
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**INDIVIDUAL REPRESENTATIVE
PAYEES FOR THE SOCIAL
SECURITY ADMINISTRATION IN
THE NEW YORK REGION**

January 2005 A-02-05-15049

**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: January 31, 2005

Refer To:

To: Bea Disman
Regional Commissioner
New York

From: Inspector General

Subject: Individual Representative Payees for the Social Security Administration in the New York Region (A-02-05-15049)

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 interests; 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 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 (see Appendices A and B for details). There are approximately 4.3 million of these types of representative payees who serve approximately 5.5 million beneficiaries. To provide statistically valid nation-wide projections, we selected 275 individual representative payees for review, of which 22 were in the New York Region.⁴ These 22 representative payees received and managed approximately \$13,795 in monthly benefits for 29 beneficiaries.

RESULTS OF REVIEW

We confirmed the existence of the 29 beneficiaries in the care of the 22 representative payees in the New York Region; and, through personal observation and interviews, we found that the beneficiaries' food, clothing and shelter needs were being met for 28 of the beneficiaries.⁵ For these 28 individuals, nothing came to our attention that would lead us to believe that the representative payees did not use the Social Security benefits received for the beneficiaries' needs. In one case, it appeared the beneficiary's basic shelter needs were met, but we question whether all of the beneficiary's funds were being used to help meet his needs. This case is further developed below.

Representative Payee Did Not Ensure That All Benefits Went for the Beneficiary's Needs

One of a representative payee's primary responsibilities is to ensure the beneficiary's day-to-day needs are met. This includes costs incurred in obtaining food, shelter, clothing, medical care, and personal comfort items. It also includes, but is not limited to, regularly meeting with the beneficiary to ascertain his/her current and foreseeable needs.⁶

One case we reviewed involved a daughter serving as a representative payee for her father. We had difficulty locating the representative payee when attempting to set up an interview. We eventually contacted one of the representative payee's sisters, whose work telephone number was included in the beneficiary's Master Beneficiary Record (MBR). The sister informed us that both the representative payee and the beneficiary only spoke Spanish. We contacted the servicing field office (FO) to request the assistance of a Spanish interpreter and were told the FO had unsuccessfully attempted to contact the representative payee on an overpayment issue. Because the representative payee did not respond to the FO, the beneficiary's benefits were put into suspense.

⁴ Originally, we had 24 cases in the New York Region. However, two of the cases were replaced. One case involved a representative payee that was terminally ill and subsequently died. The other case involved a representative payee whose minor child, who was her only beneficiary, stopped receiving benefits upon turning 18 before the period of our review.

⁵ Of the 22 representative payees, 15 were the beneficiaries' mothers and 7 were some other type of relative.

⁶ SSA POMS, GN 00502.113.

We provided the FO staff with the representative payee's sister's telephone number. SSA was eventually able to speak with the representative payee who stated she was often out of the country, lived apart from her father, and was not in a position to be representative payee. She requested that her sister, whom her father (the beneficiary) actually lived with, be named his representative payee. The sister later visited the FO and applied to be her father's representative payee. Her application was approved, and she was named the new representative payee.

We interviewed the beneficiary and the current representative payee. We were told by the current representative payee (the custodial daughter) that the previous representative payee did not properly oversee the use of the beneficiary's benefits. From May 1998 to August 2004, the previous representative payee paid the beneficiary's rent, which was \$350 a month, and then gave the beneficiary free access to the remaining \$300 of his benefits. Both the beneficiary and the custodial daughter stated that the beneficiary runs out of money and has to borrow funds from his custodial daughter by the end of each month.

The current representative payee (the custodial daughter), who was appointed in August 2004, will manage a monthly benefit of \$651. However, the beneficiary will only receive \$587 monthly since his benefits will be reduced to repay an overpayment. Even though she was recently appointed representative payee, we are concerned that she will not properly manage a portion of her father's benefits based on our meeting with her. In response to our questions, she reported that she continued the practice established by the previous representative payee of paying the rent, \$350 per month, and then providing free access to the remaining funds, now \$237 a month. Given this situation, the representative payee is not ensuring a significant portion of the beneficiary's benefits is being used to meet his current needs, such as food and clothing. This is of particular concern in light of the beneficiary's admission that he does not have enough money for food. At the current benefit rate, approximately \$2,844 per year is at-risk of not being managed appropriately.

Representative Payee Did Not Report Events to SSA That Affected Beneficiary's Entitlement or Benefit Amount

One of a representative payee's primary responsibilities is to notify SSA of any event that would affect the amount of benefits the beneficiary receives or the beneficiary's right to receive benefits.⁷ For example, a representative payee must report to SSA when

- the beneficiary dies,
- the beneficiary moves,
- the beneficiary starts or stops working,

⁷ SSA POMS, GN 00502.113 C.1, SI 02301.005 B.2.

- a disabled beneficiary's condition improves,
- the beneficiary is no longer in the representative payee's care, and
- the beneficiary resides outside of the country.

In the above case, the former representative payee neglected to report to SSA a change in the beneficiary's living arrangements and a period he lived outside the country. The FO became aware of the changes, calculated the appropriate overpayment amount, and sent letters to the previous representative payee to inform her of the overpayment. The overpayment was calculated to be over \$4,880. The representative payee did not respond to SSA's letters, which led the FO to suspend the beneficiary's payments.

SSA reinstated the beneficiary's payments when the new representative payee was appointed. The new representative payee was informed of the overpayment upon being appointed and was unprepared to dispute it at that time. She claimed that no overpayment existed and planned to pursue another interview with SSA to dispute the overpayment or ask for a waiver.

CONCLUSION AND RECOMMENDATION

We determined that all 29 beneficiaries existed and were in the care of their representative payees. In addition, based on our observations, the individuals' food, clothing and shelter needs appeared to be met in 28 cases. While it appeared the beneficiary's basic shelter needs were met for one case, we question whether all of the beneficiary's funds were being used to help meet his needs. Accordingly, we recommend that the New York Regional Office:

- Continue to monitor the current representative payee's performance to ensure all the beneficiary's funds are used to meet the beneficiary's needs.

AGENCY COMMENTS

The Agency agreed with our recommendation and has initiated corrective action. SSA's comments are included as Appendix C.

OTHER MATTERS

We found instances of inconsistent beneficiary and representative payee information within SSA's systems. Some examples of the inconsistencies include a name spelled differently for the same individual within the MBR, Supplemental Security Record, and Numident; different telephone numbers for the same individual within the MBR, Supplemental Security Record, and Representative Payee System; and wrong, incomplete, or outdated telephone numbers or addresses for some individuals within the MBR, Supplemental Security Record, and Representative Payee System. All of the inconsistencies in the data identified through our work have been brought to the regional SSA staff's attention.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Scope and Methodology

[APPENDIX B](#) – Sampling Methodology and Results

[APPENDIX C](#) – Agency Comments

[APPENDIX D](#) – OIG Contacts and Staff Acknowledgments

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 (SSA) 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.
- Selected a national random sample of 275 representative payees nationwide. 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 22 representative payees in the New York Region, we

- verified the identities of 22 representative payees and the 29 beneficiaries they served,
- interviewed 22 representative payees,
- interviewed 29 beneficiaries,
- visited and observed the living conditions of 29 beneficiaries, and

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)*.

- reviewed the Master Beneficiary Record, Supplemental Security Record, Numident, Master Earnings File, Representative Payee System, and Prisoner Update Processing System records for each individual to confirm personal information and identify any discrepancies.

We performed site visits to interview the representative payees and beneficiaries to determine whether the representative payees used the benefits received for the beneficiaries' needs. Specifically, we determined whether food, shelter, and clothing needs were being met. We are reporting the results of our assessment and those conditions where the representative payee's actions did not comply with SSA policies and procedures.

We performed our review in the New York Region from August to October 2004. We conducted our review in accordance with *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

Sampling Methodology and Results

To identify the nation-wide population, we obtained a data extract from the Social Security Administration's Representative Payee System of all individual representative payees who had 14 or fewer beneficiaries in their care as of May 20, 2004. This population was 5,380,635 representative payees who served 6,818,696 beneficiaries.

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

- resided outside of the 48 contiguous States;
- served only as their own representative payee, as reflected in the Representative Payee System;
- had only beneficiaries who were in non-current pay status;
- had an invalid state code or military address; or
- managed total funds of \$50 or less each month.

This reduced the population to 4,306,779 representative payees with 5,520,303 beneficiaries. From this population, we randomly selected 275 representative payees for review. Our sample included 24 representative payees in the New York Region. Findings reported in the New York Region report will be included in the national roll-up report.

As stated above, 24 of the 275 sample cases chosen were located in the New York Region. However, two representative payees were replaced from our original sample.

- One was found to be terminally ill and in hospice care. She was the representative payee for her mentally ill daughter. Upon speaking with our staff, the representative payee's husband explained that his wife was in hospice care and asked how he could apply to become his daughter's representative payee. We provided him with his district office's telephone number. He subsequently became the new representative payee. His wife died. The replacement representative payee sample was not in the New York Region.
- Another representative payee was dropped from our sample because her minor child, which was her only beneficiary, stopped receiving benefits upon turning 18 before the period of our review.

Accordingly, our review consisted of 22 representative payees. The following table provides the details of our sampling results in the New York Region.

Sample Results

Sample Results	Number of Cases	Dollar Amount of Cases ¹
A Representative Payee Did Not Ensure That All Benefits Went for the Beneficiary's Needs	1	\$2,844

¹ 12-month estimate based on monthly finding.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: January 12, 2005 **Refer To:** S2D2G3

To: Assistant Inspector General for Audit

From: Regional Commissioner
New York Region

Subject: Individual Representative Payees for the Social Security Administration in the New York Region (A-02-05-15049)-Reply

Thank you for the opportunity to comment on the final report of the above-mentioned audit. The New York Region agrees with the audit report's recommendation and has taken the following corrective actions:

- We contacted the servicing FO and asked them to meet with the Representative Payee to ensure she understands the role and responsibilities of serving as payee and the events that need to be reported to Social Security.
- In addition, we advised the FO to re-contact the representative payee in six months to obtain an updated accounting.

Other matters brought to our attention during the course of the review were addressed and corrective actions were taken.

Any questions concerning the attached comments can be directed to Peggy Brennan of the Center for Programs Support, RSI Team at (212) 264-8355.

/s/
Beatrice M. Disman

OIG Contacts and Staff Acknowledgments

OIG Contacts

Tim Nee, Director, (212) 264-5295

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Acknowledgments

In addition to those named above:

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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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