to the beneficiary's mother. The payee no longer controlled the funds nor could he account for how the funds were used. Because the beneficiary lived with his mother, she was paying the bills and maintaining records. Additionally, the payee failed to report that the beneficiary had moved and was no longer in his care. As a result of our review, SSA initiated a change of payee for this beneficiary and, on December 15, 2004, appointed the mother as representative payee.
- In the Atlanta Region, a representative payee (who was the beneficiary's mother) was appointed for the beneficiary in February 2003 and managed a monthly benefit of \$527.⁹ During our interview, the representative payee stated the beneficiary's payment was electronically deposited into a bank account. Further, the representative payee stated the entire amount of the benefit payment was withdrawn and provided to the beneficiary without direction or instruction about how to use the funds. Given this situation, the representative payee was not ensuring benefit payments were used to meet the beneficiary's food, clothing and shelter needs. We were subsequently advised the Agency appointed the beneficiary as his own payee.
- In the Denver Region, we found a representative payee's two nieces, the beneficiaries, originally resided at the representative payee's residence. Each beneficiary received a monthly SSA benefit payment of \$564. At the time of our

⁸ Except for one beneficiary, we received from SSA the Representative Payee Reports submitted for the beneficiaries they served. The Representative Payee Reports did not indicate that the payees reported the conduit relationship to the Agency.

⁹ The monthly amount of \$527 began April 2004 including both OASDI and SSI monthly benefit payments.

interview, the beneficiaries no longer lived with the representative payee. One beneficiary, age 19, met the representative payee at the bank each month where the representative payee withdrew the monthly benefit payment and provided the beneficiary the funds. The representative payee planned to provide the other beneficiary, age 16, with the monthly SSA benefit payment and let the beneficiary decide how the funds were spent. We notified the Denver Regional Office of the circumstances, and it instructed the Denver, Colorado, District Office to determine whether a change in representative payee was warranted. The Denver Regional Office informed us that it determined the beneficiaries were capable of managing their own funds and made them their own payees.

- In the San Francisco Region, two representative payees¹⁰ turned over the entire amount of the benefit payments to their two beneficiaries without providing any direction or instruction on how to use the funds. The two representative payees believed the beneficiaries were capable of managing their own benefits. These two representative payees managed a total of \$1,274 per month for the beneficiaries they served. At this rate, these representative payees were not managing approximately \$15,288 per year. The SSA staff attending the interviews advised the representative payees to visit the Agency's local FOs so SSA could determine whether the beneficiaries were capable of managing their own benefits.

For one representative payee, we were subsequently advised the FO interviewed the payee. The FO also separately interviewed the beneficiary. The beneficiary indicated she was comfortable with the arrangement and did not want to receive her check directly. The FO explained to the payee that he should exercise more authority over how the money was spent, and he agreed to do so.

For the other representative payee, we were advised the Agency had appointed the beneficiary as his own payee.

- In two more San Francisco Region cases, the two representative payees¹¹ of record had relinquished their duties to other individuals. In both cases, the representative payees may not have been the best suited payees for these beneficiaries. These two representative payees had relinquished their duties to other individuals who were unknown to SSA, and the individuals had not filed applications to be representative payees. The monthly benefit amounts of the beneficiaries served by these two representative payees totaled \$1,695. At this rate, these representative payees were not managing approximately \$20,340 per year. The SSA staff who attended the interviews advised the individuals to visit the Agency's local FO and apply to be representative payees.

¹⁰ One representative payee was the father of the beneficiary, and the other payee was the brother of the beneficiary being served.

¹¹ One representative payee was the father of the beneficiary, and the other payee was the mother of the beneficiary being served.

We were subsequently advised that the FO interviewed the representative payee and spoke to the nursing home where the beneficiary was confined. Although the payee only spoke Spanish, the Agency indicated he understood his payee responsibilities, and the FO determined that he was the proper payee. Concerning the other payee, the Agency made the beneficiary's adult sister the new representative payee.

Representative Payees Failed to Report Significant Events to SSA

One of a representative payee's responsibilities is to notify SSA of any event that would affect the amount of benefits the beneficiary receives or the beneficiary's right to receive benefits.¹² We found five payees managing the funds for eight beneficiaries failed to report to SSA events that could have changed the amounts of, or eligibility for, benefit payments.

- In Little Rock, Arkansas, a representative payee informed us that the recipient earned extra money baby-sitting. The additional income had not been reported to SSA and could potentially have affected benefit payment amounts. Depending on the amount of money earned, the recipient's income could reduce payments by up to the total \$564 payment amount. The Supplemental Security Record for this individual was updated on September 28, 2004 to reflect this income.
- In New Orleans, Louisiana, we met with a representative payee who was managing \$1,692 in monthly benefits for her three disabled children. It was determined that she had self-employment income that she had not reported to SSA. The representative payee told the SSA representative that she could not answer questions related to this income until she reviewed her records. This unreported income could affect benefit amounts and/or eligibility. The Agency's FO is following up on this matter.
- In Keithville, Louisiana, a representative payee (mother of a 2-year-old SSI recipient) did not disclose she was married to, and living with, the child's father. This previously undisclosed condition could reduce the \$391 per month paid to this recipient. The representative payee was interviewed in August 2004, and the FO determined the child's father did not live in the household.
- In Santa Domingo Pueblo, New Mexico, a representative payee (mother of a 13-year-old SSI recipient) did not report to SSA she had been unemployed for nearly 1 year. Wages from her previous employment resulted in a reduction of the child's monthly benefit amount from \$564 to \$376. Consequently, the child may have been underpaid during the period of her mother's unemployment. The Supplemental Security Record for this individual was updated on December 2004 to increase the benefit amount for the recipient effective January 2005, and to issue an underpayment in the amount of \$4,645.66 for the retroactive period.

¹² SSA POMS, GN 00502.113 C.1 and SI 02301.005 B.2.

- In Austin, Texas, a 2-year-old child in the household was eligible for OASDI benefits under the retired father's account. The other children in the household were receiving OASDI benefits; however, the 2-year-old had never been established on the record. The two children receiving benefits were receiving a combined monthly total equal to the family maximum limit for auxiliary beneficiaries of \$657 per month (\$328 each per month). With the third child's eligibility, each child would be entitled to one-third of the \$657 per month. An auxiliary beneficiary application was processed on December 7, 2004.

Conclusions and Recommendations

During our review, we confirmed the existence of all 359 beneficiaries who were in the care of the 275 representative payees in our sample. Generally, we determined the needs of most beneficiaries included in our review were met. We determined, through personal observation and interviews that 356 beneficiaries' food, clothing and shelter needs were being met. For these individuals, nothing came to our attention that would lead us to believe the representative payees did not use the Social Security benefits received for the beneficiaries' needs. However, for three representative payees caring for three beneficiaries, we could not conclude their needs were being fully met. We believe monthly benefit payments totaling about \$9,936 annually for two of these beneficiaries were at risk of not being managed appropriately.

We also identified representative payees who did not comply with SSA policies by functioning as conduit payees or failing to report significant events to the Agency. We believe individual representative payees serving 14 or fewer beneficiaries should be periodically reminded of their duties as representative payees. SSA can inform these payees of concerns that emerge when representative payees serve as conduit payees, or fail to report to SSA events that may affect eligibility or benefit amounts. For example, highly visible reminders explaining representative payee duties can be included with the annual Representative Payee Reports. We believe including such reminders as a part of the annual accountability process will increase representative payee awareness of their duties.

RECOMMENDATIONS

Specifically, we recommend that SSA:

1. Increase outreach efforts to educate representative payees on their responsibility to manage the beneficiaries' funds appropriately and report any changes that may affect their capacity to serve as the representative payee or any changes that may affect beneficiaries' eligibility or benefit payment amounts.
2. Take appropriate follow-up actions to ensure the 10 recommendations reported to the Regional Commissioners are implemented.¹³

AGENCY COMMENTS

In its comments to our draft report, SSA agreed with our recommendations. See Appendix G for the full text of SSA's comments.

¹³ These reports can be found on our web site at www.ssa.gov/oig.

SSA Failed to Take Timely Action for Three Events

During our review, we found SSA failed to take timely action for three events that could have affected the amount of benefit payments the beneficiaries received or the beneficiaries' right to receive benefits.

Overdue Continuing Disability Review

After an individual is determined to be disabled, SSA is required to periodically determine whether the individual is still disabled.¹⁴ To carry out this statutory requirement, a continuing disability review is conducted at selected intervals.¹⁵

In Baton Rouge, Louisiana, a woman was a representative payee for her two disabled children and was also an SSI recipient. During our review, we determined the mother and one child were overdue for a continuing disability review. The SSA FO initiated continuing disability reviews for all three recipients. There is no monetary effect unless a recipient is deemed ineligible resulting from the continuing disability review.

Changes in Income and Living Arrangement

Representative payees must report events, such as changes in income and living arrangements, on behalf of SSI recipients.¹⁶ SSA must act quickly to determine whether such events affect the recipient's SSI eligibility or payment amount.¹⁷

For two beneficiaries in our sample, we found that SSA did not take prompt action on the events reported by their representative payees. These events involved SSI recipients who had changes in income and living arrangements. Although both representative payees had notified the Agency's FO of these events, SSA did not perform a timely review to determine whether the recipients' entitlement or payment amount was affected. As a result, one recipient received \$340 in SSI overpayments.

- One representative payee maintained a household for his stepdaughter, stepson, and son (the recipient). The representative payee informed SSA that his stepdaughter and stepson had moved out of the household in April and July 2004, respectively. However, these individuals were still included as part of the household at the time of our site visit. Because of the change in living arrangements, the

¹⁴ The Social Security Act §§ 221(i) and 1633, 42 U.S.C. §§ 421(i) and 1383b.

¹⁵ SSA POMS, DI 28001.001 A.

¹⁶ SSA POMS, SI 02301.005 B.2.

¹⁷ SSA POMS, SI 02301.010 C.1 and C.2.

recipient received \$340 in SSI overpayments for March through September 2004. During our review, SSA took corrective action and established the overpayment.

- In the other case, the representative payee and his wife (the recipient) moved into an apartment in May 2004. The representative payee received free rent and utilities as the apartment manager and promptly reported such income to SSA. However, at the time of our site visit, SSA had not determined whether the change in income affected the recipient's entitlement or payment amount. SSA subsequently performed a redetermination and concluded the change in income did not result in an overpayment.

Inaccurate Data Reported in the Representative Payee System

SSA established the Representative Payee System (RPS), an on-line system that contains data about representative payee applicants; individuals in the representative payee's care; and the relationship between the representative payee and the beneficiaries they serve.¹⁸

Within RPS, one data collection screen¹⁹ requests the following information pertaining to an individual representative payee applicant: name legend preference, telephone number, mailing address, if the residence address is the same as the mailing address, and if the applicant has ever been convicted of a felony.

An additional screen²⁰ captures the residence address²¹ information and the date of the current residence address for the applicant/representative payee. The screen requests prior address information if the applicant/representative payee has resided at his or her current residence for less than 1 year.

During our regional reviews of individual representative payees, we identified five categories of inaccurate data contained in RPS.²² We found the following inconsistencies in beneficiary and representative payee information.

- The same individuals' names were spelled differently in the Master Beneficiary Record, SSI Record, and Numident.

¹⁸ Social Security Act § 205(j)(3)(F), 42 U.S.C. 405(j)(3)(F).

¹⁹ Modernized System Operations Manual 239-D.

²⁰ Modernized System Operations Manual 239-E.

²¹ Representative Payee's physical location.

²² SSA OIG, *Individual Representative Payees for SSA in the New York Region* (A-02-05-15049), *Individual Representative Payees for SSA in the Philadelphia Region* (A-14-05-15050), *Individual Representative Payees for SSA in the Atlanta Region* (A-13-05-15051), and *Individual Representative Payees for SSA in the Dallas Region* (A-06-05-15053).

- The same individuals' addresses and telephone numbers were different in RPS than in the Master Beneficiary and Supplemental Security Records.
- Wrong, incomplete, or outdated telephone numbers or addresses were found in the Master Beneficiary Record, SSI record and RPS.
- Post office boxes were incorrectly identified as representative payees' residence addresses.
- Wrong addresses were listed for the representative payee and/or beneficiary.

Without complete and accurate information, SSA may be unable to effectively monitor the performance of individual representative payees.

Retrieval of Representative Payee Reports

One method SSA uses to monitor representative payees is the Representative Payee Report (RPR). The RPR assists SSA in determining the (1) use of benefits during the preceding 12-month reporting period, (2) representative payee's continued suitability, and (3) continued need for representative payment.²³

We requested RPRs for some of the beneficiaries served by payees included in our sample. Of the 282 RPRs²⁴ we requested, SSA provided 232 (82.3 percent). An Agency employee indicated various reasons for not providing the remaining 50 RPRs. These reasons included RPRs were either not available or not returned by the payees. Below is the breakout of RPRs requested and received by region.

Region	Region Name	RPRs Requested	RPRs Received
I	Boston	14	12
II	New York	19	15
III	Philadelphia	30	26
IV	Atlanta	68	57
V	Chicago	41	33
VI	Dallas	41	31
VII	Kansas City	15	14
VIII	Denver	6	6
IX	San Francisco	32	27
X	Seattle	4	4
Total		282	232

²³ SSA POMS, GN 00605.001 B.1.

²⁴ We only requested RPRs for beneficiaries in the care of representative payees for more than 1 year.

Appendices

Acronyms

C.F.R.	Code of Federal Regulations
FO	Field Office
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
RPR	Representative Payee Report
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Background

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted the Social Security Administration (SSA) the authority to appoint representative payees to receive and manage these beneficiaries'¹ benefit payments.² A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients if the Commissioner determines that representative payments would serve the individual's interests.

SSA's primary concern is to select the payee who will best serve the beneficiary's interest; and preference is normally given to a parent, legal guardian, spouse or other relative of a beneficiary.³ SSA considers payments to a representative payee to have been used for the benefit of the beneficiary if they were spent on the beneficiary's current maintenance—which includes the costs "...incurred in obtaining food, shelter, clothing, medical care, and personal comfort items."⁴ SSA reported that there are about 5.4 million representative payees who manage about \$44.8 billion in benefit payments for about 6.9 million beneficiaries.

Representative payees are required to:

- Use benefits to meet the beneficiary's current and foreseeable needs.⁵
- Conserve and invest benefits not needed to meet the beneficiary's current needs.⁶
- Maintain records accounting for the benefits received and how they were used.⁷

¹ The term "beneficiaries" is used generically to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

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

³ 20 C.F.R. §§ 404.2021 and 416.621.

⁴ 20 C.F.R. §§ 404.2040(a) and 416.640(a).

⁵ 20 C.F.R. §§ 404.2040(a) and 416.640(a), SSA Program Operations Manual System (POMS) GN 00605.067 D.2.

⁶ 20 C.F.R. §§ 404.2045 and 416.645.

⁷ 20 C.F.R. §§ 404.2035(c), 404.2065, 416.635(c) and 416.665.

- Report events to SSA that may affect the individual's entitlement or benefit payment amount.⁸
- Report any changes in circumstances that would affect their performance as a representative payee.⁹
- Provide SSA an annual Representative Payee Report accounting for how benefits were spent and invested.¹⁰

We conducted a nation-wide review of individual representative payees serving 14 or fewer beneficiaries who met our selection criteria. There were approximately 4.3 million of these representative payees managing about \$35.1 billion annually for approximately 5.5 million beneficiaries. We selected 275 payees for review (Appendix F). Table 1 identifies the number of representative payees reviewed in each region.

Table 1: Individual Representative Payee Population				
SSA Region	Location	Population of Payees	Payees Reviewed	Beneficiaries Reviewed
I	Boston	190,789	11	14
II	New York	366,253	22	29
III	Philadelphia	441,756	31	41
IV	Atlanta	1,067,319	75	96
V	Chicago	747,924	39	49
VI	Dallas	547,142	36	51
VII	Kansas City	187,489	14	25
VIII	Denver	98,145	7	8
IX	San Francisco	528,006	35	41
X	Seattle	131,956	5	5
Total		4,306,779	275	359

⁸ 20 C.F.R. §§ 404.2035(b) and 416.635(b).

⁹ 20 C.F.R. §§ 404.2035(d) and 416.635(d).

¹⁰ 20 C.F.R. §§ 404.2035(c) and 416.635(c).

Scope and Methodology

Our review included the population of individual representative payees in the contiguous 48 states serving 14 or fewer beneficiaries¹ as of May 20, 2004. To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations and the Social Security Administration's (SSA) policies and procedures for monitoring representative payees and their responsibilities for the beneficiaries in their care.
- Obtained a data extract of representative payees from SSA's Representative Payee System as of May 2004.
- Selected a random sample of 275 representative payees nationwide.
- Verified the identities of the representative payees being reviewed and the beneficiaries they served.
- Interviewed representative payees.
- Interviewed beneficiaries served by the representative payees.
- Visited and observed the living conditions of beneficiaries served by the representative payees.
- Summarized the results of work completed in each specific SSA region and provided those results to the Regional Commissioners.
- Analyzed results of the interviews and observations made of representative payees and the beneficiaries they served.
- Projected results pertaining to conduit payees to the population of individual representative payees serving 14 or fewer beneficiaries as of May 20, 2004.

Although not required by the *Quality Standards for Inspections* used to conduct this review, we assessed the reliability of computer-processed data. We determined the data extract from the Representative Payee System to be sufficiently reliable for its intended use. Further, any data limitations are minor in the context of this assignment, and the use of the data should not lead to an incorrect or unintentional message. We

¹ The term "beneficiaries" is used generically to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

tested a sample of records from the data extract. Those tests included comparing payment information from the Master Beneficiary Record and Supplemental Security Record to beneficiary information contained in the Representative Payee System; recalculating benefit payment totals from the Master Beneficiary Record and Supplemental Security Record and comparing this data to information in our data extract; and verifying the number and status of beneficiaries contained in our data extract.

We performed our review in Baltimore, Maryland, from October 2004 to April 2005. In addition, we performed the reviews of the 275 representative payees in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin and Wyoming from July to December 2004. Our review was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

Sampling Methodology

Sampling Frame

We obtained a data extract of individual representative payees with 14 or fewer “active”¹ beneficiaries² as of May 20, 2004 identified from the Agency’s Representative Payee System (RPS). The population of individual representative payee records meeting this criterion was 5,380,635.³ To promote the efficient and timely completion of our review, we removed from this population individuals having the following characteristics:

- residing outside the 48 contiguous States;
- identified within RPS as only serving as their own representative payee;
- having all beneficiaries in their care in non-current status;
- having an invalid State code or military address; and
- managing total funds of \$50 or less each month.

Individuals with these characteristics who were removed from our population received about \$4 billion in benefit payments annually. Payments to individuals removed from our population represent less than 11 percent of the total benefit payments managed by individual representative payees serving 14 or fewer beneficiaries as of May 2004.

Group Removed from Population	Amount of Payments
Outside 48 States	\$1.08 billion
Only Serving as Own Payee	2.90 billion
All Beneficiaries in Non-Pay Status	.00 billion
Invalid State Code or Military Address	.01 billion
Managing \$50 or Less Monthly	.02 billion
Total	\$4.01 billion

Removal of these individuals reduced our population to 4,306,779 representative payees serving 5,520,303 beneficiaries. These representative payees managed about \$35.1 billion in benefit payments annually. We selected a random sample of 275 representative payees from this population for review.

¹ For the purposes of our review, the term “active” is used to describe a beneficiary identified as having a representative payee within the Representative Payee System. The term is not used to denote the beneficiary’s pay status.

² The term “beneficiary” is used generically to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

³ Based on prior work concerning representative payees, we concluded the RPS does not include all beneficiaries who have a representative payee. We performed an analysis by reconciling the total RPS database to the Agency’s payment records to determine the extent these data were missing from RPS. It was about 2 percent of the RPS records. Based on this analysis, we conclude the missing data would not negatively impact the quality of our study or potential findings.

Replacement Sample Items

We selected 275 representative payees randomly at the beginning of our review. During our review, eight replacement sample items were required. These replacement sample items were needed because:

- 3 representative payees had stopped serving as representative payees;
- 1 representative payee died;
- 1 representative payee's only beneficiary died;
- 1 representative payee and beneficiary moved outside the 48 contiguous States;
- 1 representative payee's only beneficiary stopped receiving benefits upon turning 18 years old before we contacted the representative payee; and
- 1 representative payee was incorrectly recorded as an individual representative payee in the Representative Payee System.

Conduit Representative Payees

SSA policy states that conduit payees do not exercise control over the funds and cannot accurately account for how the funds are spent.⁴ See GN 00605.066 B.2 for SSA's definition of conduit payee. SSA policy states a conduit payee situation may indicate lack of payee interest or the beneficiary is capable of managing his or her own benefits. When a conduit payee is indicated, SSA is required to determine whether a new payee is needed or the beneficiary is capable of receiving direct payment.⁵ We found eight payees serving nine beneficiaries functioned as conduit payees by providing the beneficiaries or other parties the entire amount of the benefit payment without instruction.

Table 1: Funds Managed by Conduit Payees

	Conduit Payees	Dollars (Monthly)	Dollars (Annually) ⁶
Total Sample Results	8	\$5,838	\$70,056
Point Estimate	125,288	\$91,429,003	\$1,097,148,036
Projection Lower Limit	62,691	\$36,449,641	
Projection Upper Limit	223,417	\$146,408,365	

Note: Projections are at the 90-percent confidence level.

⁴ SSA Program Operations Manual System GN 00605.067 D.1.

⁵ Id.

⁶ The monthly amounts were multiplied by 12 (12 months=1 year) to estimate the annual dollar amounts.

Sampling Results in Regions with “At-risk” Dollars

The following table shows the benefit payments we believe were at-risk of not being managed appropriately by representative payees in the Social Security Administration’s New York and Philadelphia Regions.

Region	Sample Results	Number of Cases	Dollar Amount of Cases¹
New York	A Representative Payee Did Not Ensure That All Benefits Went for the Beneficiary’s Needs	1	\$2,844
Philadelphia	A Representative Payee Refused to Cooperate	1	\$7,092

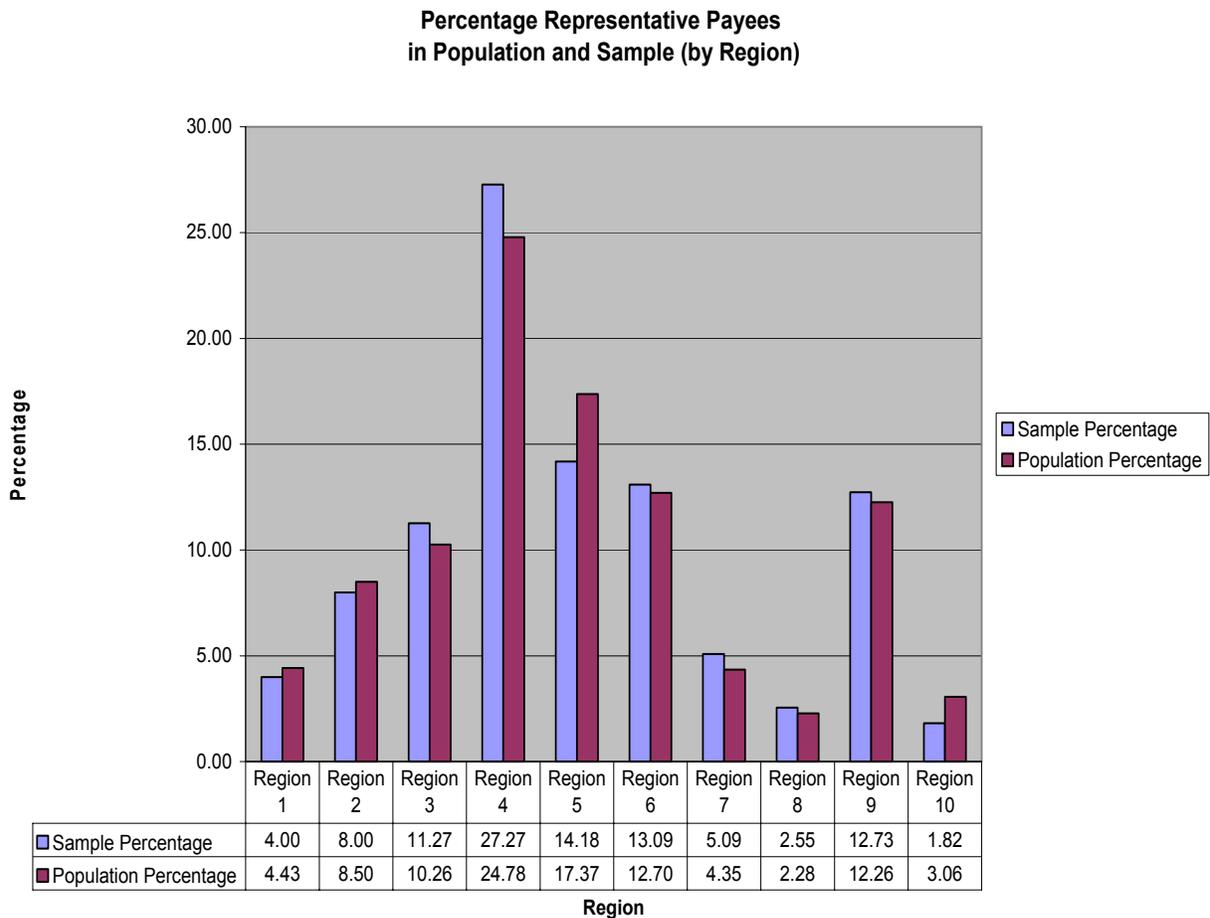
¹ For each case, the 12-month estimate was based on the monthly amount times 12.

Characteristics of the Sample and Population

Representativeness of Sample to Population-at-Large

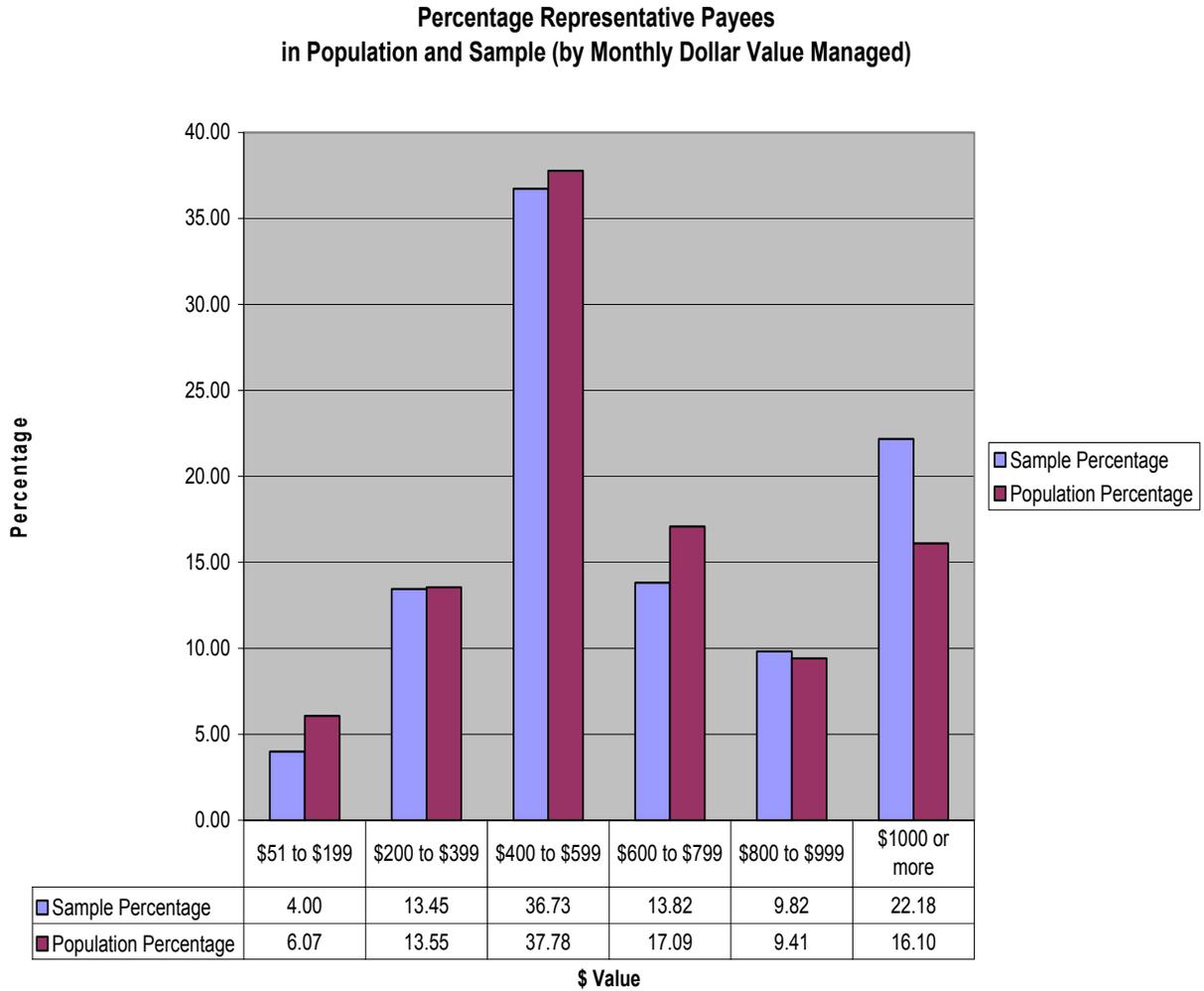
Based on the final representative payees sampled, we analyzed the sample items chosen to ensure they represented the population-at-large.

We compared the percentage of representative payees by Social Security Administration (SSA) region in the population and our chosen sample items.



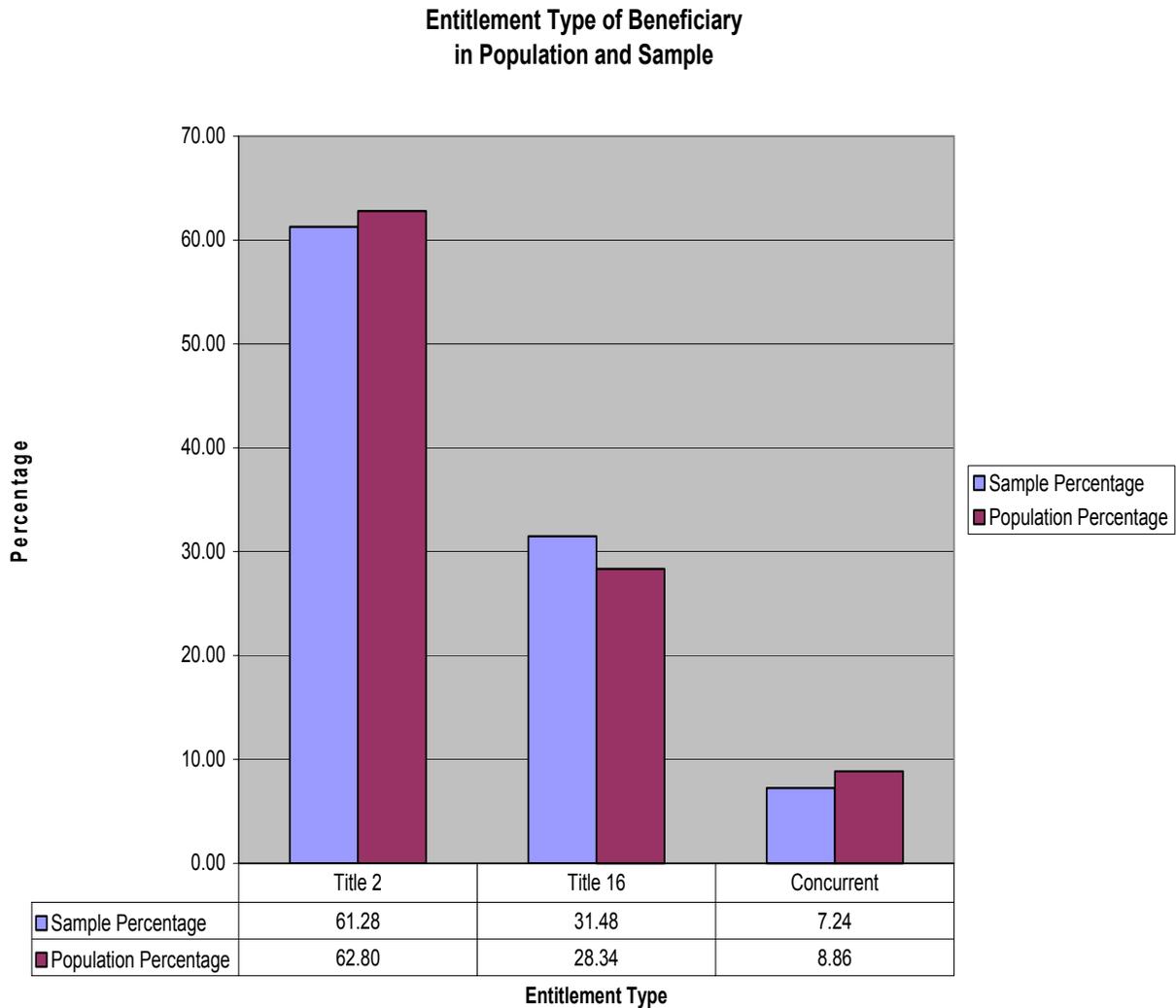
Our randomly selected sample items fell in each SSA region in approximately the same proportion as the population-at-large.

We compared the percentage of representative payees by “monthly dollar value managed” in the population and our chosen sample items.



Our randomly selected sample items fell in each monthly dollar value managed category in approximately the same proportion as the population-at-large.

We compared the percentage of representative payees by “beneficiary¹ entitlement” in the population and our chosen sample items.



Our randomly selected sample items fell in each beneficiary entitlement type in approximately the same proportion as the population-at-large.

In conclusion, the randomly selected sample of 275 representative payees was representative of the characteristics shown in the population-at-large, as shown by the above charts of three separate characteristics (SSA region, monthly dollar value managed category, and beneficiary entitlement type).

¹ The term “beneficiaries” is used generically to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

34189-24-1272

Date: July 13, 2005 **Refer To:** S1J-3

To: Patrick P. O'Carroll
Inspector General

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of Inspector General (OIG) Draft Report, "Nation-wide Survey of Individual Representative Payees for the Social Security Administration" (A-13-05-25006)—
INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments to the recommendations are attached.

Please let us know if we can be of further assistance. Staff questions may be referred to Ms. Candace Skurnik on extension 54636.

Attachment:
SSA Response

**COMMENTS ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT,
“NATION-WIDE SURVEY OF INDIVIDUAL REPRESENTATIVE PAYEES FOR THE
SOCIAL SECURITY ADMINISTRATION” (A-13-05-25006)**

Thank you for the opportunity to review the OIG draft report. We appreciate OIG’s review of individual Representative Payees (Rep Payees) and were pleased that OIG found that the needs were being met for 356 of the 359 beneficiaries interviewed. We are encouraged that OIG did not find evidence of abuse with any of the individual Rep Payees in the sample. We note OIG’s discovery of several “other matters” that require the Agency’s attention and we are rectifying those in a timely fashion. We agree with the findings and recommendations contained in the report.

Our responses to the specific recommendations are provided below. We have also included technical comments for your consideration.

Recommendation 1

The Social Security Administration (SSA) should increase outreach efforts to educate Rep Payees on their responsibility to manage the beneficiaries’ funds appropriately and report any changes that may affect their capacity to serve as the Rep Payee or any changes that may affect beneficiaries’ eligibility or benefit payment amounts.

Comment

We agree. SSA currently provides Rep Payees with information about payee duties, including proper money management and reporting responsibilities at various times in the payee process. In the application process, we provide the Rep Payee applicant with a verbal explanation of payee duties and responsibilities, a printed list of those duties and responsibilities, along with the booklet “A Guide for Representative Payees.” In the annual accounting process, we provide a reminder list of payee duties and responsibilities attached to the annual accounting form that each Rep Payee must complete.

OIG and SSA both agree that the messages on proper money management and reporting responsibilities should be made more prominent. Therefore, we will revise the lists of payee duties and responsibilities and the payee booklet to provide more emphasis on proper money management and reporting responsibilities.

Recommendation 2

SSA should take appropriate follow-up actions to ensure that the 10 recommendations reported to the Regional Commissioners are implemented.

Comment

We agree. Most of the audit recommendations made in the individual regional reports have been implemented. We will continue to follow-up on the status of implementing all of the audit recommendations contained in the reports that we agreed to implement.

[In addition to the items listed above, SSA provided technical comments which have been addressed, where appropriate, in this report.]

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Acknowledgments

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Birmingham Audit Division

Boston Audit Division

Chicago Audit Division

Dallas Audit Division

Data Analysis and Technology Audit Division

Kansas City Audit Division

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