
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**BENEFICIARY AND RECIPIENT
USE OF “IN CARE OF” ADDRESSES**

August 2008

A-06-08-18015

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, 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

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: August 19, 2008

Refer To:

To: The Commissioner

From: Inspector General

Subject: Beneficiary and Recipient Use of "In Care of" Addresses (A-06-08-18015)

OBJECTIVE

Our objectives were to (1) ensure beneficiaries and recipients authorized their address changes to "in care of" the facilities identified on their payment records and (2) verify the facilities appearing on multiple payment records existed, cared for the beneficiaries and recipients, and were registered with the Social Security Administration (SSA) as representative payees if they were acting on behalf of the beneficiaries.

BACKGROUND

We initiated this review as a result of SSA staff concerns that some nursing homes may have instructed residents to change their address and/or bank account in SSA's records to the address and/or bank account of the nursing home facility. Once the changes are completed, SSA would mail payments directly to the facility or electronically deposit funds into accounts controlled by the facility. Implementation of these changes without officially designating the facility as the beneficiary's representative payee would allow the facility to avoid representative payee fiduciary responsibilities and potentially result in the illegal assignment of benefits. SSA staff expressed concern the changes may be done without regard to the resident's mental capacity.

SSA maintains a record of Old Age, Survivors and Disability Insurance (OASDI) beneficiaries', Supplemental Security Income (SSI) recipients' and their representative payees' mailing and residential addresses. To ensure the accuracy of these addresses, SSA must evaluate and validate every change of address request. A change of address can be submitted in person, by telephone, in writing, or on the Internet.¹ The *Social Security Act*² protects beneficiaries by prohibiting the assignment of benefits. Assignment is the transfer of the right to, or payment of, benefits to a party other than

¹ SSA, Program Operations Manual System (POMS), GN 02605.001.A, *Change of Address (COA) – In Person, By Telephone, In Writing, and on the Internet*.

² The Social Security Act §§ 207 and 1631(d)(1), 42 U.S.C. §§ 407 and 1383(d)(1).

the beneficiary or his/her representative payee. SSA policy states that “Any arrangement in which the claimant shares control of the funds from his or her benefit with person or entity that has an interest in charging or collecting money from the claimant is an assignment-like situation that violates SSA’s policy.”³

As of September 2006, payment records for approximately 167,000 OASDI beneficiaries and 49,000 SSI recipients in current payment status contained some form of the phrase “in care of” in the mailing address. We analyzed these records to identify a sample of beneficiaries⁴ with “in care of” addresses. The full Scope and Methodology of our review is provided in Appendix B.

RESULTS OF REVIEW

In general, our review indicated beneficiaries authorized the address changes. Through contacts with 21 facilities in 7 SSA regions, we verified that the facilities existed and, when applicable, appeared to provide adequate care for the beneficiaries.

Our review also confirmed concerns raised by SSA staff regarding use of “in care of” addresses. Based on our site visits to some facilities, it appeared “in care of” address use facilitated the assignment of benefits or created assignment-like situations. At five facilities we visited, staff acknowledged the beneficiaries retained no control over, or had no access to, SSA payments. As a condition of residency, at least one facility required that beneficiaries sign an agreement that formally assigned Social Security benefit payments to the facility.

Further, through site visits, we identified 31 instances where facilities received payments on behalf of beneficiaries who did not appear capable of managing their benefit payments. None of these 31 individuals had a representative payee.

Most facilities we contacted were listed in SSA’s Representative Payee System. However, these facilities were not the designated representative payee for any of the individuals included in our review. Staff at several facilities we visited acknowledged they preferred not to be the claimant’s representative payee. Staff at one facility admitted the “in care of” arrangement helped avoid the administrative burden related to accounting and reporting that SSA imposes on officially recognized representative payees.

Finally, we identified a concern related to field office staff recommending SSA beneficiaries send their payments “in care of” local check cashing/cash advance loan businesses.

³ SSA, POMS, GN 02410.001.D.2, *Assignment of Benefits*.

⁴ We use the term “beneficiary” throughout the remainder of this report in reference to both OASDI beneficiaries and SSI recipients.

BENEFIT ASSIGNMENT FACILITATED BY USE OF “IN CARE OF” ADDRESSES

“In care of” addresses were used to facilitate the assignment of benefits or to create assignment-like situations. Staff at 5 “in care of” facilities that received benefits on behalf of 292 beneficiaries acknowledged beneficiaries retained no control over, or had no access to, SSA payments. One facility that received benefit payments for 35 beneficiaries required the assignment of benefits as a condition of admission. To illustrate, the facility required that beneficiaries sign an agreement that contained the following language under a heading titled, *Assignment Required*: “As a condition of your admission to the Community, you agree to assign to (facility name) all of your assets and income, including but not limited to Social Security benefits and pensions.”

The agreement paragraph referenced above also directed the beneficiary “. . . to name (facility name) as representative payee of your Social Security benefits and to take all necessary actions to make (facility name) the payee of your other benefits.” However, at the time of our review, SSA records indicated none of the 35 beneficiaries had representative payees.

BENEFICIARIES INCAPABLE OF MANAGING THEIR BENEFITS

Site visits conducted at 10 facilities housing SSA beneficiaries identified 31 individuals who did not appear capable of managing their own benefits. Staff at several facilities visited stated the beneficiaries authorized the address changes. However, when we attempted to interview these beneficiaries, they appeared to have physical or mental impairments that indicated they were not able to manage their own benefits. We advised applicable SSA regional personnel about our site visits and suggested SSA consider further development to determine whether beneficiaries at these facilities need a representative payee.

SSA policies recognize the Agency must be alert to situations indicating the need for representative payment and act expeditiously to resolve such situations.⁵ SSA policies also recognize that changes of address to a nursing home, rest home, etc., may indicate the entitled individual needs a representative payee.⁶ However, SSA has no method to alert itself to such situations where multiple beneficiaries use the same “in care of” address to direct their payments to a particular third party.

This was demonstrated at a Detroit, Michigan, nursing home included in our review. At the time of our audit, 14 SSI recipients received their payments “in care of” this nursing home. While attempting to schedule a visit to this nursing home, we learned that, as a result of health code violations, the Michigan Department of Human Services issued an emergency order revoking the facility’s nursing home license. The facility lost its license, and residents were dispersed to several new facilities. Once notified of the closure, a local SSA staff member instructed the home to return payments to SSA upon

⁵ SSA, POMS, GN 00501.005.E.2, *Overview of Representative Payment*.

⁶ SSA, POMS, GN 02605.005.B.3, *Questionable Addresses-COA*.

receipt. However, we found that the same SSA staff member was not aware of all the “in care of” recipients residing at the nursing home. We provided him with information about the 14 individuals.

“IN CARE OF” ADDRESS AVOIDS REPRESENTATIVE PAYEE RESPONSIBILITIES

Our site visits to “in care of” facilities indicated that SSA had designated most as representative payee for one or more beneficiaries in their care. However, we found staff at several facilities who acknowledged they preferred to avoid representative payee appointment and/or encouraged beneficiaries to direct their SSA payments to “in care of” the facility.

- Seventeen facilities were recognized as representative payees in SSA’s Representative Payee System. However, we found that the 21 facilities we contacted were not officially designated as representative payees for any of the beneficiaries included in our review. Staff at one nursing home facility acknowledged use of the “in care of” designation was favored because it eliminated the administrative burden of accounting for and reporting use of benefits that SSA imposes on officially recognized representative payees.
- Staff at eight facilities openly encouraged beneficiaries to have SSA payments sent directly to the facility. Staff acknowledged they provided change of address forms to new residents for use in changing beneficiary payment addresses to “in care of” the facility address. Once signed by the resident, the forms were sent to SSA for processing.
- Staff at seven facilities indicated the facility preferred to avoid representative payee appointment.

“In Care of” Addresses Used by 5 to 14 Beneficiaries

We limited our site visits to instances where the same address appeared on 15 or more beneficiaries’ payment records. However, our data indicated more than 1,300 “in care of” addresses appeared on 5 to 14 beneficiaries’ payment records. Each of these situations is potentially subject to the same benefit assignment or individual capability problems discussed above.

SSA REFERRALS TO CHECK CASHING/CASH ADVANCE LOAN BUSINESSES

SSA staff at two field offices recommended beneficiaries send their benefit payments directly to two local check cashing/cash advance businesses via the “in care of” arrangement. SSA policy prohibits the practice of recommending the use of any individual financial institution over another to receive SSA payments.⁷ At the time of our review, 91 beneficiaries had their payments either mailed to the businesses or

⁷ SSA, POMS, GN 02402.030.A.1, *Acceptable Types of Financial Institutions and Accounts*.

electronically deposited into accounts controlled by these businesses. Staff acknowledged they referred SSA beneficiaries to these businesses. One field office provided us a copy of a change of address form pre-printed with information needed to affect the transfer of benefit payments to one of these businesses.

These businesses profited from these ventures by charging beneficiaries a 2-percent fee to convert the SSA payment into cash, or through fees collected on cash advances collateralized by their SSA payments. One SSA manager stated the field office recently stopped issuing referrals to one check cashing/cash advance business because of complaints about amounts withheld from benefit payments to satisfy cash advances, and said the field office now refers beneficiaries to a different check cashing/cash advance business. SSA staff should not engage in promotion of arrangements that transfer control of funds from a beneficiary to a person or entity that has an interest in charging or collection money from the claimant.⁸

CONCLUSION AND RECOMMENDATIONS

Through site visits conducted in seven SSA regions, we verified that “in care of” facilities existed, and when applicable, appeared to provide adequate care for the beneficiaries. However, our site visits indicated the address changes were used to facilitate the assignment of SSA benefits to third parties or resulted in assignment-like situations. Our site visits identified 31 beneficiaries that did not appear capable of managing their benefits and potentially required the assignment of a representative payee. Staff at several facilities we visited indicated that they preferred to avoid representative payee appointment. Staff at one facility visited directly acknowledged use of the “in care of” designation was favored because it eliminated the administrative burden SSA imposes on representative payees. Finally, we determined that, contrary to SSA policy, two field offices recommended that beneficiaries use specific check cashing/cash advance businesses to receive their SSA payments.

We recommend SSA:

1. Determine beneficiary capability when circumstances indicate the individuals may not be capable of managing their benefits (for example, directing benefits be paid “in care of” a nursing home, rest home, etc.).
2. Remind field offices to discontinue the practice of promoting/recommending use of any individual financial institution or type of institution over another.
3. Include steps in the Onsite Security Control and Audit Review (OSCAR) process to ensure field offices do not promote/recommend use of any individual financial institution or type of institution over another.

⁸ SSA, POMS, GN 02410.001.D.1.

AGENCY COMMENTS

SSA agreed with Recommendations 1 and 2. SSA stated it disagreed with Recommendation 3, although it agreed that SSA personnel should not promote/recommend use of any individual financial institution or type of institution over another. SSA stated it believed the OSCAR guide was not a training tool or appropriate mechanism for disseminating this information to its employees. See Appendix C for the full text of SSA's comments.

OIG RESPONSE

We appreciate SSA's comments. Regarding Recommendation 3, we did not suggest that SSA use the OSCAR guide merely as a training tool or as a mechanism to disseminate information to its employees. Our recommendation was that SSA use the OSCAR guide as a means to verify that field office staff comply with SSA prohibitions against promotion of one financial institution or type of financial institution over another. We are encouraged that SSA agreed its personnel should not promote or recommend use of one financial institution or type of institution over another and will issue a reminder to field office staff. We believe the Agency's comments, in total, are responsive to the intent of our recommendations.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Acronyms

COA	Change of Address
OASDI	Old Age, Survivors and Disability Insurance
OSCAR	Onsite Security Control and Audit Review
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope and Methodology

To accomplish our objectives, we:

- Reviewed applicable laws, regulations and Social Security Administration (SSA) policies and procedures governing use of “in care of” addresses, assignment of benefits, and acceptable types of financial institutions and accounts.
- Interviewed Dallas Region and SSA Headquarters staff regarding use of “in care of” addresses.
- Reviewed prior Office of the Inspector General reports and found none related directly to our objectives.
- Obtained data from SSA payment records as of September 2006. We identified approximately 167,000 Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries and approximately 49,000 Supplemental Security Income (SSI) recipients in current payment status that met the following criteria:
 - ✓ Used addresses containing the words/phrases “In Care,” “C/O,” “Care,” “I/C,” or “ICO” and the address did not belong to an SSA field office.
 - ✓ The payment record indicated the beneficiary/recipient did not have a representative payee.
- Identified 228 “in care of” addresses that appeared on 15 or more OASDI payment records and 76 “in care of” addresses that appeared on 15 or more SSI payment records.
 - ✓ We sorted the addresses by region and grouped the addresses into two categories: addresses that (1) appeared to be nursing home facilities and (2) did not appear to be nursing home facilities.
 - ✓ We randomly selected two nursing home facilities and two non-nursing home facilities in each region. We did not include facilities in either the Atlanta or Dallas Regions because SSA had already either conducted or planned similar site visits in those Regions, and identified no “in care of” addresses in the Denver Region that appeared on 15 or more payment records. If a region had less than two facilities in either category, we selected the available addresses. The random selection process identified 23 “in care of” addressees in 7 SSA regions.

- To avoid situations where “in care of” addresses were used by beneficiaries on a short-term (1 or 2 months) basis, we obtained updated payment record information and verified the beneficiaries continued to use the same “in care of” addresses.
- Facilities selected for review in each region are summarized on the table below.

“In Care of” Addresses Selected for Review That Appeared on 15 or More Payment Records								
	SSA Region							
	1	2	3	5	7	9	10	Total
Nursing Homes:	2	2	2	2	2	2	1	13
Non-Nursing Homes:	1	2	1	2	0	2	2	10

- Performed site visits at 19 of the 23 selected facilities, and spoke with facility management about 2 of the remaining 4 facilities. We did not contact the other two facilities because one facility no longer met our criteria at the time of our site visits and the other facility lost its nursing home license. During our site visits at “in care of” addresses used as residences, we interviewed at least four judgmentally selected beneficiaries.

We conducted fieldwork from June through December 2007. The entity audited was the Office of the Deputy Commissioner for Operations. We did not test the general or application controls of SSA systems that generated electronic data used for this audit. Instead, we performed limited testing on the electronic data and we found them to be sufficiently reliable to meet our audit objectives. We conducted this audit in accordance with generally accepted government auditing standards.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: August 11, 2008 **Refer To:** S1J-3

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

From: David V. Foster /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Beneficiary and Recipient Use of 'In Care of' Addresses" (A-06-08-18015)--INFORMATION

We appreciate OIG's efforts in conducting this review. Attached is our response to the recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“BENEFICIARY AND RECIPIENT USE OF ‘IN CARE OF’ ADDRESSES ”
(A-06-08-18015)**

Thank you for the opportunity to review and provide comments on this draft report.

Recommendation 1

Determine beneficiary capability when circumstances indicate the individuals may not be capable of managing their benefits (for example, directing benefits be paid “in care of” a nursing home, rest home, etc.).

Comment

We agree. Some beneficiaries are not capable of managing or directing their finances because of their youth, mental or physical impairment. We will ensure that our field office (FO) staff follow policy to properly determine beneficiary capability, and safeguard all beneficiaries' benefits if they are not capable of managing their own funds through existing representative payee procedures. Additionally, we will ensure that FO technicians are vigilant and alert to situations indicating the need for a representative payee.

Recommendation 2

Remind FO staff to discontinue the practice of promoting and/or recommending use of any individual financial institution or type of institution over another.

Comment

We agree. We will send a reminder to FO staff reminding them not to promote or recommend the use of one financial institution over another for direct deposit. We plan to issue the reminder by December 31, 2008.

Recommendation 3

Include steps in the Onsite Security Control and Audit Review (OSCAR) process to ensure FO staff do not promote and/or recommend use of any individual financial institution or type of institution over another.

Comment

We disagree. Although, it is important that personnel not promote/recommend use of any individual financial institution or type of institution over another, the OSCAR guide is not the appropriate mechanism for disseminating this information. The OSCAR guide is an audit package used to review aspects of FO, Teleservice Center, and Program Service Center

operations to ensure specific actions taken within those components are processed according to established policies and procedures (items such as third party drafts, enumeration actions, and time and attendance records are reviewed for accuracy, completeness, and adherence to established guidelines). The OSCAR is not a training tool or a vehicle to disseminate information to employees.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Ron Gunia, Director, Dallas Audit Division, (214) 767-6620

Jason Arrington, Audit Manager, (214) 767-1321

Acknowledgments

In addition to those named above:

Ashley Moore, Auditor
David McGhee, Senior Auditor
Erica Turon, Senior Analyst
Teresa Williams, Senior Auditor
Mary Ann Braycich, Senior Auditor
Lorrie Clement, Senior Auditor
Regina Finley, Auditor
Faisal Khan, Auditor
David Mazzola, Audit Manager
Abraham Pierre, Auditor
Nichole Purnell, Program Analyst
Brenda Williams, Senior Auditor

For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-06-08-18015.

DISTRIBUTION SCHEDULE

Commissioner of Social Security

Office of Management and Budget, Income Maintenance Branch

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.