



SOCIAL SECURITY
Office of the Inspector General

MEMORANDUM

Date: September 18, 2001

Refer To:

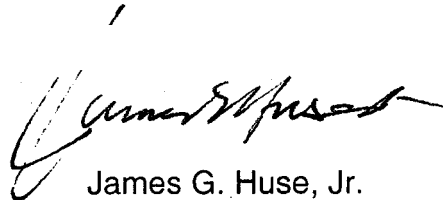
To: Linda S. McMahon
Regional Commissioner
for San Francisco

From: Inspector General

Subject: Financial-Related Audit of Outreach, Inc. — A Fee-for-Service Representative Payee
for the Social Security Administration (A-09-00-10068)

The attached final report presents the results of our audit. Our objectives were to determine whether Outreach, Inc., (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 Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**FINANCIAL-RELATED AUDIT OF
OUTREACH, INC. — A FEE-FOR-SERVICE
REPRESENTATIVE PAYEE FOR THE
SOCIAL SECURITY ADMINISTRATION**

September 2001

A-09-00-10068

AUDIT 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

The objectives of the audit were to determine whether Outreach, Inc., (Outreach) (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 age or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees (Rep Payee) to receive and manage benefit payments on behalf of these individuals. 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 interests.

Rep Payees are responsible for using benefits in the individual's best interests. Their duties include (1) using benefits to meet the individual's current and foreseeable needs; (2) conserving and investing benefits not needed to meet the individual's current needs; (3) maintaining accounting records of how the benefits are received and used; (4) reporting events to SSA that may affect the individual's entitlement or benefit payment amount; (5) reporting any changes in circumstances that would affect their performance as a Rep Payee; and (6) providing SSA an annual *Representative Payee Report (RPR)* accounting for how benefits were spent and invested.

RESULTS OF REVIEW

Our audit disclosed that Outreach 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 could not determine whether the Rep Payee properly reported to SSA how benefits were used because SSA could not locate most of the RPRs we requested (see Other Matters section of this report). In addition, we identified a number of areas where Outreach could improve its performance as a Rep Payee (see Appendix A for a summary of monetary results). Specifically, we found the following.

- Outreach held \$632,894 in conserved funds that were uninsured, and \$665,062 was in a noninterest-bearing account.
- Outreach did not return \$53,052 in conserved funds timely for 28 individuals who were no longer in its care.

- Outreach did not report to SSA that 24 recipients had conserved funds in excess of the \$2,000 SSI resource limit, resulting in overpayments totaling \$34,968.
- Outreach received incorrect payments totaling \$10,320 after the deaths of three individuals.
- Outreach commingled burial and nonburial funds for 38 SSI recipients and did not report the use of burial funds for nonburial purposes for 15 recipients. This resulted in three recipients being subject to penalties totaling \$3,500.
- Outreach issued payments in excess of conserved funds for 87 individuals, resulting in a deficit of \$1,423 as of August 31, 2000.
- Outreach charged excessive Rep Payee fees totaling \$790 for 8 of the 50 individuals in our sample.
- SSA recorded incorrect information in its Representative Payee System (RPS) for Outreach, including the number of entries, the type of Rep Payee, and the number of individuals in its care.

CONCLUSIONS AND RECOMMENDATIONS

Generally, we found that Outreach met its responsibilities as Rep Payee for individuals receiving OASDI and SSI payments. Nevertheless, Outreach needs to strengthen its controls and procedures to reduce the potential for erroneous payments and loss of beneficiary funds. We recommend that SSA:

1. Direct Outreach to amend the title of its checking account to obtain Federal Deposit Insurance Corporation coverage of \$100,000 for each individual.
2. Direct Outreach to take action to ensure (1) any individuals with conserved funds in excess of \$100,000 are fully protected against loss and (2) individuals earn interest on their conserved funds in accordance with SSA policy.
3. Direct Outreach to return conserved funds to the affected beneficiary, SSA or the new Rep Payee for individuals no longer in its care.
4. Direct Outreach to establish controls to determine when individuals no longer in its care have conserved funds and ensure these funds are returned in a timely manner.
5. Direct Outreach to return SSI payments for recipients who were ineligible because of excess resources.

6. Direct Outreach to develop procedures for identifying SSI recipients with excess resources and reporting them to SSA.
7. Direct Outreach to return incorrect payments received on behalf of deceased individuals.
8. Direct Outreach to develop procedures for identifying erroneous payments to deceased individuals and returning these funds in a timely manner.
9. Direct Outreach to obtain a separate bank account for SSI recipients with burial funds and report withdrawals from these funds to the Agency. Also, assess penalties for withdrawal of burial funds used for other purposes.
10. Direct Outreach to reimburse individuals with negative balances for conserved funds and establish controls to ensure payments to individuals do not exceed their conserved fund balances.
11. Direct Outreach to reimburse individuals for excessive Rep Payee fees and provide guidance to Outreach on the proper collection of fees for payee services.
12. Update RPS to consolidate the multiple entries for Outreach and include all individuals for whom Outreach was selected as Rep Payee.

AGENCY COMMENTS

In its response, SSA agreed with all of our recommendations. (See Appendix C for SSA's comments.)

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Acronyms

FDIC	Federal Deposit Insurance Corporation
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
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

OBJECTIVE

The objectives of the audit were to determine whether Outreach, Inc., (Outreach) (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 age or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees (Rep Payee) to receive and manage benefit payments on behalf of these individuals. 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 in the individual's best interests. Their duties include:

- using benefits to meet the individual's current and foreseeable needs;
- conserving and investing benefits not needed to meet the individual'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 with an annual *Representative Payee Report (RPR)*, accounting for how benefits were spent and invested.

Under the SSI program, a recipient is limited to \$2,000 in resources to remain eligible for benefits. If this resource limit is exceeded, benefit payments to that recipient are suspended. Such benefits will resume if the recipient's resources later fall below the limit. Since the Rep Payee is responsible for notifying SSA of any event that affects the recipient's entitlement to benefits, the Rep Payee must notify SSA if a recipient's resources exceed the limit in any given month.

Beneficiaries' funds not needed for immediate or reasonably foreseeable current maintenance needs must be conserved or invested. Preferred investments for excess funds are U.S. Savings Bonds. Funds not needed for current maintenance may be deposited in an interest or dividend-bearing account in a bank, trust company, credit union, or Savings and Loan Association that is insured under either Federal or State law. Any interest earned on this account belongs to the individual, not the Rep Payee. SSA recommends that Rep Payees hold beneficiaries' conserved funds in excess of \$150 in an interest-yielding account or investment.¹

The Social Security Act permits some organizational Rep Payees to collect a fee for the services they perform.² These organizations are called "fee-for-service" Rep Payees.³ The fee is compensation for providing Rep Payee services. Effective December 1998, the fee was the lesser of 10 percent of the monthly benefits or \$27 and, beginning December 1999, the fee was the lesser of 10 percent of the monthly benefits or \$28.

About 6.5 million individuals have Rep Payees—approximately 4.2 million are OASDI beneficiaries, 1.7 million are SSI recipients, and 500,000 are concurrently entitled under the OASDI and SSI programs.⁴ The chart below reflects the types of Rep Payees and the number of individuals they serve.

Type of Rep Payee	Number of Rep Payees	Number of Individuals
Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others	4,155,000	5,750,000
Organizational Payees: State Institutions, Local Governments, and Others	44,150	690,000
Organizational Payees: Fee-for-Service	850	60,000
Total	4,200,000	6,500,000

Outreach is a nonprofit, organizational Rep Payee located in San Jose, California. Outreach was incorporated in 1979 and provides transportation, financial, and social services to elderly, disabled, and low-income individuals and families in Santa Clara

¹ SSA's Program Operations Manual System (POMS), section GN 00603.001 and GN 00603.010.

² See sections 205(j)(4) and 1631(a)(2)(D) of the Social Security Act, 42 U.S.C. § 405(j)(4) and 42 U.S.C. § 1382(a)(2)(D).

³ To collect a fee, an organization must be a nongovernmental agency that is community-based, a non-profit social service agency, bonded or licensed, and serving at least five beneficiaries or recipients. The organization cannot generally be a creditor of the beneficiary or recipient. See SSA's POMS, section GN 00506.100.

⁴ These amounts do not add due to rounding.

County, California. Since 1990, Outreach has operated as a fee-for-service Rep Payee to individuals who receive payments under the OASDI and SSI programs. From September 1, 1999 through August 31, 2000, Outreach received about \$3.5 million in Social Security benefits. A breakdown of these payments is depicted in the following chart.

Type of Payment	Number of Individuals	Benefits Received		Total SSA Benefits
		OASDI	SSI	
SSI Only	211	\$0	\$1,388,300	\$1,388,300
OASDI Only	165	\$1,186,379	\$0	\$1,186,379
Both SSI and OASDI	119	\$623,463	\$314,477	\$937,940
Total	495	\$1,809,842	\$1,702,777	\$3,512,619

SCOPE AND METHODOLOGY

Our audit covered the period September 1, 1999 to August 31, 2000. During this period, Outreach served as Rep Payee for 495 individuals. From this population, we selected a random sample of 50 individuals for substantive testing. However, where applicable, we conducted additional field work to fully develop our findings and recommendations (see Appendix B).

To accomplish our objectives, we:

- Reviewed the applicable sections of the Social Security Act and SSA's POMS related to Rep Payees.
- Conducted interviews with employees from Outreach in San Jose, California. Also, conducted interviews with employees from the SSA regional office in Richmond, California, and SSA district office in San Jose, California.
- Conducted interviews with a sample of individuals for whom Outreach served as Rep Payee to determine whether their basic needs were met.
- Reviewed prior audit reports of Outreach by its Certified Public Accounting firm.
- Obtained from SSA's Representative Payee System (RPS) three listings of individuals who were currently or formerly in Outreach's care from September 1, 1999 through August 31, 2000.

- Obtained from Outreach a listing of individuals who were in its care and received Social Security benefits from September 1, 1999 through August 31, 2000.
- Compared and reconciled the listings from RPS and Outreach to identify the population of individuals who were in Outreach's care from September 1, 1999 through August 31, 2000.
- Reviewed and tested internal controls over the receipt and disbursement of Social Security benefits at Outreach.
- Reviewed a sample of RPRs to determine whether Outreach properly reported to SSA how benefits were spent and invested.
- For a random sample of 50 individuals, we performed the following tests.
 - Compared and reconciled the benefit amounts paid according to SSA's payment records to the benefit amounts paid according to the accounting records of Outreach.
 - Reviewed the accounting records of Outreach to determine whether benefits were properly spent or conserved on the behalf of the individuals in its care.
 - Traced a sample of expenses to source documents and examined the supporting documentation for reasonableness and authenticity.

We performed audit work in Richmond and San Jose, California, from September 2000 to March 2001. The entity audited was the Office of Program Benefits within the Office of the Deputy Commissioner for Disability and Income Security Programs. We conducted our audit in accordance with generally accepted government auditing standards.

Results of Review

Our audit disclosed that Outreach 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 could not determine whether the Rep Payee properly reported to SSA how benefits were used because SSA could not locate most of the RPRs we requested (see Other Matters section of this report). In addition, we identified a number of areas where Outreach could improve its performance as a Rep Payee (see Appendix A for a summary of monetary results). Specifically, we found the following.

- Outreach held \$632,894 in conserved funds that were uninsured, and \$665,062 was in a noninterest-bearing account.
- Outreach did not return \$53,052 in conserved funds timely for 28 individuals who were no longer in its care.
- Outreach did not report to SSA that 24 recipients had conserved funds in excess of the SSI resource limit of \$2,000, resulting in overpayments totaling \$34,968.
- Outreach received incorrect payments totaling \$10,320 after the deaths of three individuals.
- Outreach commingled burial and nonburial funds for 38 SSI recipients and did not report the use of burial funds for nonburial purposes for 15 recipients. This resulted in three recipients being subject to penalties totaling \$3,500.
- Outreach issued payments in excess of conserved funds for 87 individuals, resulting in a deficit of \$1,423 as of August 31, 2000.
- Outreach charged excessive Rep Payee fees totaling \$790 for 8 of the 50 individuals in our sample.
- SSA recorded incorrect information in RPS for Outreach, including the number of entries, the type of Rep Payee, and the number of individuals in its care.

Funds Were Held in Underinsured, Noninterest-Bearing Accounts

Outreach held conserved funds in underinsured, noninterest-bearing accounts. As of August 31, 2000, Outreach had \$632,894 in conserved funds that were not insured. In addition, Outreach did not earn interest on \$665,062 in conserved funds in a checking account.

The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$100,000 per account. FDIC provides additional coverage of \$100,000 per individual in 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 deposit account records of the insured depository institution.⁵

The checking account was not properly titled to show the fiduciary relationship between Outreach and its beneficiaries. The account was set up as a corporate account rather than a trust or custodian account. As a result, the checking account was only insured for a total of \$100,000. This account had conserved funds of \$665,062, or \$565,062 in excess of FDIC coverage. The savings account was properly titled to show the fiduciary relationship between Outreach and its beneficiaries. As a result, the savings account was insured for \$100,000 per individual. However, one individual had conserved funds of \$167,832, or \$67,832 in excess of FDIC coverage. The total uninsured funds were \$632,894 (\$565,062 plus \$67,832). In the event of bank failure, \$632,894 in beneficiary funds is subject to loss.

In addition, SSA policy states that title II benefits that are not needed for the beneficiary's immediate or reasonably foreseeable needs must be conserved or invested with minimum risk. Since title XVI benefits are intended to meet recipients' daily living expenses, the Rep Payee is not expected to accumulate substantial savings.⁶ Funds not needed for current maintenance may be deposited in an interest-bearing or dividend-bearing account in a bank, trust company, credit union, or savings and loan association which is insured under either Federal or State law. For each beneficiary, SSA recommends that Rep Payees place title II conserved funds in excess of \$150 in interest-yielding investments.⁷

As of August 31, 2000, Outreach held \$665,062 in a noninterest-bearing checking account and \$1,434,027 in an interest-bearing savings account.⁸ Outreach used the savings account to earn interest for 52 individuals with over \$5,000 in conserved funds. However, 461 individuals with conserved funds in the checking account did not earn interest.

⁵ 12 C.F.R. § 330.5(a)(1) and (b)(1).

⁶ POMS section GN 00603.001.A.1 and A.2.

⁷ POMS section GN 00603.001.B.1 and GN 00603.010.A.1.

⁸ The outstanding balances in the checking and savings accounts were held on behalf of 461 and 52 individuals, respectively. About 25 of these individuals received benefits only from non-SSA sources, such as the Veterans Administration.

Conserved Funds Were Not Returned Timely

Outreach did not return conserved funds timely for individuals who were no longer in its care. As of August 31, 2000, Outreach held \$53,052 for 28 individuals, including 7 who had died and 21 who were assigned to new Rep Payees or were no longer eligible for benefits. Outreach held the conserved funds for an average of 10.5 months after the individuals were no longer in its care.

SSA policy requires that a Rep Payee who has a beneficiary's conserved or invested funds must return the funds to SSA or, as directed, to a successor payee or beneficiary in direct payment.⁹

In one case, the individual left Outreach's care in June 1997. Outreach received the individual's Social Security benefits until January 1998 and held \$16,379 in conserved funds as of August 31, 2000. In another case, the individual was incarcerated and therefore not eligible for benefits. Although SSA notified Outreach and terminated benefits in November 1998, Outreach held \$11,961 in conserved funds as of August 31, 2000. For these individuals, Outreach held conserved funds for 31 and 20 months, respectively. As a result of our audit, Outreach returned \$28,340 to SSA in December 2000.

Excess Resources Resulted in SSI Overpayments

Outreach did not report to SSA that 24 recipients had conserved funds in excess of the \$2,000 SSI resource limit. Generally, SSI recipients are not eligible for benefits during months in which their resources exceed \$2,000. As a result, these individuals received overpayments totaling \$34,968 from September 1, 1999 through August 31, 2000.

SSA policy states that, effective January 1, 1989, individuals with countable resources that exceed \$2,000 are not eligible for SSI payments. Individuals must use these excess resources to meet their needs before they may receive additional SSI payments. SSA makes eligibility determinations as of the first moment of each calendar month that are applicable to the entire month.¹⁰

During our audit, we found that one individual had conserved funds in excess of the SSI resource limit from September 1999 to August 2000. During this period, the conserved fund balances ranged from \$4,642 to \$5,682. As a result, the individual was ineligible for SSI payments. Outreach did not report the excess resources to SSA and, therefore, received \$8,240 of SSI payments for which the individual was not eligible. Outreach agreed with our finding and has initiated corrective action.

⁹ POMS section GN 00603.055.

¹⁰ POMS section SI 01110.001 and SI 01110.003.

Payments Were Received After Death of Beneficiary

Outreach received incorrect payments for 7 to 9 months after the deaths of three individuals. Outreach stated that it reported two of the three deaths to SSA, but it could not verify it had, in fact, reported these deaths. Nevertheless, Outreach received \$10,320 even though it was providing no services.

SSA policy states that Rep Payees are responsible for reporting events that may affect the beneficiary's entitlement or amount of payment, including the beneficiary's death. In addition, Rep Payees are responsible for returning any benefits to which the beneficiary is not entitled.¹¹

Although Outreach stated that it had reported two of the three deaths, this does not alleviate the responsibility of the Rep Payee to (1) follow up with SSA when benefit payments are subsequently received on behalf of deceased individuals and (2) return benefit payments for individuals no longer in its care.

Controls Over Burial Funds Could Be Improved

Outreach commingled the burial and nonburial funds for 38 SSI recipients. SSA's procedures require that these funds be kept in separate accounts, in order for a maximum of \$1,500 of burial funds to be excluded from resources.¹² Outreach used burial funds to pay nonburial expenses for 15 recipients when their conserved funds were exhausted. Although burial funds may be used for other purposes, the individual may be subject to a penalty for the amount withdrawn.¹³ Outreach did not notify SSA of such events to determine whether penalties should be assessed. As a result, three of these individuals were subject to penalties totaling \$3,500.

SSA policy requires that burial funds be clearly designated for the individual's or spouse's burial, cremation, or other burial-related expenses. Burial funds are excludable from the \$2,000 SSI resource limit. They may be commingled with burial-related assets, but they must be separated from nonburial-related assets to be excluded from resources. The amount of burial funds used for nonburial purposes must be withheld from future payments unless, at the beginning of the month, the individual would not have exceeded the SSI resource limit even if the burial funds were included.¹⁴

For example, one individual had an account balance of \$3,449 at the beginning of August 2000, consisting of burial funds of \$1,500 and nonburial funds of \$1,949.

¹¹ POMS section GN 00502.113.B.

¹² POMS section SI 01130.410.C.3.a.

¹³ POMS section SI 01130.410.C.5.

¹⁴ POMS section SI 01130.410.B.1, C.3, and C.5.

Outreach withdrew all of her burial funds for nonburial expenses during the month. Since the account balance exceeded the SSI resource limit, the individual was subject to a \$1,500 penalty. Two additional individuals were subject to penalties of \$1,500 and \$500, respectively.

Payments to Individuals Exceeded Funds Available

Outreach issued payments in excess of conserved funds for 87 individuals, resulting in negative balances. These negative balances occurred each month from September 1999 to August 2000. The deficits ranged from a total of \$148 for 3 individuals in December 1999 to a total of \$6,650 for 19 individuals in April 2000. Because Outreach commingled the funds of all individuals in its care, the benefits of some individuals were used to pay the expenses of others. As of August 31, 2000, Outreach had a total deficit of \$1,423 in the account balances of 10 individuals in its care.

SSA policy states that a Rep Payee is directed to apply benefits certified on behalf of a beneficiary only for the use and benefit of that beneficiary. Although the Rep Payee may establish collective checking and savings accounts to hold funds belonging to more than one beneficiary, Rep Payees must maintain clear and current records showing the amount of each individual's share in the account.¹⁵

Excessive Rep Payee Fees Were Charged

For 8 of the 50 individuals in our random sample, Outreach charged excessive Rep Payee fees totaling \$790. This occurred because Outreach (1) charged fees during months in which no benefits were received, (2) used current benefits to retroactively charge fees for prior months, (3) collected fees when funds were not available for payment, and (4) did not charge the lesser of \$25 per month or 10 percent of benefits received.

SSA policy states that organizational Rep Payees may collect a fee from an individual's total Social Security benefits. The fee is generally the lesser of 10 percent of the combined OASDI and SSI monthly payment or \$25. This amount was increased to \$27 in December 1998 and \$28 in December 1999. However, current benefits may not be used to collect fees for prior months. In addition, Rep Payees are prohibited from charging a fee if no payment is received in the month.¹⁶

¹⁵ POMS section GN 00602.001 and GN 00603.020.

¹⁶ POMS section GN 00506.210 and GN 00506.230.

RPS Contained Inaccurate Information

SSA recorded incorrect information in RPS for Outreach. Specifically, the district office (1) created 3 different entries for Outreach within RPS, (2) misclassified Outreach as a nonfee-for-service Rep Payee, and (3) failed to enter 30 individuals into RPS when Outreach was selected as their Rep Payee. Because of the misclassification error, Outreach did not receive proper notification from SSA of subsequent increases in Rep Payee fees.

RPS contains information about current and prior Rep Payees for individuals receiving payments under the OASDI and SSI programs. RPS was mandated by the Omnibus Budget Reconciliation Act of 1990, which required the development of a system to house data about all Rep Payees and the beneficiaries for whom they serve. RPS is an on-line system for entering and retrieving information about Rep Payees and those applying to be Rep Payees. Such information includes a fee-for-service indicator, which is required to identify Rep Payees for annual notices of fee increases.¹⁷

From September 1999 to August 2000, Outreach generally charged a Rep Payee fee of \$25 per month. Although this amount increased to \$27 in December 1998 and \$28 in December 1999, Outreach was unaware of these changes because of its erroneous classification in RPS, which precluded it from receiving the annual notices of fee increases. In October 2000, SSA modified RPS to reclassify Outreach as a fee-for-service Rep Payee.

¹⁷ POMS section GN 00502.120 and EM-99119 dated November 1, 1999.

Conclusions and Recommendations

Generally, we found that Outreach met its responsibilities as Rep Payee for individuals receiving OASDI and SSI payments. Nevertheless, Outreach needs to strengthen its controls and procedures to reduce the potential for erroneous payments and loss of beneficiary funds. We recommend that SSA:

1. Direct Outreach to amend the title of its checking account to obtain Federal Deposit Insurance Corporation coverage of \$100,000 for each individual.
2. Direct Outreach to take action to ensure (1) any individuals with conserved funds in excess of \$100,000 are fully protected against loss and (2) individuals earn interest on their conserved funds in accordance with SSA policy.
3. Direct Outreach to return conserved funds to the affected beneficiary, SSA or the new Rep Payee for individuals no longer in its care.
4. Direct Outreach to establish controls to determine when individuals no longer in its care have conserved funds and ensure these funds are returned in a timely manner.
5. Direct Outreach to return SSI payments for recipients who were ineligible because of excess resources.
6. Direct Outreach to develop procedures for identifying SSI recipients with excess resources and reporting them to SSA.
7. Direct Outreach to return incorrect payments received on behalf of deceased individuals.
8. Direct Outreach to develop procedures for identifying erroneous payments to deceased individuals and returning these funds in a timely manner.
9. Direct Outreach to obtain a separate bank account for SSI recipients with burial funds and report withdrawals from these funds to the Agency. Also, assess penalties for withdrawal of burial funds used for other purposes.
10. Direct Outreach to reimburse individuals with negative balances for conserved funds and establish controls to ensure payments to individuals do not exceed their conserved fund balances.

11. Direct Outreach to reimburse individuals for excessive Rep Payee fees and provide guidance to Outreach on the proper collection of fees for payee services.
12. Update RPS to consolidate the multiple entries for Outreach and include all individuals for whom Outreach was selected as Rep Payee.

AGENCY COMMENTS

In its response, SSA agreed with all of our recommendations. (See Appendix C for SSA's comments.)

Bond May Not Adequately Protect Against Loss of Funds

SSA requires that nongovernmental agencies be bonded to obtain payment for services as a Rep Payee. From September 1, 1999 through August 31, 2000, Outreach was bonded for \$10,000, but maintained \$2,099,089 in conserved funds on behalf of the individuals in its care. In September 2000, Outreach increased the amount of its bond to \$50,000.

SSA policy states that, for the purpose of payment for services, the bond must be an insurance contract that guarantees payment to a third party on behalf of the Rep Payee in the event of unforeseen financial loss caused by an employee. The contract furnishes the income used to settle a successful legal claim filed by a client against the Rep Payee.¹⁸

SSA's procedures do not specify how much coverage is necessary to protect the conserved funds held by Rep Payees on behalf of the individuals in their care. Unless a minimum coverage is established, SSA may not have reasonable assurance that beneficiary funds are adequately protected against loss.

Representative Payee Reports Were Unaccounted For

As part of our audit, we requested that SSA provide the most recently completed RPRs for 30 individuals who were in Outreach's care from September 1, 1999 to August 31, 2000. SSA subsequently provided RPRs for 7 of the 30 individuals. However, SSA was unable to provide RPRs for the remaining 23 individuals. Outreach did not retain copies of the RPRs submitted to SSA.

Rep Payees are required to complete RPRs to account for the benefits received and used for all individuals in their care. Such information is required to be reported to SSA on an annual basis. SSA is also required to review the RPRs and retain these reports for 2 years after the last month of the reporting period.¹⁹

Because SSA did not provide all the RPRs requested, we could not independently verify that Outreach met its reporting responsibilities. For the 23 RPRs not provided by SSA, we were unable to determine whether Outreach failed to submit the reports or submitted the RPRs and SSA could not locate them.

¹⁸ POMS section GN 00506.100.

¹⁹ POMS section GN 00605.001.B and GN 00605.040.

Appendices

Summary of Monetary Results

Finding	Amount
Funds Were Held in Underinsured, Noninterest-Bearing Accounts	\$632,894
Conserved Funds Were Not Returned Timely	\$53,052
Excess Resources Resulted in Supplemental Security Income Overpayments	\$34,968
Payments Were Received After Death of Beneficiary	\$10,320
Controls Over Burial Funds Could Be Improved	\$3,500
Payments to Individuals Exceeded Funds Available	\$1,423
Excessive Rep Payee Fees Were Charged	\$790
Total	\$736,947

Sampling Methodology and Results

Our audit covered the period from September 1, 1999 to August 31, 2000. During this period, Outreach, Inc. (Outreach) received \$3,512,619 in Social Security benefits, including \$1,809,842 of Old-Age, Survivors and Disability Insurance (OASDI) benefits and \$1,702,777 of Supplemental Security Income (SSI) payments. Outreach served as representative payee (Rep Payee) for a total of 495 individuals. From this population, we selected a random sample of 50 individuals for substantive testing. However, where applicable, we conducted additional field work to fully develop our findings and recommendations. Our sampling methodology and results are described below.

Funds Were Held in Underinsured, Noninterest-Bearing Accounts

We reviewed the checking and savings accounts held by Outreach on behalf of the individuals in its care. As of August 31, 2000, Outreach held conserved funds totaling \$2,099,089 for 461 individuals. We determined whether the conserved funds were fully protected against loss and earned interest for the Social Security Administration's (SSA) beneficiaries. Our review disclosed that Outreach held conserved funds in underinsured, noninterest-bearing accounts, resulting in \$632,894 that was not insured and \$665,062 for which interest income was not earned.

Conserved Funds Were Not Returned Timely

We reviewed 28 individuals who were no longer in Outreach's care as of August 31, 2000. These cases were identified through our review of accounting data provided by Outreach, reconciliation of beneficiary listings obtained from SSA's Representative Payee System (RPS) and Outreach, and our random sample of 50 individuals who were in Outreach's care from September 1, 1999 through August 31, 2000. We reviewed the timeliness of the actions taken by Outreach to return the conserved funds to SSA or the new Rep Payee. Our review disclosed that Outreach did not return \$53,052 of conserved funds timely for 28 individuals who were no longer in its care.

Excess Resources Resulted in SSI Overpayments

Of the 495 individuals in our population, a total of 330 individuals received payments under the SSI program. We determined that 65 of the 330 recipients had conserved funds in excess of \$2,000 during the period of September 1, 1999 through August 31, 2000. We reviewed the propriety of the SSI payments to all 65 of these recipients. Our review disclosed that Outreach did not report to SSA that 24 recipients had conserved funds in excess of the \$2,000 SSI resource limit, resulting in overpayments totaling \$34,968.

Payments Were Received After Death of Beneficiary

We reviewed three individuals who were in the care of Outreach but subsequently died in November or December 1999. These cases were identified through our reconciliation of beneficiary listings obtained from RPS and Outreach. We reviewed the timeliness of the actions taken by Outreach to return the incorrect payments received on behalf of deceased individuals. Our review disclosed that Outreach received incorrect payments totaling \$10,320 after the death of three individuals.

Controls Over Burial Funds Could Be Improved

Of the 495 individuals in our population, a total of 330 individuals received payments under the SSI program. We determined that 38 of the 330 recipients had burial funds from September 1, 1999 through August 31, 2000. For all 38 of these recipients, we determined whether Outreach had (1) maintained separate accounts for burial and nonburial funds and (2) reported withdrawals from burial funds used for other purposes to SSA, enabling the Agency to evaluate whether penalties should be assessed. Our review disclosed that Outreach commingled burial and nonburial funds for 38 SSI recipients and did not report the use of burial funds for nonburial purposes for 15 recipients, resulting in penalties totaling \$3,500 for 3 recipients.

Payments to Individuals Exceeded Funds Available

We reviewed all individuals who were in Outreach's care from September 1, 1999 through August 31, 2000. For these individuals, we determined whether Outreach monitored their conserved funds to prevent expenditures that would result in negative balances. Our review disclosed that Outreach issued payments in excess of conserved funds for 87 individuals, resulting in a deficit of \$1,423 as of August 31, 2000.

Excessive Rep Payee Fees Were Charged

We selected a random sample of 50 individuals who were in Outreach's care September 1, 1999 through August 31, 2000. We reviewed these cases to determine the propriety of the Rep Payee fees charged by Outreach. Our review disclosed that Outreach charged excessive fees totaling \$790 for 8 of the 50 individuals in our sample.

RPS Contained Inaccurate Information

We obtained from RPS three listings of individuals who were currently or formerly in Outreach's care from September 1, 1999 through August 31, 2000. In addition, we obtained from Outreach a listing of individuals who were in its care and received Social Security benefits from September 1, 1999 through August 31, 2000. We reconciled these listings to identify our population of 495 individuals and determined whether the information in RPS was accurate. Our review disclosed that SSA recorded incorrect

information in RPS for Outreach, including the number of entries, the type of Rep Payee, and number of individuals in its care.

Agency Comments

**RESPONSE TO THE FINANCIAL-RELATED AUDIT
OF OUTREACH, INC.
A FEE-FOR-SERVICE REPRESENTATIVE PAYEE
FOR THE SSA
(A-09-00-10068)**

Conclusions and Recommendations

1. **Direct Outreach to amend the title of its checking account to obtain Federal Deposit Insurance Corporation coverage of \$100,000 for each individual.**

Outreach, Inc. has made this change, guaranteeing that each beneficiary in the account has individual \$100,000 coverage.

2. **Direct Outreach to take action to ensure (1) any individuals with conserved funds in excess of \$100,000 are fully protected against loss and (2) individuals earn interest on their conserved funds in accordance with SSA policy.**

Outreach, Inc. has taken the necessary steps to create separate interest-bearing bank accounts for those beneficiaries who have over \$100,000 in conserved funds. For those beneficiaries who maintain conserved fund balances below \$100,000, their accounts are now structured so they are earning interest and the interest is credited to the beneficiary.

3. **Direct Outreach to return conserved funds to the affected beneficiary, SSA or the new Rep Payee for individuals no longer in its care.**

As a result of this audit, Outreach has returned \$28,340.00 in conserved funds to SSA. They have agreed to review records of all beneficiaries for whom they are no longer payee, and will continue to make refunds to SSA on a case-by-case basis. The local SSA field office will work with them to be sure that all funds that Outreach may be holding for former beneficiaries are returned.

4. **Direct Outreach to establish controls to determine when individuals no longer in its care have conserved funds and ensure these funds are returned in a timely manner.**

The lead accountant at Outreach has made changes to their automated control system to ensure that they are alerted to the receipt of SSA funds once a beneficiary has left their care. They understand that SSA money received once a beneficiary has left their care must be returned to SSA as soon as possible.

5. **Direct Outreach to return SSI payments for recipients who were ineligible because of excess resources.**

6. **Direct Outreach to develop procedures for identifying SSI recipients with excess resources and reporting them to SSA.**

Outreach has also established an automated monitoring system to alert them when a Title 16 beneficiary exceeds the resource limit. Based on this alert, they will notify the recipient and SSA of the excess resource situation and make arrangements to return any improperly SSI payments that are due to SSA.

7. **Direct Outreach to return incorrect payments received on behalf of deceased individuals.**

Outreach now understands that reporting the death of one of their clients may not always result in the timely termination of benefits. They are now aware that they must refund any checks received for a deceased beneficiary, even if they have already reported the death to SSA.

8. **Direct outreach to develop procedures for identifying erroneous payments to deceased individuals and returning these funds in a timely manner.**

With the changes made to the Outreach computerized accounting system, it is now easier to identify situations where benefits payments continue to be received after a beneficiary has died. At the time of death, Outreach updates their record keeping system, notifies SSA that the beneficiary has died, returns any conserved funds for that beneficiary and will continue to return any future benefits that are received.

9. **Direct Outreach to obtain a separate bank account for SSI recipients with burial funds and report withdrawals from these funds to the Agency. Also, assess penalties for withdrawal of burial funds used for other purposes.**

Outreach did not know that withdrawals from an SSI recipient's burial fund could result in a monetary penalty for the individual. They now understand that all funds set aside for burial purposes must be maintained in a separate bank account and should not be used for other purposes without notifying SSA. SSA has suggested that if SSI recipients routinely need to supplement their monthly income with conserved funds, the funds should be moved from a burial account to regular savings account. Outreach has agreed to pay any penalties assessed in these cases from their own business account.

10. **Direct Outreach to reimburse individuals with negative balances for conserved funds and establish controls to ensure payments to individuals do not exceed their conserved fund balances.**

Outreach has started and is currently in the process of reviewing records from 1999 and 2000 to determine which individuals should be reimbursed with interest for monies that were used from their accounts to pay for the needs of other individuals. It was clearly explained to Outreach that it is not acceptable to borrow from one beneficiary for another beneficiary for any reason. We will specifically focus on this issue on our next visit 3-month visit.

11. **Direct Outreach to reimburse individuals for excessive Rep Payee fees and provide guidance to Outreach on the proper collection of fees for payee services.**

Outreach has been told to reimburse all individuals for fees incorrectly charged to their account. They will provide documentation to SSA for each specific case. The SSA field office has already met with Outreach and explained to them when fees can and cannot be charged.

12. **Update RPS to consolidate the multiple entries for Outreach and include all individuals for whom Outreach was selected as Rep Payee.**

All three listings for Outreach on RPS have been consolidated and the field office is in the process of adding to RPS any individuals that are missing for whom Outreach is the payee.

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Acknowledgments

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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.