
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**CONTROLS OVER
REPRESENTATIVE PAYEE ACCOUNTING
OF SOCIAL SECURITY FUNDS**

February 2007

A-15-06-16065

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: February 26, 2007

Refer To:

To: The Commissioner

From: Inspector General

Subject: Controls over Representative Payee Accounting of Social Security Funds
(A-15-06-16065)

OBJECTIVE

Our objective was to determine whether representative payee annual accounting reports were submitted timely and whether the Social Security Administration (SSA) took appropriate action if the accounting reports were not submitted. In addition, we determined whether SSA used the redirection authority as stated in the *Social Security Protection Act of 2004*¹ (SSPA) when accounting reports were not submitted.

BACKGROUND

Some individuals cannot manage 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' payments.² A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries or Supplemental Security Income (SSI) recipients when payments to representatives would serve the individuals' interests. Representative payees are responsible for using payments in the beneficiaries' best interests.

SSA's primary concern is to select a representative 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.³ SSA considers payments to a representative payee have been used properly for the beneficiary's current maintenance, if the costs were incurred for "...obtaining food, shelter, clothing, medical care, and personal

¹ Public Law No. 108-203.

² 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).

³ 20 C.F.R. §§ 404.2021 and 416.621.

comfort items.”⁴ Annually, representative payees are required to submit accounting reports to SSA to report how the payees spent funds on behalf of the beneficiaries they served.⁵

Section 106 of SSPA gives SSA the authority to redirect the delivery of benefit payments when a representative payee fails to provide the required accounting reports.⁶ If SSA is unsuccessful in obtaining an annual accounting report from the representative payee, SSA may redirect the beneficiary’s payment check to the appropriate SSA field office (FO). However, before SSA can exercise this option, it is required to provide notice to the representative payee and the beneficiary or recipient entitled to the payment.⁷ But, the redirection can be averted if the representative payee comes into the FO within 15 days of the date of the notice to retrieve the check; however, if the representative payee fails to show the FO can exercise the option to redirect the check.⁸

Based on Section 106 of SSPA, SSA developed internal policies for handling past due accounting reports. For additional information on these procedures, see Appendix C.

This audit addresses whether SSA took appropriate actions as illustrated in Appendix C to obtain accounting reports and if SSA has taken advantage of the redirection authority provided in Section 106 of SSPA. Obtaining timely representative payee accounting reports helps ensure the beneficiary’s money is being spent appropriately.

To determine whether appropriate actions were taken if a representative payee did not submit an accounting report timely or at all, we randomly selected 50 OASDI cases and 50 SSI cases. SSA’s policy states: “When a payee does not respond to the initial or second request mailing of the...[Representative Payee Report] FOs receive a list of nonresponder cases....”⁹ Furthermore, SSA policy states:

“If the FO is unsuccessful in obtaining an annual accounting report from the representative payee after following Steps 1 – 5, [GN 00605.085B](#), or in any case in which the payee fails to respond to a request for an accounting of expenditures when misuse is suspected, the FO manager may redirect the

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

⁵ SSA, Program Operations Manual System (POMS): GN 00605.001 Overview of Annual Representative Payee Accounting.

⁶ Public Law No. 108-203 § 106, effective September 2004; See also Social Security Act § 205(j)(3), 42 U.S.C. § 405(j)(3).

⁷ SSA, POMS: GN 00605.085 How to Handle Non-Responder (Third Alert) Cases.

⁸ SSA, POMS: GN 00605.085 How to Handle Non-Responder (Third Alert) Cases.

⁹ *Id.*

beneficiary's payment check to the FO address without processing a change of payee.¹⁰

RESULTS OF REVIEW

During our review, we determined that 56 of the 100 representative payee accounting reports were submitted in response to the initial request and an additional 14 representative payee accounting reports were submitted after the second request. Also, 11 of the 100 representative payee accounting reports were not submitted as of June 2006 and benefits could have been redirected, but were not. Although SSA took appropriate follow-up action to obtain these reports, it did not take advantage of SSPA's redirection authority. Finally, 19 of the 100 representative payee accounting reports were not submitted at all for valid reasons such as the death of the beneficiary. In these situations, redirection of benefits would not have been appropriate.

OASDI REPRESENTATIVE PAYEE ACCOUNTING REPORTS

To determine whether appropriate actions were taken, we randomly selected 50 OASDI cases where representative payees did not submit their accounting reports timely. We then requested copies of the accounting reports from Wilkes-Barre Data Operations Center (WBDOC). We found 6 of the 50 sample items remained outstanding for at least 7 months after the initial request was sent, and were eligible for benefit redirection; however, no redirection procedures were initiated. SSA complied with its policy by sending follow-up notices to the representative payees. For three of the six sample items, parents were assigned as the representative payees for their children.

Based on our analysis of the procedures pertaining to the OASDI representative payee accounting reports, we believe SSA has adequate policies and procedures in place to obtain past due accounting reports. Overall, SSA implemented proper follow-up procedures to obtain the past due OASDI accounting reports (see Appendix C). However, SSA could have redirected the beneficiary's check for six of the representative payees.

SSI REPRESENTATIVE PAYEE ACCOUNTING REPORTS

To determine whether appropriate actions were taken, we randomly selected 50 SSI cases with representative payee accounting reports that were due to be submitted. We then requested copies of the accounting reports from the WBDOC. We found 5 of the 50 sample items remained outstanding for at least 6 months after the initial request was sent, and were eligible for benefit redirection; however, no redirection procedures were performed. SSA complied with its policy by sending follow-up notices to the representative payees. For four of the five sample items, parents were assigned as the representative payees for their children.

¹⁰ *Id.*

For 7 of the 50 sample items, the accounting report period ending date per the Supplemental Security Record (SSR) did not agree with the period ending date on the most recent accounting report received from WBD0C. We attempted to resolve the accounting report date discrepancies by requesting copies of the most recent accounting reports on 3 separate occasions; once in March 2006 and twice in June 2006. However, WBD0C staff could not provide the accounting reports corresponding to the reporting dates shown on the SSR. In addition, we could not determine which SSA component updated the report period ending date on the SSR.

Based on discussions with SSA, the new Electronic Representative Payee Accounting Exception System, which will be released by the end of 2007, will resolve this issue because all representative payee information will be stored in the system. (See the Other Matters section of this report for further information.) In addition, SSA informed us that in January 2007 the Agency implemented a system, which establishes a Representative Payee Accounting DB2 data base to maintain a record of the Representative Payee Accounting (RPA) data for all OASDI and SSI forms. The data base will serve as a national OASDI/SSI RPA form/record repository and as a control system for all RPA form follow-up functions. The data base will store up to 4 years of historical RPA form data per account number. The historical data will be accessible for query and update by the beneficiary's own Social Security number (SSN), common accounting number, or the Representative Payee's SSN or Representative Payee System organizational payee identification.

Overall, SSA implemented proper follow-up procedures to obtain the past due SSI accounting reports. However, SSA could have redirected the beneficiary's check for five of the representative payees.

CONCLUSION AND RECOMMENDATION

Generally, we found that SSA adequately obtained the OASDI and SSI representative payee accounting reports; however, SSA could have redirected the six OASDI beneficiary checks and five SSI beneficiary checks to the appropriate SSA FO. We contacted SSA offices to confirm whether redirection procedures were performed; however, SSA staff chose to not take advantage of the redirection authority for these cases. Three of the six OASDI sample items were parent/child relationships, and four of the five SSI sample items were parent/child relationships. Failure to submit representative payee accounting reports may indicate the beneficiary's funds have been misused; in which case, SSA should ensure that current representative payee accounting reports are obtained.

We recommend SSA provide policy reminders to its staff on representative payee accounting, including the option to have benefits or payments redirected.

AGENCY COMMENTS

SSA agreed with our recommendation. The Agency also provided some technical comments that were incorporated into our final report. The text of SSA's comments is included in Appendix D.

OTHER MATTERS

During the course of our audit, we learned the Agency is making improvements regarding the representative payee accounting report process. One of those improvements is the implementation of the Kansas City Region's Representative Payee Accounting Non-Responder Program website. This program was designed to automate the non-responder workload, and the program also has the following capabilities:

- Extracts and organizes non-responder lists for both OASDI and SSI cases.
- Extracts data from the Representative Payee System, the Master Beneficiary Record (MBR), and the SSR to pre-fill fields on the Representative Payee Reports.
- Issues appointment notices, redirect notices, and generates revised representative payee accounting forms.

Every SSA FO has the ability to use this program; however, not all FOs are taking advantage of the program. In addition, the program only allows an SSA FO the capability to review its respective non-responders and does not provide the Program Service Centers (PSC) or SSA Headquarters offices any reporting or query capabilities.

In addition, the Agency has issued a proposal for an Electronic Representative Payee Accounting Exception System, which is a web-based system that is intended to provide exception resolution (i.e. amounts are not in agreement) for the annual accounting forms. It is anticipated that this system will provide exception notification, control, and resolution capabilities to assist WBDOC, the PSCs, and the field operations with the processing of a high-volume recurring workload. It is also intended that this system will:

- Improve the accuracy of the accounting process by ensuring all representative payee responses are evaluated in an accurate and consistent manner.
- Expedite the completion of the accounting process by automating the accounting forms and eliminating the procedure of physically shipping the forms.

The Office of the Inspector General encourages SSA to continue with its efforts to develop an automated representative payee system to improve service to beneficiaries and payees.

We also found that SSA's process for handling OASDI accounting reports could be improved. When OASDI representative payee accounting forms have not been submitted within 12 months, the control records are moved into an inactive control file, thus creating a new accounting cycle and a new due date on the MBR. As a result, it is difficult for SSA staff to determine the status of the accounting reports since the history is constantly being overwritten. Therefore, we encourage SSA to ensure the new automated representative payee system maintains a history of the accounting reports.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – SSA Representative Payee Accounting Procedures

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Acronyms

C.F.R.	Code of Federal Regulations
FO	Field Office
FY	Fiscal Year
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
PSC	Program Service Center
RPA	Representative Payee Accounting
SSA	Social Security Administration
SSA-623	Representative Payee Report
SSI	Supplemental Security Income
SSN	Social Security number
SSPA	Social Security Protection Act
SSR	Supplemental Security Record
U.S.C.	United States Code
WBDOC	Wilkes-Barre Data Operations Center

Scope and Methodology

We obtained an extract from the Master Beneficiary Record (MBR) of beneficiaries whose representative payees did not submit timely accounting reports. We identified 691,903 Old-Age, Survivors and Disability Insurance representative payees who had past due accounting reports during Fiscal Year (FY) 2005. The data extract excluded beneficiaries who were in non-current pay status or had representative payees selected after October 2004. From this population, we randomly selected a sample of 50 representative payees. We also obtained an extract from the Supplemental Security Record (SSR) of beneficiaries whose representative payees were due to submit accounting reports. We identified 87,630 Supplemental Security Income (SSI) recipients whose representative payees had been in place for 24 months or longer, and were in active and current pay status. The data extract excluded representative payees who were in non-current pay status or had been representative payees less than 2 years. From this population, we randomly selected a sample of 50 recipients for review.

To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations, as well as the Social Security Administration's (SSA) Program Operations Manual System.
- Interviewed Agency personnel from the Office of Operations to determine what follow-up procedures were used and if personnel were following SSA's policy on non-responders.
- Extracted 691,903 records from SSA's MBR for beneficiaries whose representative payees did not submit timely accounting reports during FY 2005. Of these, 50 records were randomly selected. We examined these records to determine whether SSA:
 - ✓ provided notice to the representative payee if the required accounting reports were not submitted;
 - ✓ required the representative payee to appear in person at an SSA Field Office (FO) if the accounting reports were not submitted; and
 - ✓ redirected the beneficiary's payment check.
- Extracted 87,630 records from SSA's SSR for recipients whose representative payees had been in place for 24 months or longer and were in active and current pay status. Of these, 50 records were randomly selected. We examined these records to determine whether SSA:

- ✓ provided notice to the representative payee if the required accounting reports were not submitted;
 - ✓ required the representative payee to appear in person at an SSA FO if the accounting reports were not submitted; and
 - ✓ redirected the recipient's payment check.
- Requested the Form SSA-623, *Representative Payee Report*, for the representative payees in our sample from Wilkes-Barre Data Operations Center (WBDOC).
 - Requested documentation from SSA field offices to determine the follow-up procedures they performed to obtain the accounting reports.

Our MBR data extract included some current accounting reports that did not meet our specified criteria (i.e. accounting reports that did not exceed the 1 year timeframe). This occurred because the accounting report information is constantly being overwritten with current information. As a result, an accounting form for 1 year may have been returned very late and used to clear the diary established for the following year. See the Other Matters section of the report for additional information.

Despite the above issue, we determined that the MBR data used in this report was sufficiently reliable given our audit objective and intended use of the data. Based on our comparison of the MBR data to the documentation received from WBDOC, we determined that any data limitations were minor in the context of this assignment and the use of this data would not lead to an incorrect or unintentional message. However, we did not fully determine the reliability of the SSR data used in this report. We found discrepancies in the accounting report period ending date during our comparison of SSR data to the documentation received from WBDOC. In addition, we could not determine which SSA component updated the SSR data. Please see the SSI Representative Payee Accounting Reports section of this report for further discussion of this issue.

We conducted our fieldwork in Baltimore, Maryland between February 2006 and June 2006. The entities audited were the Office of Operations, Office of Public Service and Operations Support and WBDOC. Our audit was conducted in accordance with generally accepted government auditing standards.

SSA Representative Payee Accounting Procedures

(SSA, Program Operations Manual System: GN 00605.020 System Selection and Control, and Mailing of Accounting Forms and SSA, Administrative Message: 05035 Representative Payee Accounting Control File)

Old-Age, Survivors and Disability Insurance:

Initial Request Mailing- The contractor will mail a Form SSA-623, *Representative Payee Report*, to the payee the month following the report period end date.

Second Request Mailing- The contractor mails a second request SSA-623 to the representative payee for completion 90 days after the initial mailing was sent.

Non-Responder Alert- The contractor will issue a non-responder alert 7 months after the initial request mailing.

Supplemental Security Income:

Initial Request Mailing- The contractor will mail an SSA-623 to the payee in the same month the selection was made.

Second Request Mailing- The contractor mails a second request SSA-623 to the representative payee for completion 90 days after the initial mailing was sent.

Non-Responder Alert- The contractor will issue a non-responder alert 6 months after the initial request mailing.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: February 8, 2007 **Refer To:** S1J-3

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

From: Larry W. Dye /s/

Subject: Office of the Inspector General (OIG) Draft Report, "Controls over Representative Payee Accounting of Social Security Funds" (Audit No. 22006045)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Response

**COMMENTS ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT,
“CONTROLS OVER REPRESENTATIVE PAYEE ACCOUNTING OF SOCIAL
SECURITY FUNDS”(A-15-06-16065)**

Thank you for the opportunity to review and comment on the draft report. We appreciate your conducting this follow-up analysis of information concerning representative payee (Rep Payee) misuse of beneficiaries' payments.

The Agency continues to make improvements in the Rep Payee accounting report process and has already implemented an automated Representative Payee Accounting Non-Responder Program. This program automates the non-responder workload; i.e., extracts and organizes non-responder lists for both Title II and Title XVI cases, issues appointment notices, redirects notices, and generates revised Rep Payee accounting forms. As this process expands, Social Security Administration Program Service Centers and Headquarters offices will be included and will have the same reporting and query capabilities to review non-responder workloads as field offices (FOs).

Recommendation

SSA should provide policy reminders to its staff on Rep Payee accounting, including the option to have benefits or payments redirected.

Comment

We agree. By March 31, 2007, we expect to issue policy reminders to the FO staff on Rep Payee accounting, including the option to have benefits or payments redirected.

[In addition to the comments above, SSA provided some technical comments which have been addressed in this report.]

OIG Contacts and Staff Acknowledgments

OIG Contacts

Victoria Vetter, Director, Financial Audit Division, (410) 966-9081

Kristen Schnatterly, Audit Manager, (410) 965-0433

Acknowledgments

In addition to those named above:

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Brennan Kraje, Statistician

Annette DeRito, Writer/Editor

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