

Bond and Financial Credit Risk Requirements for Non-governmental Fee-for-Service Representative Payees

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Office of Audit Report Summary

Objectives

To assess the Agency's procedures to ensure non-governmental, fee-for-service (FFS) representative payees (1) maintained sufficient bond or insurance coverage and (2) underwent a financial credit risk review. We also assessed the training and support provided to regional and field office (FO) employees responsible for this oversight.

Background

The Social Security Administration (SSA) requires that non-governmental representative payees who apply to collect a fee to serve five or more individuals obtain sufficient bond or insurance coverage and maintain appropriate State licensing. The amount of the bond must be sufficient to compensate the organization or SSA for any loss of SSA client benefits and conserved funds.

Additionally, SSA performs a financial credit risk review before authorizing a non-governmental organization to serve as an FFS payee to assess potential business risks involved in the organization's current or future performance as a representative payee.

Once SSA allows an organization to collect fees, the Agency performs periodic reviews of the organization, including educational visits, annual re-certifications, and triennial reviews.

Our Findings

SSA had established sufficient procedures to ensure non-governmental FFS representative payees maintained bond or insurance coverage and had financial credit risk reviews. However, Agency staff did not always follow, or appropriately document, procedures to mitigate potential risks. In addition, we found that greater collaboration between the FOs, regions, and Regional Chief Counsels could enhance the oversight process.

We sampled bond and insurance documents and related SSA controls associated with 25 FFS representative payees and found issues related to (1) insufficient policy coverage, (2) problems with policy titling, (3) undocumented annual policy re-certifications, and (4) incomplete triennial site review questionnaires. For instance, we found that 10 representative payees did not name SSA on the bond, though they had sufficient coverage amounts.

In our review of 22 Headquarters-prepared credit report summaries, we found FO staff certified a representative payee to collect fees before reviewing the payee's credit report summary. We also found the summaries provided limited guidance for handling organizations rated as high risk. In addition, some of the contractor-prepared credit reports provided insufficient financial information. The Agency's nationwide implementation of a more stringent selection process for individual representative payees offers an opportunity to explore additional approaches to alleviate business risks associated with FFS representative payees.

Recommendations

We made a number of recommendations related to improving bond collection efforts and increasing the value of the financial credit risk review process.

SSA agreed with our recommendations.