

OIG

Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Group and Boarding Homes Serving
as Representative Payees

A-13-12-12129 | April 2014

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: April 22, 2014

Refer To:

To: The Commissioner

From: Inspector General

Subject: Group and Boarding Homes Serving as Representative Payees (A-13-12-12129)

The attached final report presents the results of our audit. Our objectives were to determine whether specific group and boarding home representative payees were (1) meeting the needs of the beneficiaries they were serving and/or (2) misusing Social Security benefits.

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



Patrick P. O'Carroll, Jr.

Attachment

Group and Boarding Homes Serving as Representative Payees A-13-12-12129



April 2014

Office of Audit Report Summary

Objectives

To determine whether specific group and boarding home representative payees were (1) meeting the needs of the beneficiaries they were serving and/or (2) misusing Social Security benefits.

Background

Congress has granted the Social Security Administration (SSA) the authority to appoint representative payees to receive and manage the benefit payments of beneficiaries who cannot manage their finances because of their youth or mental and/or physical impairments.

We identified 31 representative payees that were group or boarding homes serving 25 or more beneficiaries. Of the 31, we selected 12 representative payees for further review based on the number of beneficiaries and their location.

Our Findings

The 12 group and boarding home representative payees we reviewed were meeting the needs of the beneficiaries they were serving. Nothing came to our attention to indicate the 12 group and boarding home representative payees we reviewed were not meeting the needs of the 84 beneficiaries they were serving. Additionally, we did not detect any misuse of Social Security benefits. Furthermore, the room and board charges by the group and boarding home payees were appropriate.

However, 8 of the 12 group and boarding home payees did not comply with 1 or more of SSA's policies and procedures. Specifically, some of the payees we reviewed (a) did not report 6 beneficiaries' resources exceeded the \$2,000 allowable limit for Supplemental Security Income eligibility; (b) comingled the Social Security payments of 12 beneficiaries with operating funds; (c) titled 23 beneficiaries' bank accounts incorrectly; and (d) did not perform bank reconciliations for 30 beneficiaries.

Our Recommendations

We recommend that SSA:

1. Review the records of six beneficiaries we identified as being over the \$2,000 resource limit and recover any overpayments, if applicable.
2. Direct one payee to discontinue the practice of depositing beneficiaries' benefit payments into its operating account.
3. Direct two payees to modify their collective account title to identify the fiduciary relationship between the payee and its beneficiaries.
4. Work with five representative payees to reconcile their bank statement balances to the beneficiaries' general ledger balances and resolve any resulting differences.

SSA agreed with our recommendations.

TABLE OF CONTENTS

Objectives	1
Background.....	1
Results of Review	2
Room and Board Charges	2
SSI Recipients’ Resource Limits	2
Comingled Beneficiary Funds	3
Bank Account Titling.....	3
Reconciliation of Payee Bank Records.....	4
Conclusions.....	4
Recommendations.....	4
Agency Comments.....	5
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology.....	B-1
Appendix C – Agency Comments.....	C-1
Appendix D – Major Contributors.....	D-1

ABBREVIATIONS

OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income

OBJECTIVES

Our objectives were to determine whether specific group and boarding home representative payees were (1) meeting the needs of the beneficiaries they were serving and/or (2) misusing Social Security benefits.

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 payments.¹ SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI)² and Supplemental Security Income (SSI)³ beneficiaries⁴ when payments to a representative payee would serve the individual's interests. A representative payee may be an individual or organization.

To conduct our review, we obtained an electronic data extract of 31 representative payees, as reported in SSA's Representative Payee System, who (1) had "Boarding House," "Boarding Home," or "Group Home" in their names and (2) were serving 25 or more beneficiaries in current pay status as of July 11, 2012. We sorted the 31 payees by SSA region and selected 12 for further review based on the number of beneficiaries they were serving and the SSA region in which they were located. Generally, we reviewed 2 group homes in each SSA region but only if the region had group homes with at least 25 beneficiaries.⁵ Some regions did not have any group homes with at least 25 beneficiaries or had only 1 such group home.

We interviewed payees and beneficiaries, conducted site visits, observed working conditions, and reviewed financial records. We visited 92 beneficiaries⁶ and observed 35 beneficiary residences and 3 beneficiary work sites. In addition, we reviewed 12 payees' financial records for 84 beneficiaries. Our review focused on benefit payments received by the group and boarding home payees for the period July 1, 2011 to June 30, 2012. See Appendix A for a discussion of our scope and methodology and Appendix B for our sampling methodology.

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

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 who 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 "beneficiary" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

⁵ In the Atlanta Region, we selected three group homes because of the number of beneficiaries they served.

⁶ We selected a sample of 84 beneficiaries to review. However, our review included eight additional beneficiaries because the payees included in our review employed them. We interviewed and/or observed the eight beneficiaries at their residences or worksites.

RESULTS OF REVIEW

The 12 group and boarding home representative payees we reviewed were meeting the needs of the beneficiaries they were serving. Nothing came to our attention to indicate these 12 group and boarding homes were not meeting the needs of the beneficiaries included in our review.⁷ Additionally, we did not detect any misuse of Social Security benefits. Furthermore, the 12 group and boarding home payees' room and board charges were appropriate.

However, 8 of the 12 group and boarding home payees did not comply with 1 or more of SSA's policies and procedures. Specifically, some of the payees we reviewed (a) did not report 6 beneficiaries' resources that exceeded the \$2,000 allowable limit for SSI eligibility; (b) comingled Social Security payments of 12 beneficiaries with operating funds; (c) titled 23 beneficiaries' bank accounts incorrectly; and (d) did not perform bank reconciliations for 30 beneficiaries.

Room and Board Charges

We reviewed room and board charges for 84 beneficiaries and found the charges were appropriate. The cost of care for most of the beneficiaries served by the 12 representative payees far exceeded the benefit payments SSA paid. State agencies established the daily or monthly rates charged by 9 of the 12 representative payees we reviewed. Finally, we did not detect unfair pricing practices concerning room and board fees charged to beneficiaries receiving OASDI payments versus receiving SSI payments.

SSI Recipients' Resource Limits

Representative payees are required to notify SSA of events or changes that affect a beneficiary's entitlement to benefits, including when an SSI recipient's resources exceed the \$2,000 allowable limit.⁸ SSI overpayments occur when (1) a recipient's resources exceed the allowable resource limit because of changes in the recipient's circumstances that affect eligibility for benefits⁹ or (2) the representative payee is inappropriately conserving benefits by not spending the funds on the recipient's current and foreseeable needs.¹⁰

Of the 12 payees reviewed, 4 did not notify SSA timely when beneficiaries receiving SSI payments had resources that exceeded the \$2,000 allowable limit. Payees' financial records for

⁷ This applies to the 92 beneficiaries we interviewed and/or observed—84 beneficiaries selected as our sample and 8 beneficiaries added because payees in our review employed them.

⁸ 20 C.F.R. §§ 416.708 and 416.1205(c); SSA, POMS, SI 01110.003.A.2 (December 8, 2010) and GN 00502.113C.1 (October 13, 2011).

⁹ SSA, POMS, SI 01110.003.A.2 (December 8, 2010) and GN 00502.113C.1 (October 13, 2011).

¹⁰ SSA, POMS, GN 00602.130.A (March 5, 2002) and GN 00603.001.B.2 (November 15, 2004).

84 beneficiaries showed 6 beneficiaries¹¹ had excess resources totaling approximately \$2,477, which made them ineligible for SSI payments. During our audit period, beneficiaries' ledger account balances exceeded the resource limit for 1 or 2 months. The four payees serving these beneficiaries did not report this information to SSA. As a result, these beneficiaries received \$4,693 in potential SSI overpayments.

Comingled Beneficiary Funds

SSA policy states representative payees should not commingle beneficiary funds with the payee's personal or organizational operating funds.¹² From July 1, 2011 to June 30, 2012, 2 of the 12 group and boarding home representative payees we reviewed had commingled beneficiaries' funds with their operating funds. Each month, approximately \$12,000 in beneficiaries' funds was comingled with the payees' funds. One payee deposited Social Security payments into, and paid beneficiaries' expenses from, its operating account. In November 2012, this payee established individual bank accounts to deposit beneficiaries' Social Security payments and paid beneficiaries' expenses from these accounts. The remaining payee continued depositing beneficiaries' payments into the organization's operating account. Each month, the payee transferred money for personal needs into the beneficiaries' individual accounts.

Bank Account Titling

The group and boarding homes we reviewed did not always properly title beneficiaries' bank accounts. SSA policy states, ". . . the funds must be deposited in an account that is titled to show that the representative payee has only a fiduciary interest in the funds."¹³ If the bank account is improperly titled, the beneficiaries' assets are at risk for loss.

Payees' financial records for 84 beneficiaries showed 4 representative payees did not have correct titles on 23 beneficiaries' bank accounts. Specifically, 3 of the payees did not identify 20 beneficiaries as the owners of their accounts. Such titling fails to show the payee's fiduciary interest in these bank accounts. In June 2012, the monthly benefit payments deposited into the accounts for these 20 beneficiaries totaled approximately \$20,129. After our audit period, 1 payee corrected the individual account title for 6 of the 20 beneficiaries.

The fourth payee had three of the six beneficiaries' bank accounts titled incorrectly. For three OASDI beneficiaries, the bank accounts titles only showed the beneficiaries' names. As a result,

¹¹ Three beneficiaries were concurrently receiving OASDI and SSI payments.

¹² SSA, POMS GN 00603.010A (July 11, 2013). Generally, a beneficiary's funds must not be commingled with the payee's personal or organizational operating funds.

¹³ SSA, POMS GN 00603.010A (July 11, 2013). The funds must be deposited into an account that is titled to show the payee has only a fiduciary interest in the funds. The fiduciary nature of the account must be disclosed in the financial institution's deposit account records. Funds deposited by a fiduciary on behalf of a beneficiary are owned by the beneficiary.

the three OASDI beneficiaries' bank accounts did not show the fiduciary interest in the account. The payee corrected the account titling after our audit period.

Reconciliation of Payee Bank Records

Five payees did not reconcile their bank statement balances to individual beneficiary ledger account balances for 30 beneficiaries. Without such reconciliations, payees cannot ensure compliance with Social Security regulations requiring that representative payees maintain accurate and complete records to show the amount of Social Security benefits received and how the representative payee used those benefits.¹⁴ Both SSA and the five representative payees are responsible for ensuring they account for benefits paid for beneficiaries. SSA needs to work with the five representative payees to ensure they reconcile bank statement balances to the beneficiaries' current general ledger account balances and resolve any resulting differences.

CONCLUSIONS

The 12 group and boarding home representative payees we reviewed were meeting the needs of the beneficiaries they were serving. Nothing came to our attention to indicate the 12 group and boarding homes were not meeting the needs of the 84 beneficiaries included in our review.¹⁵ Additionally, we did not detect any misuse of Social Security benefits. Furthermore, the room and board charges by the group and boarding home payees were appropriate.

However, 8 of the 12 group and boarding home payees did not comply with 1 or more of SSA's policies and procedures. Some of the 12 payees did not report instances of beneficiaries' resources exceeding the allowable limit for SSI eligibility, comingled Social Security payments with operating funds, titled beneficiaries' bank accounts incorrectly, and/or did not reconcile bank statement balances to beneficiaries' ledger account balances.

RECOMMENDATIONS

We recommend that SSA:

1. Review the records of six beneficiaries we identified as being over the \$2,000 resource limit and recover any overpayments, if applicable.
2. Direct one payee to discontinue the practice of depositing beneficiaries' benefit payments into its operating account.

¹⁴ 20 C.F.R. §§ 404.2065 and 416.665.

¹⁵ This also applies to the eight additional beneficiaries we interviewed and/or observed because the payees included in our review employed them.

3. Direct two payees to modify their collective account title to identify the fiduciary relationship between the payee and its beneficiaries.
4. Work with five representative payees to reconcile their bank statement balances to the beneficiaries' general ledger balances and resolve any resulting differences.

AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix C.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable laws and regulations.
- Reviewed Social Security Administration (SSA) policies and procedures related to its representative payment program.
- Reviewed prior Office of the Inspector General reports.
- Obtained an electronic data extract from the Representative Payee System of 31 payees that (1) had “Boarding House,” “Boarding Home,” or “Group Home” in their names and (2) served 25 or more beneficiaries in current pay status as of July 11, 2012. From these 31 payees, we selected a sample of 12 group and boarding home representative payees and 84 beneficiaries they served for further review (see Appendix B for our sampling methodology).
- Determined through interviews and observations whether the payee was meeting the food, clothing, and shelter needs of the beneficiaries they served.
- Interviewed 12 group and boarding home representative payees.
- Interviewed and/or observed 92 beneficiaries.¹
- Observed 35 beneficiaries’ living conditions.
- Observed three work environments where six beneficiaries were employed.
- Assessed the payee’s financial records for 84 beneficiaries covering a 12-month period.
 - Of the 12 group home representative payees selected for review, we determined whether they misused benefit payments.
 - Our review focused on benefit payments received by 12 payees for the period July 1, 2011 to June 30, 2012.
- Informed appropriate SSA staff of other matters that warranted attention.

¹ We selected a sample of 84 beneficiaries to review. However, our review included eight additional beneficiaries because the payees included in our review employed them. We interviewed and/or observed the eight beneficiaries at their residences or worksites.

The principle entities audited were the Offices of the Deputy Commissioners for Retirement and Disability Policy and Operations. We conducted our review in Baltimore, Maryland, from April through November 2013. In addition, we conducted work in Alabama, Florida, Idaho, Indiana, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, and Texas. We tested the data obtained for our review and determined them to be sufficiently reliable to meet our objectives. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B – SAMPLING METHODOLOGY

We identified a population of 31 representative payees, as reported in the Social Security Administration’s (SSA) Representative Payee System, who (1) had “Boarding House,” “Boarding Home,” or “Group Home” in their names and (2) were serving 25 or more beneficiaries in current pay status as of July 11, 2012. We sorted the 31 by SSA region and selected 12 representative payees for further review based on the number of beneficiaries and their location. Generally, we selected two payees in each SSA region with the highest number of beneficiaries. Some regions did not have any payees with 25 or more beneficiaries in our population.

For the 12 payees, we selected a sample of 84 beneficiaries to review their financial records. We interviewed and/or observed an additional eight beneficiaries because the payees included in our review employed them. Therefore, we interviewed and/or observed 92 beneficiaries.¹ Based on our review of financial records and interviews with the beneficiaries, nothing came to our attention to indicate the beneficiaries’ needs were not being met. See Table B–1 for more information.

Table B–1: Group and Boarding Home Representative Payees Selected for Review

Region	Payee Location	Number of Beneficiaries Served	Number of Beneficiaries Interviewed
New York	Wantagh, New York	48	9
	New York, New York	34	6
Philadelphia	Lock Haven, Pennsylvania	45	6
Atlanta	Sylacauga, Alabama	48	6
	Winter Park, Florida	90	10
	Huntersville, North Carolina	121	17
Chicago	Camby, Indiana	85	8
	New Paris, Ohio	66	6
Dallas	Duncan, Oklahoma	37	6
	Longview, Texas	29	6
Seattle	Boise, Idaho	39	6
	Winchester, Idaho	50	6

¹ We interviewed and/or observed the additional eight beneficiaries at their residences or worksites.

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: April 1, 2014

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Katherine Thornton /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Group and Boarding Homes Serving as Representative Payees" (A-13-12-12129)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “GROUP AND BOARDING HOMES SERVING AS REPRESENTATIVE PAYEES” (A-13-12-12129)

Recommendation 1

Review the records of six beneficiaries we identified as being over the \$2,000 resource limit and recover any overpayments, if applicable.

Response

We agree. We will review the six beneficiaries and take any necessary actions by the end of fiscal year 2014.

Recommendation 2

Direct one payee to discontinue the practice of depositing beneficiaries’ benefit payments into its operating account.

Response

We agree. We will contact the one representative payee to discuss the proper procedures for depositing beneficiaries’ benefit payments by July 2014.

Recommendation 3

Direct two payees to modify their collective account title to identify the fiduciary relationship between the payee and its beneficiaries.

Response

We agree. We will contact the two representative payees to discuss the proper procedures for titling bank accounts by July 2014.

Recommendation 4

Work with five representative payees to reconcile their bank statement balances to the beneficiaries’ general ledger balances and resolve any resulting differences.

Response

We agree. We will contact the five representative payees and assist them in balancing their banks statements to the beneficiaries’ general ledger by July 2014.

Appendix D – MAJOR CONTRIBUTORS

Shirley E. Todd, Director

Florence Wolford, Audit Manager

Linda Webster, Senior Auditor

MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

CONNECT WITH US

The OIG Website (<http://oig.ssa.gov/>) gives you access to a wealth of information about OIG. On our Website, you can report fraud as well as find the following.

- OIG news
- audit reports
- investigative summaries
- Semiannual Reports to Congress
- fraud advisories
- press releases
- congressional testimony
- an interactive blog, "[Beyond The Numbers](#)" where we welcome your comments

In addition, we provide these avenues of communication through our social media channels.



[Watch us on YouTube](#)



[Like us on Facebook](#)



[Follow us on Twitter](#)



[Subscribe to our RSS feeds or email updates](#)

OBTAIN COPIES OF AUDIT REPORTS

To obtain copies of our reports, visit our Website at <http://oig.ssa.gov/audits-and-investigations/audit-reports/all>. For notification of newly released reports, sign up for e-updates at <http://oig.ssa.gov/e-updates>.

REPORT FRAUD, WASTE, AND ABUSE

To report fraud, waste, and abuse, contact the Office of the Inspector General via

Website: <http://oig.ssa.gov/report-fraud-waste-or-abuse>

Mail: Social Security Fraud Hotline
P.O. Box 17785
Baltimore, Maryland 21235

FAX: 410-597-0118

Telephone: 1-800-269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time

TTY: 1-866-501-2101 for the deaf or hard of hearing