
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**INDIVIDUAL REPRESENTATIVE
PAYEES FOR THE SOCIAL
SECURITY ADMINISTRATION
IN THE SEATTLE REGION**

March 2005

A-09-05-15057

**EVALUATION
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.



SOCIAL SECURITY

MEMORANDUM

Date: March 8, 2005

Refer To:

To: Carl L. Rabun
Regional Commissioner
Seattle

From: Inspector General

Subject: Individual Representative Payees for the Social Security Administration in the Seattle Region (A-09-05-15057)

OBJECTIVE

Our objective was to confirm that beneficiaries in the care of representative payees existed; and, through personal observation and interviews, to determine whether the beneficiaries' food, clothing, and shelter needs were being met.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted the Social Security Administration (SSA) the authority to appoint representative payees to receive and manage these beneficiaries' benefit payments.¹ 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 (SSI) recipients when representative payments would serve the individual's interests.

SSA's primary concern is to select the payee who will best serve the beneficiary's interest; and preference is normally given to a parent, legal guardian, spouse, or other relative of a beneficiary.² SSA considers payments to a representative payee to have been used for the benefit of the beneficiary if they were spent on the beneficiary's current maintenance—which includes the costs incurred in "...obtaining food, shelter, clothing, medical care, and personal comfort items."³

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

² 20 C.F.R. §§ 404.2021 and 416.621.

³ 20 C.F.R. §§ 404.2040(a) and 416.640(a).

We are conducting a nation-wide review of individual representative payees serving 14 or fewer beneficiaries (Appendix C). There are approximately 4.3 million of these types of representative payees who serve approximately 5.5 million beneficiaries. We selected a random sample of 275 individual representative payees for review, of which 5 were in the Seattle Region. These five representative payees receive and manage approximately \$3,343 in monthly benefits for five beneficiaries.

RESULTS OF REVIEW

We confirmed the existence of the five beneficiaries in the care of the five representative payees in the Seattle Region; and, through personal observation and interviews, we found that all five beneficiaries' food, clothing, and shelter needs were being met.⁴ Nothing came to our attention that would lead us to believe the representative payees did not use the Social Security benefits received for the beneficiaries' needs. However, we found one representative payee turned over a significant portion of a benefit check directly to a beneficiary who may have been capable of managing his own benefits. In addition, we found that SSA did not take prompt action on the events reported by two representative payees.

Beneficiary May Have Been Capable of Managing His Own Benefits

A representative payee's primary responsibility is to ensure the beneficiary's day-to-day needs are met. This includes food, shelter, clothing, medical care, and personal comfort items.⁵ It also includes, but is not limited to, regularly meeting with the beneficiary to ascertain his/her current and foreseeable needs.⁶

Of the five representative payees in our sample, one turned over a significant portion of the benefit check directly to the beneficiary. This occurred because the representative payee believed the beneficiary was capable of managing his own benefits. The beneficiary received \$564 in monthly benefits. The representative payee estimated that she turned over \$536 (95 percent) to the beneficiary. SSA policy allows this practice as long as the representative payee gives the beneficiary direction or instruction about how to use the funds. In addition, the representative payee must be able to accurately account for how the benefits were used. However, SSA policy also states this practice may suggest the beneficiary is capable of managing his/her own benefits.⁷

⁴ Of the five representative payees, two representative payees were the beneficiaries' spouses, one representative payee was the beneficiary's father, one representative payee was the beneficiary's sister-in-law, and one representative payee was the beneficiary's aunt.

⁵ SSA, POMS, GN 00605.067 D.2 and GN 00602.001 A.2.

⁶ SSA, POMS, GN 00502.113 C.1.

⁷ SSA, POMS, GN 00605.066 B.2 and GN 00605.067 D.1.

According to the representative payee, the beneficiary used these funds to pay for such expenses as rent, utilities, insurance, food, and clothing. Each month, the beneficiary submitted a list of planned expenses to the representative payee. In addition, the representative payee generally obtained receipts to verify these expenses. SSA staff advised the representative payee to continue this practice and closely monitor the beneficiary's use of his funds. In addition, SSA staff advised the representative payee to contact the local SSA field office if the beneficiary believes he is capable of managing his own funds. At that time, SSA will reevaluate the beneficiary's need for a representative payee.

SSA Did Not Take Prompt Action on Events Reported by Representative Payees

Representative payees must report events, such as changes in income and living arrangements, on behalf of SSI recipients.⁸ SSA must act as quickly as possible to determine whether such events affect the recipient's SSI eligibility or payment amount.⁹

For two of the five representative payees in our sample, we found that SSA did not take prompt action on the events reported by its representative payees. These events involved SSI recipients who had changes in income and living arrangements. Although both representative payees had notified the SSA field office of these events, SSA did not perform a timely review to determine whether the recipients' entitlement or payment amount was affected. As a result, one recipient received \$340 in SSI overpayments.

In one case, the representative payee maintained a household for his stepdaughter, stepson, and son (the recipient). The representative payee informed SSA that his stepdaughter and stepson had moved out of the household in April and July 2004, respectively. However, these individuals were still included as part of the household at the time of our site visit. Because of the change in living arrangements, the recipient received \$340 in SSI overpayments for March through September 2004. During our review, SSA took corrective action and established the overpayment.

In the other case, the representative payee and his wife (the recipient) moved into an apartment in May 2004. The representative payee received free rent and utilities as the apartment manager and promptly reported such income to SSA. However, at the time of our site visit, SSA had not determined whether the change in income affected the recipient's entitlement or payment amount. SSA subsequently performed a redetermination and concluded the change in income did not result in an overpayment.

⁸ SSA, POMS, SI 02301.005 B.2.

⁹ SSA, POMS, SI 02301.010 C.1 and C.2.

CONCLUSIONS AND RECOMMENDATIONS

We confirmed the existence of the five beneficiaries in the care of the representative payees. In addition, based on our observations and interviews, the beneficiaries' food, clothing, and shelter needs were being met. However, for one individual, we found the representative payee turned over a significant portion of the benefit check directly to a beneficiary who may have been capable of managing his own benefits. We also found that SSA did not take prompt action on the events reported by two representative payees.

We recommend that SSA:

1. Follow up with the representative payee to determine whether the beneficiary is capable of managing his benefits.
2. Make appropriate collection efforts for the \$340 overpayment resulting from the change in living arrangements for one representative payee.
3. Ensure field offices take prompt action on any events reported by representative payees that may affect the recipient's entitlement or payment amount.

AGENCY COMMENTS

SSA agreed with all of our recommendations. See Appendix D for the text of SSA's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology and Results

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Acronyms

C.F.R.	Code of Federal Regulations
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope and Methodology

Our population included all individual representative payees within the contiguous 48 States serving 14 or fewer beneficiaries as of May 20, 2004. To accomplish our objective, we:

- Reviewed the Social Security Administration's policies and procedures for monitoring representative payees and their responsibilities for the beneficiaries in their care.
- Obtained a data extract of representative payees from the Representative Payee System as of May 2004 meeting our selection criteria.
- Selected a random sample of 275 representative payees nation-wide. We are issuing a separate report on the nation-wide results, as well as separate reports for each of the 10 SSA regions.¹

For the five representative payees in the Seattle Region, we

- verified the identities of five representative payees and five beneficiaries they served;
- interviewed five representative payees;
- interviewed five beneficiaries; and
- visited and observed the living conditions of five beneficiaries.

We performed our review in Corvallis, Oregon; Salem, Oregon; Longview, Washington; Oak Harbor, Washington; and Spokane, Washington. Field work was conducted between August and September 2004. We conducted our review in accordance with *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

¹ SSA, OIG, *Nation-Wide Survey of Individual Representative Payees for the Social Security Administration* (A-13-05-25006), *Individual Representative Payees for the Social Security Administration in the Boston Region* (A-01-05-15048), *Individual Representative Payees for the Social Security Administration in the New York Region* (A-02-05-15049), *Individual Representative Payees for the Social Security Administration in the Philadelphia Region* (A-14-05-15050), *Individual Representative Payees for the Social Security Administration in the Atlanta Region* (A-13-05-15051), *Individual Representative Payees for the Social Security Administration in the Chicago Region* (A-05-05-15052), *Individual Representative Payees for the Social Security Administration in the Dallas Region* (A-06-05-15053), *Individual Representative Payees for the Social Security Administration in the Kansas City Region* (A-07-05-15054), *Individual Representative Payees for the Social Security Administration in the Denver Region* (A-07-05-15055), *Individual Representative Payees for the Social Security Administration in the San Francisco Region* (A-09-05-15056), and *Individual Representative Payees for the Social Security Administration in the Seattle Region* (A-09-05-15057).

Sampling Methodology and Results

Nation-wide Review

We obtained a data extract from the Social Security Administration’s Representative Payee System of all individual representative payees having 14 or fewer beneficiaries in their care as of May 20, 2004. This population was 5,380,635 representative payees serving 6,818,696 beneficiaries.

From this population, we excluded representative payees who had any of the following characteristics:

- residing outside the 48 contiguous States;
- identified in the Representative Payee System as only serving as their own payee;
- having all beneficiaries in their care in noncurrent pay status;
- having an invalid State code or military address; or
- managing total funds of \$50 or less monthly.

This reduced our sample population to 4,306,779 payees serving 5,520,303 beneficiaries. We randomly selected 275 representative payees from this sample population for review.

Seattle Region Sample Cases

Initially, 5 of the 275 sample cases chosen were located in the Seattle Region. However, one representative payee was dropped from our review because of the beneficiary’s death. One representative payee was added to our Region for review because a representative payee in the Chicago Region stopped serving as a payee, and the replacement sample case randomly chosen was located in the Seattle Region.

Accordingly, our review of the Seattle Region consisted of five representative payees. Our findings in the Seattle Region will be included in a national report, where statistical projections will be made. The following table provides the details of our sampling results in the Seattle Region.

Sample Results

Sample Results	Number of Cases	Dollar Amount of Cases
SSA Did Not Take Prompt Action on Reported Events	2	\$340

Agency Comments

MEMORANDUM

Date: March 1, 2005

To: Inspector General

From: Regional Commissioner
Seattle Region

Subject: Individual Representative Payees for the Social Security Administration in the Seattle Region (A-09-05-15057) – SEATTLE REPLY

Thank you for the opportunity to comment on the draft report of the OIG audit on Individual Representative Payees in the Seattle Region. We are pleased that the audit found that the representative payees appeared to be using the Social Security and Supplemental Security Income benefits for the beneficiaries' needs. We understand the importance of ensuring that payees fully understand their responsibilities and we remain committed to continuing to provide support and guidance to our field personnel to preserve the integrity of the representative payee program in the Seattle Region.

Recommendations

You provided us with three recommendations in this report. Our response to each recommendation is below:

Follow up with the representative payee to determine whether the beneficiary is capable of managing his benefits.

We agree with this recommendation.

We evaluated the individual's capability and made him his own representative payee on February 1, 2005.

Make appropriate collection efforts for the \$340 overpayment resulting from the change in living arrangements for one representative payee.

We agree with this recommendation.

We posted the overpayment to the record on September 13, 2004 and sent the individual a notice of overpayment on September 28, 2004.

Ensure field offices take prompt action on any events reported by representative payee that may affect the recipient's entitlement or payment amount.

We agree with this recommendation.

We will continue to provide appropriate guidance and assistance to our employees so that representative payee reports that may affect entitlement or payment amounts are handled timely.

Thank you for the opportunity to comment on the draft report. If your staff have any questions, they may contact Joan Nicholson, RSI Programs and Systems Team, by phone at 206-615-2128 or by email at joan.nicholson@ssa.gov.

Carl L. Rabun

OIG Contacts and Staff Acknowledgments

OIG Contacts

James J. Klein, Director, San Francisco Audit Division, (510) 970-1739

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Acknowledgments

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Office of Audit

OA conducts and/or supervises 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 and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

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