
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**REPRESENTATIVE PAYEES
RECEIVING BENEFITS FOR
CHILDREN IN FOSTER CARE**

January 2006

A-13-05-15047

**EVALUATION
REPORT**



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SOCIAL SECURITY

MEMORANDUM

Date: January 20, 2006

Refer To:

To: Laurie Watkins
Regional Commissioner
Philadelphia

From: Inspector General

Subject: Representative Payees Receiving Benefits for Children in Foster Care (A-13-05-15047)

OBJECTIVE

Our objective was to determine whether child beneficiaries and recipients in the Baltimore City Department of Social Services' (BCDSS) foster care program had their benefit payments managed by representative payees who were not their foster care parents and whether those funds were at risk. During our review, we performed a computerized comparison of data provided by BCDSS against data maintained by the Social Security Administration (SSA). The comparison was performed for research and statistical purposes.

BACKGROUND

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

The Social Services Administration of the State of Maryland, Department of Human Resources, administers social services in each of Maryland's 23 counties and Baltimore City through local departments of social services. The local department of social services, such as BCDSS, provides adoption, protective and foster care services to children and families with children. Similar to representative payees, BCDSS' foster care program provides for the food, shelter, and clothing needs of children.

¹ We use the term "beneficiary" to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

SSA provides local departments of social services on-line access to certain beneficiary information. The Agency's State Verification and Exchange System (SVES) enables these organizations to determine whether individuals are receiving benefit payments from SSA. Using this information, BCDSS may apply to be the representative payee for children in its care.

We have performed work regarding representative payees for children in foster care. Previously, we have reported the results of our work concerning BCDSS as a representative payee for children in its foster care program. In addition, our Office of Investigations has conducted investigations of parents who were serving as representative payees while their children were in foster care.

In our September 2001 audit report, *Financial-Related Audit of Baltimore City Department of Social Services – An Organizational Representative Payee for the Social Security Administration (A-13-00-10066)*, we stated BCDSS served as representative payee for 481 (7 percent) of the approximately 7,200 children in its foster care program. During the audit, an official stated BCDSS no longer had on-line access to the Agency's benefit information through SVES to determine whether a child was receiving SSA benefits. This occurred because SSA had made security changes to its software. During our current review, the official informed us BCDSS had access to SVES.

Nationally, our Office of Investigations has completed several investigations of parents who served as representative payees while their children were in foster care. The investigations revealed parents misused benefit payments and committed fraud. We identified four investigations that resulted in arrests and criminal convictions for the misuse and fraud of over \$105,000 in benefit payments during Calendar Year 2004 involving parents serving as representative payees.

One such case showed that, on December 16, 2004, in Salt Lake City, Utah, the U.S. District Court sentenced a mother to serve 9 months in a community corrections facility, be subject to 5 years' supervised release, and pay restitution to SSA in the amount of \$56,016. In July 1997, 1 month after her husband died, the mother filed multiple applications for survivor's benefits stating she had custody of her children. However, the State of Utah had removed the children from her custody and placed them in foster care for their own safety. Later, SSA awarded the mother, as the representative payee, the children's survivor benefit payments. The mother completed two Representative Payee Reports (RPR) falsely, claiming the children were in her care at all times. See Appendix C for further information about the investigations of parents serving as representative payees while their children were in foster care.

For our review, to determine the number of children receiving benefit payments while in foster care, we obtained a list from BCDSS of 4,448 children in its foster care program as of January 2004. We compared this information to beneficiary data maintained by SSA. We found 528 children in BCDSS' foster care program were receiving benefit

payments. Of the 528 children receiving benefit payments while in foster care, 166 (31 percent) did not have BCDSS as their representative payee. Our review focused on these 166 foster care children.

The Agency considers various factors in appointing representative payees for children in foster care. SSA policy instructions indicate that the parent or relative may be chosen as payee even in a foster care situation.² SSA acknowledges while many times the social agency is the best payee choice, that may not always be the case. Among the factors SSA considers in making its decision about who will be the best payee in these situations, is why the child was placed in foster care and whether there are family members who show a strong concern for the child. In addition, the Agency considers whether the foster care placement is expected to be temporary or long-term.

RESULTS OF REVIEW

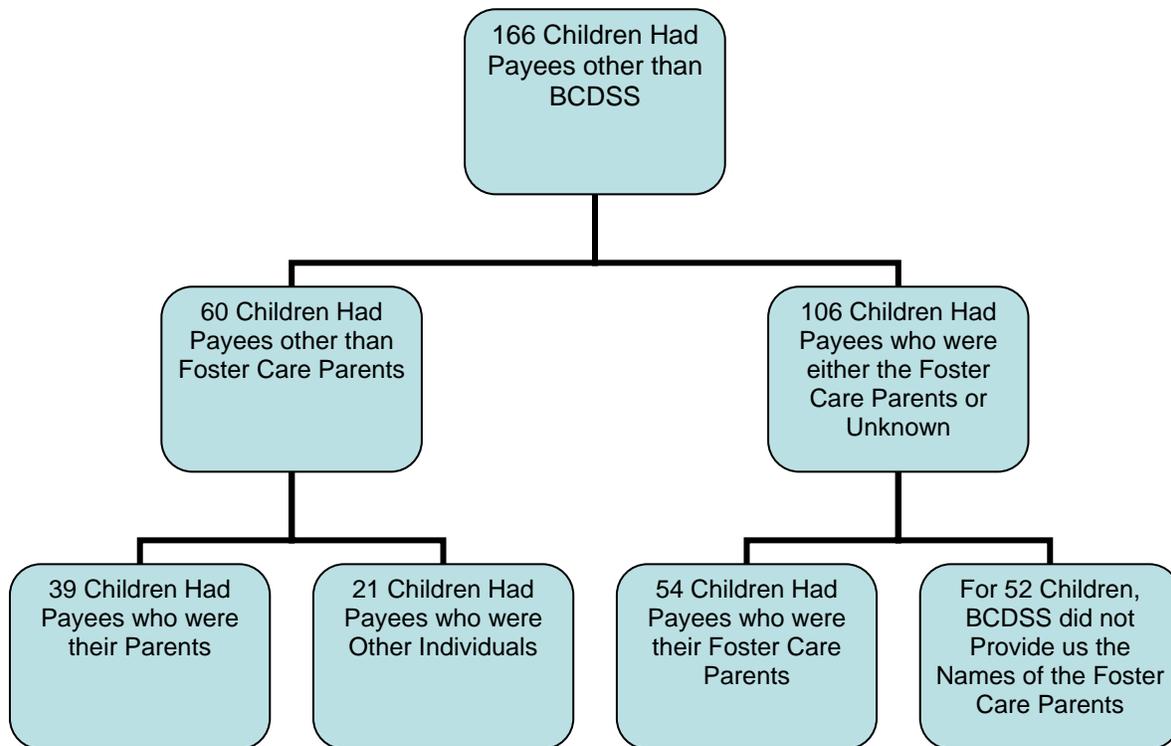
We found 166 children in the BCDSS foster care program had their benefit payments managed by representative payees other than BCDSS. Of the 166 children, 59 had representative payees that managed about \$204,984 annually. These children were in long-term foster care placement, and the representative payees were not the foster care parents. For some of these children, we confirmed the representative payees reported the benefit payments were used for the children's care and support. However, this information is not consistent with the data we obtained from BCDSS and SSA's record systems.

Representative Payees Were Not Always BCDSS or Foster Care Parents

Of the 166 children, 60 had representative payees who were not their foster care parent and 54 had representative payees who were their foster care parents. For the remaining 52 children, BCDSS did not provide us information identifying the foster care parent. See Chart 1 for the breakout of representative payees.

² Program Operations Manual System, GS 01-00-OPB, GN 00502.159.

**Chart 1: Representative Payees and Foster Care Parents
January 2004**



BCDSS Did Not Always Apply To Serve As Payee For Children In Its Foster Care Program

Of the 528 children in BCDSS' foster care program receiving benefit payments as of January 2004, BCDSS did not apply to serve as the representative payee for 166 children. A social service agency official stated this occurred because BCDSS was not aware the children were receiving SSA benefit payments. The official explained BCDSS did not always use SVES to determine whether children entering foster care were receiving SSA benefit payments. As a result, BCDSS did not always apply to serve as the representative payee for these children.

Children Were In Long-Term Foster Care Placements

Of the 60 children served by representative payees who were not their foster care parents, 59 were in long-term foster care placement. As of January 2004, these children had been in foster care for an average of 31 months.³ For our analysis, we defined long-term foster care placement as children who were in the foster care program for 3 months or longer.⁴

³ Median period in foster care was 21 months.

⁴ BCDSS defines long-term foster care placement as children who were in the foster care program for 3 months or more. The definition of long-term foster care may vary by State.

See Table 1 for the types of representative payees not serving as foster care parents and the length of time the children for whom they received benefits were in foster care placement as of January 2004.

Table 1: Representative Payees Not Serving as Foster Care Parents for Children in Long-Term Foster Care Placement as of January 2004

Type of Representative Payee	Number of Children	Percent	Estimated Annual Amount ⁵
Parents	38	64.4	\$133,980
Other Relative	16	27.1	\$ 53,628
Grandparent	3	5.1	\$ 13,560
Other than Relative	2	3.4	\$ 3,816
Total	59	100.0	\$204,984

Representative Payees Report the Use of Benefit Payments

Since the representative payees for at least 59 children were not their foster care parents and the children were in long-term foster care placement, we are concerned about whether the benefit payments for these children were used in accordance with SSA policy, that is, whether payments made to these representative payees were used for the children’s food, shelter, and clothing needs.

An Agency official reported although representative payees for children “...were not foster care parents and the children were in long-term foster care placements, the payees would have accounted for use of benefits by way of the SSA-623/6230 (Representative Payee Report) and any questions about how benefit payments were reported to have been used would have been handled by SSA's established process for reviewing the report.”

Representative payees are required to provide SSA an annual RPR accounting for how benefit payments were spent and how much in benefit payments was conserved. On January 12, 2005, we requested SSA provide us RPRs for the 166 children in foster care that did not have BCDSS as their representative payee. We requested RPRs for the most recent two annual reporting periods. For the 59 children in long-term foster care placements, representative payees managed about \$204,984 annually.

Of the 59 children in long-term foster care placement, we received and reviewed RPRs covering the benefit payments of 23 children. Representative payees reported the total amount of benefit payments were used for the care and support of the children. This

⁵ Estimated annual amount calculated by multiplying January 2004 actual monthly payment times 12.

information is not consistent with the data we obtained from BCDSS.⁶ First, the representative payees were not the foster care parents. Second, a BCDSS official stated that, generally, representative payees do not provide funds to BCDSS for children in foster care. The official did not provide any instances where this had occurred.

CONCLUSION AND RECOMMENDATIONS

During our review, we found 166 children in the BCDSS foster care program had their benefit payments managed by representative payees other than BCDSS. Of the 166 children, 59 had representative payees who managed about \$204,984 annually. These payees were not the foster care parents and the children were in long-term foster care placement. Of these 59, for 23 children, we confirmed the representative payees reported the benefit payments were used for the care and support of the children.

We recommend SSA:

1. Request BCDSS submit all current foster care children's Social Security numbers through SVES; and apply, when appropriate, to serve as representative payee for those children.
2. Routinely remind BCDSS (and similar institutions) to use SVES to determine whether individuals are receiving benefit payments from SSA; and apply, when appropriate, to serve as representative payee.
3. Determine whether an additional outreach effort is needed to increase the use of SVES by other social services agencies in the Philadelphia Region.

AGENCY COMMENTS

The Agency agreed with our recommendations. See appendix E for full text of the Agency's comments.

S

Patrick P. O'Carroll, Jr.

⁶ We performed a computerized comparison of data provided by BCDSS against data maintained by SSA. The comparison was performed for research and statistical purposes. See Appendix B for further information.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Representative Payee Investigations

APPENDIX E – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Acronyms

BCDSS	Baltimore City Department of Social Services
MBR	Master Beneficiary Record
RPR	Representative Payee Report
SSA	Social Security Administration
SSR	Supplemental Security Record
SVES	State Verification and Exchange System
U.S.C.	United States Code

Scope and Methodology

We obtained a listing of 4,448 children in Baltimore City Department of Social Services' (BCDSS) foster care program as of January 2004. To accomplish our objectives, we:

- Reviewed Social Security Administration (SSA) policies and procedures pertaining to representative payees.
- Requested and reviewed a data extract listing of children in BCDSS' foster care program as of January 2004.
- Requested and reviewed additional information regarding foster care parents of children on BCDSS' January 2004 listing.
- Obtained and compared Social Security numbers of children in BCDSS' foster care program to SSA's Master Beneficiary Record (MBR) and Supplemental Security Record (SSR).
- Analyzed applicable information from the MBR and SSR.
- Identified representative payees serving children as of January 2004 using SSA's Representative Payee System.
- Determined which children in foster care had a representative payee other than BCDSS based on information on the MBR, SSR, and Representative Payee System.
- Requested Representative Payee Reports for 166 children in BCDSS' foster care program.
- Discussed a computer matching agreement with SSA staff.

To determine the number of children receiving benefit payments while in BCDSS' foster care program, we obtained a listing of 4,448 children from BCDSS as of January 2004. We compared information from this listing to beneficiary data maintained by SSA. We found 528 children in BCDSS' foster care program were receiving benefit payments. Of these 528 children, 166 (31 percent) did not have BCDSS as their representative payee. Our review focused on these 166 foster care children.

During our review, we performed a computerized comparison of data provided by BCDSS against data maintained by SSA. The comparison was performed for research and statistical purposes. The Privacy Act of 1974, as amended, places limitations on the use of records. According to the Act, "...no record which is contained in a system of records may be disclosed to a recipient agency or non-Federal agency for use in a computer matching program except pursuant to a written agreement between the source agency and the recipient agency or non-Federal agency..."¹ However, the term "matching program" does not include "...matches performed to support any research or statistical project, the specific data of which may not be used to make decisions concerning the rights, benefits, or privileges of specific individuals."² This applies to our computerized comparison of data, which was performed for research and statistical purposes only.

We performed our review in Baltimore, Maryland, from March to October 2005. SSA's Region III and its downtown Baltimore field office were the components reviewed for this report. The BCDSS data we analyzed were the property of BCDSS, and we therefore were not able to assess the reliability of the data. However, we tested SSA data by comparing certain fields from its payment records and representative payee records to BCDSS data. We determined the data to be sufficiently reliable to meet the objectives of our review. We conducted our review in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

¹ 5 U.S.C. 552a(o)(1).

² 5 U.S.C. 552a(a)(8)(B)(ii).

Representative Payee Investigations

We identified four investigations that resulted in arrests and criminal convictions in 2004 involving representative payees for the misuse and fraud of over \$105,000 in benefit payments.

- On May 5, 2004, a Hawaii State court sentenced the father of four children to 5 years in prison and ordered him to pay full restitution to the Social Security Administration (SSA) for \$9,160. The children's mother died in an automobile accident in March 2001. The father was appointed representative payee for the children's Title II survivor benefit payments in May 2001. In January 2002, Hawaii Child Protective Services removed the father's four minor children from his care and placed them in foster care. From January to May 2002, the father received and misused his children's benefit payments.
- On October 13, 2004, the U.S. District Court sentenced a mother to be subject to 3 years' probation and to pay restitution to SSA for \$15,260. The mother's three disabled sons were removed from the home by the State of Michigan and placed in foster care because of unsatisfactory living conditions. SSA was not notified of this action and the benefit checks continued to be sent to the mother as representative payee for her three sons.
- On December 15, 2004, a man was arrested in Phoenix, Arizona, for theft of Government funds and representative payee misuse. The man received benefit payments for two children in foster care in 1999 and 2000, resulting in a loss of over \$25,000 to the Government.
- On December 16, 2004, in Salt Lake City, Utah, the U.S. District Court sentenced a mother to serve 9 months in a community corrections facility, be subject to 5 years' supervised release, and pay restitution to SSA in the amount of \$56,016. In July 1997, 1 month after her husband died, the mother filed multiple applications for survivor benefits stating she had custody of her children. However, the State of Utah had removed the children from her custody and placed them in foster care for their own safety. Later, SSA awarded the mother, as the representative payee, the children's survivor benefit payments. The mother completed two Representative Payee Reports falsely claiming the children were in her care at all times.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: December 23, 2005 Refer To:

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

From: Laurie Watkins
Regional Commissioner

Subject: Representative Payees Receiving Benefits for Children in Foster Care-Reply

Thank you for the opportunity to comment on the subject draft report, which is the result of an audit you performed at the Baltimore City Department of Social Services (BCDSS). We are in agreement with the three recommendations being made. With respect to the second and third recommendations, we have determined that all states in our region, and the District of Columbia, have agreements with the SSA to get information about our beneficiaries through SVES. We will remind other governmental agencies in our states with foster-care divisions to use SVES for this purpose.

If you have questions about these comments please feel free to call me at (215) 597-5157, your staff may contact Jim Siegel of the Programs Support Team. He can be reached at (215) 597-1364.

/s/
Laurie Watkins

OIG Contacts and Staff Acknowledgments

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