



SOCIAL SECURITY

Office of the Inspector General

MEMORANDUM

Date: October 24, 2001

Refer To:

To: Horace L. Dickerson, Jr.
Regional Commissioner
Region VI

From: Inspector General

Subject: Financial-Related Audit of an Individual Representative Payee for the Social Security Administration in Region VI (A-06-00-10063)

The attached final report presents the results of our review. Our objectives were to determine whether the Representative Payee (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's policies and procedures.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.

Attachment

cc:
Fritz Streckewald
JoEllen Felice
Dan Sweeney

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**FINANCIAL-RELATED AUDIT OF AN
INDIVIDUAL REPRESENTATIVE PAYEE
FOR THE SOCIAL SECURITY
ADMINISTRATION IN REGION VI**

October 2001

A-06-00-10063

AUDIT 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.

Executive Summary

OBJECTIVE

Our objectives were to determine whether the Representative Payee (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their age or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees (Rep Payee) to receive and manage these beneficiaries and recipients' benefit payments. A Rep Payee may be an individual or an organization. SSA selects Rep Payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individual's interests. Rep Payees are responsible for using benefits to serve the beneficiary or recipient's best interests. Their duties include:

- Using benefits to meet the beneficiary or recipient's current and foreseeable needs;
- Conserving and investing benefits not needed to meet the individual's current needs;
- Maintaining accounting records of how the benefits are received and used;
- Reporting events to SSA that may affect the individual's entitlement or benefit payment amount;
- Reporting any changes in circumstances that would affect their performance as a Rep Payee; and
- Providing SSA an annual *Representative Payee Report* (RPR) accounting for how benefits were spent, conserved, and/or invested.

We selected this Rep Payee from a SSA generated list of "Individual" Rep Payees with 20 or more beneficiaries or recipients in their care. All of the Rep Payees' beneficiaries and recipients were residents of Prague Assisted Living Center (PAL). While performing our audit, we determined that the Rep Payee operated PAL as an incorporated entity, and, according to SSA's records, PAL also served as the Rep Payee for some of its residents. Accordingly, we included in our review, all beneficiaries for whom this individual served as Rep Payee, either as an individual or as the incorporated entity—PAL. PAL charged its residents a monthly fee for room and board.

According to the Rep Payee, all PAL residents have some type of mental disorder. Each year, to determine whether the residents are receiving adequate care, (1) the Oklahoma State Department of Health performs a review of PAL to renew its license, and (2) the Oklahoma State Department of Mental Health annually certifies PAL as a Residential Care Facility and conducts an unannounced mid-term review.

RESULTS OF REVIEW

In general, it appears that the Rep Payee met its responsibilities for ensuring the beneficiaries and recipients' needs were met. However, the Rep Payee lacked documentation to fully account for the receipt and disbursement of SSA benefits in accordance with SSA's policies and procedures. The lack of documentation was mitigated by the fact that the majority of the benefit payments received by the Rep Payee consisted of funds that PAL was entitled to as monthly room-and-board fees.

As part of the services included in the room-and-board fees, the Rep Payee, through PAL, provided the beneficiaries with food and shelter, administered their medications, and took them to planned social activities. PAL's records reflected that 92 percent of the \$188,927 of SSA benefits received represented payment for monthly room-and-board fees. The remaining 8 percent (\$15,845) belonged to the beneficiaries and recipients. The Rep Payee told us that payments exceeding the room-and-board fees were given to the beneficiaries either as cash or personal items; however, the Rep Payee did not have adequate documentation to support disbursement of these funds. Further, the Rep Payee did not use separate bank accounts for individual funds, or have procedures in place that would allow her to provide beneficiaries and recipients an up-to-date reporting of how their funds were spent.

The Oklahoma State Department of Health certified the license for the Rep Payee to conduct and maintain a Residential Care Home on August 27, 1999. This license renewal was effective for the period May 6, 1999 through May 5, 2001. The process for a license renewal includes a compliance inspection of the center. Areas reviewed included building elements, medication storage and maintenance, criminal background checks, nurses aides, personnel lists, resident's council, housekeeping, food service, staff qualifications, staff training, medications, and administration of medications.

The Oklahoma State Department of Mental Health and Substance Abuse Services issued its certification report for PAL on February 15, 2000. Per our discussion with a State reviewer, he informed us that they perform a yearly review of the facility and another unannounced review (mid-term). The yearly review consists of grading the facility on a point system. If the facility is below 90 percent, some action is required by the facility to improve any problems found. His assessment of PAL was that they had no major problems, but did have some improvements to make. The certification report dated February 15, 2000 resulted in a score of 94 percent for PAL.

We found that the Rep Payee was listed under three identities in SSA's Rep Payee System (RPS) during our audit period. SSA uses the number of beneficiaries and

recipients as a guideline to determine whether to conduct on-site reviews of individual Rep Payees. As a result of being listed under multiple identities, a required on-site review might not be performed if the number of beneficiaries and recipients per identity is less than the number used for selection.

We could not determine whether the Rep Payee properly reported to SSA how benefits were used in all cases, because SSA could not locate 7 of the 21 RPRs we requested. (See Other Matters section of this report). The Rep Payee used estimated amounts to complete RPRs, rather than using actual receipt and disbursement amounts. Therefore, there was no accountability for the actual receipt and use of funds, creating the vulnerability that funds could be diverted without timely detection. Also, SSA apparently classified this Rep Payee as an individual Rep Payee based on the presumption that the Rep Payee did not meet the organizational Rep Payee licensing requirements. (See Other Matters section of this report.) However, SSA's RPS sometimes categorized the Rep Payee as an "Individual Payee," and, on other occasions, categorized the Rep Payee as an "Organizational Payee." SSA considers correct coding of a Rep Payee's classification as critical to subsequent payee operations, including accounting and targeting high-risk Rep Payees.

RECOMMENDATIONS

We recommend that SSA:

- Work with the Rep Payee to determine the appropriate level of documentation to account for and report on the receipt and disbursement of SSA benefits in accordance with SSA's policies and procedures, including procedures to properly account for and safeguard individual funds and accurately complete RPRs. These procedures should clearly address the need for timely, accurate cash logs as well as the need to establish and maintain individual ledger sheets as deemed appropriate.
- Ensure that multiple identities are not used for this Rep Payee in RPS.

AGENCY COMMENTS

In response to our draft report, SSA agreed with both of our recommendations. (See Appendix A for SSA's comments.)

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Acronyms

OASDI	Old-Age, Survivors and Disability Insurance
PAL	Prague Assisted Living Center
POMS	Program Operations Manual System
Rep Payee	Representative Payee
RPR	Representative Payee Report
RPS	Representative Payee System
SSA	Social Security Administration
SSI	Supplemental Security Income

OBJECTIVE

Our objectives were to determine whether the Representative Payee (1) had effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits were used and accounted for in accordance with the Social Security Administration's (SSA) policies and procedures.

BACKGROUND

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

Rep Payees are responsible for using benefits to serve the beneficiary or recipient's best interests. Their duties include:

- Using benefits to meet the beneficiary or recipient's current and foreseeable needs;
- Conserving and investing benefits not needed to meet the individual's current needs;
- Maintaining accounting records of how the benefits are received and used;
- Reporting events to SSA that may affect the individual's entitlement or benefit payment amount;
- Reporting any changes in circumstances that would affect their performance as a Rep Payee; and
- Providing SSA an annual *Representative Payee Report* (RPR) accounting for how benefits were spent, conserved, and/or invested.

About 6.5 million individuals have Rep Payees—approximately 4.2 million are OASDI beneficiaries, 1.7 million are SSI recipients, and 500,000 are entitled to both OASDI benefits and SSI payments.¹ The following chart reflects the types of Rep Payees and the number of individuals they serve.

¹ Numbers do not add due to rounding.

Type of Rep Payee	Number of Rep Payees	Number of Individuals Served
Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others	4,155,000	5,750,000
Organizational Payees: State Institutions, Local Governments and Others	44,150	690,000
Organizational Payees: Fee-for-Service	850	60,000
Total	4,200,000	6,500,000

We selected this Rep Payee based on a SSA generated list of “Individual” Rep Payees with 20 or more beneficiaries or recipients in their care. All of the selected Rep Payee’s beneficiaries and recipients were residents of Prague Assisted Living Center (PAL). While performing our audit, we determined that the Rep Payee operated PAL as an incorporated entity, and, according to SSA’s records, PAL also served as the Rep Payee for some of its residents. Accordingly, we included in our review all beneficiaries for whom this individual served as Rep Payee, either as an individual or as the incorporated entity—PAL.

PAL is classified as a Residential Care Facility licensed by the Oklahoma State Department of Health for a maximum of 37 beds. It was incorporated in the State of Oklahoma on May 22, 1997. According to the Rep Payee, all residents of PAL have some type of mental disorder. Each year, to determine whether the residents are receiving adequate care, (1) the Oklahoma State Department of Health performs a review of PAL to renew its license, and (2) the Oklahoma State Department of Mental Health annually certifies PAL as a Residential Care Facility and conducts an unannounced mid-term review.

PAL charges each resident a monthly fee for room and board. PAL charged \$500 per month during 1999 and \$512 per month during 2000 for room and board. These amounts equaled the maximum amounts paid to SSI recipients in 1999 and 2000. An individual who elects to stay at PAL signs an agreement that describes the following services that PAL provides.

A room with outside window, bed, closet space, central heating and air conditioning. Linens, laundering of same, and laundering of personal items. Three meals and three snacks daily in the dining room. Some special diets provided. Access to public areas at all times. Ordering, storage, supervision and administration of medication. Planned social activities. Bathing facilities and cleaning agents for your bath. Assistance with housekeeping of your area.

From September 1999 through August 2000, SSA paid the Rep Payee \$188,927 in OASDI benefits and SSI payments for 51 individuals, as shown in the following table.

	Number of Cases	Benefits Received		Total SSA Funds
		SSI	OASDI	
SSI	31	\$112,748	\$0	\$112,748
OASDI	8	0	35,991	35,991
Concurrent	12	12,267	27,921	40,188
Total	51	\$125,015	\$63,912	\$188,927

SCOPE AND METHODOLOGY

Our audit covered the period of September 1, 1999 through August 31, 2000.

To accomplish our objectives, we:

- Reviewed the Social Security Act, SSA regulations, rules, policies and procedures pertaining to Rep Payees.
- Contacted SSA Headquarters, regional office, and field office staff to obtain background information about the Rep Payee's performance.
- Contacted Oklahoma State agencies to inquire about State certifications for residential care facilities.
- Obtained from SSA's Rep Payee System (RPS) a list of individuals who were in the Rep Payee's care and received SSA funds as of September 25, 2000 or who left the Rep Payee's care after August 31, 1999.
- Obtained from the Rep Payee a list of individuals who were in the Rep Payee's care and received SSA funds as of September 25, 2000 or who left the Rep Payee's care after August 31, 1999.
- Compared and reconciled the RPS and the Rep Payee's listings to identify the population of SSA beneficiaries and recipients who were in the Rep Payee's care from September 1999 through August 2000.
- Reviewed and tested the Rep Payee's internal controls over the receipt and disbursement of OASDI benefits and SSI payments.

- We performed the following tests for each of the 51 beneficiaries and/or recipients.
 - Compared and reconciled benefit amounts paid according to the Rep Payee's records to benefit amounts paid according to SSA's payment records.
 - Reviewed the Rep Payee's accounting records to determine whether benefits were properly spent or conserved on the individuals' behalf. We also determined whether SSA was due a refund for benefits that were not properly used.
 - Traced a sample of expenses to source documents and examined the underlying documentation for reasonableness and authenticity.
- Talked with selected beneficiaries/recipients and/or caregivers, and toured the Rep Payee's room-and-board facility—PAL—to determine whether the Rep Payee was meeting the individuals' basic needs.
- Reviewed a sample of RPRs to determine whether the Rep Payee properly reported to SSA how benefits were used.

We performed our audit in Dallas, Texas; Prague, Oklahoma; and SSA's Shawnee, Oklahoma, field office between October 2000 and February 2001. We conducted our audit in accordance with generally accepted government auditing standards.

Results of Review

In general, it appears that the Rep Payee met its responsibilities for ensuring the beneficiaries and recipients' needs were met. However, the Rep Payee lacked documentation to fully account for the receipt and disbursement of Social Security benefits in accordance with SSA's policies and procedures. The lack of documentation was mitigated by the fact that the majority of the benefit payments received by the Rep Payee consisted of funds that PAL was entitled to as monthly room-and-board fees.

As part of the services included in the room-and-board fees, the Rep Payee, through PAL, provided the beneficiaries with food and shelter, administered their medications, and took them to planned social activities. PAL's records reflected that 92 percent of the \$188,927 of SSA benefits received represented payment for monthly room-and-board fees. The remaining 8 percent (\$15,845) belonged to the beneficiaries and recipients. The Rep Payee told us that payments exceeding the room-and-board fees were given to the beneficiaries either as cash or personal items; however, the Rep Payee did not have adequate documentation to support disbursement of these funds. Further, the Rep Payee did not use separate bank accounts for individual funds, or have procedures in place that would allow her to provide beneficiaries and recipients an up-to-date reporting of how their funds were spent.

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ACCOUNTING FOR FUNDS

The Rep Payee did not follow policies and procedures SSA recommended for tracking and accounting for beneficiary and recipient funds. Our review showed that the Rep Payee did not (1) use separate bank accounts for individual funds; (2) have procedures in place that allowed her to provide beneficiaries and recipients with an up-to-date reporting of how their funds were spent; and (3) adequately account for cash disbursements.

Bank Accounts

The Rep Payee did not follow SSA's recommended procedures to establish separate bank accounts for the beneficiaries and recipients to track individual funds. Instead, the Rep Payee deposited all checks directly into PAL's business checking account. The Rep Payee stated that separate accounts were not practical because most of the individuals would have minimal or zero account balances each month. We noted that PAL's business checking account did not provide a clear trail of which beneficiaries or recipients were included in total amounts deposited into the account. As such, the business checking account did not serve as an adequate accounting of beneficiary and recipient funds. Moreover, all the beneficiary and recipients funds should not have been deposited into PAL's account, since PAL is a separate and distinct legal entity from its owner, the Rep Payee. A better approach would have been for the Rep Payee to safeguard the funds in her own bank account and remit funds to PAL based on billings from PAL for room and board and other documented goods and/or services provided to the beneficiaries or recipients.

Although Rep Payees are not required to establish separate bank accounts for beneficiaries and recipients, SSA recommends that Rep Payees hold an individual beneficiary or recipient's funds in a separate checking or savings account. The beneficiary or recipient's account should reflect that the beneficiary or recipient owns the funds, and the Rep Payee has a fiduciary relationship with the beneficiary or

recipient.² In cases where more than one beneficiary or recipient is represented by the same Rep Payee—which is the case with this Rep Payee—SSA allows a Rep Payee to establish a collective checking or savings account for all the beneficiaries and recipients. The use of a collective account is subject to conditions, including that the account be separate from the Rep Payee’s checking account and that there be clear and current records showing the amount of each beneficiary or recipient’s share in the account.³ We recognize that some recommended approaches for safeguarding and accounting for Agency funds may not be practical in a one-owner business. Considering the wide spectrum of entities that SSA deals with as a part of its Rep Payee program, the Agency will inherently deal with individuals and organizations that employ a variety of safeguard controls. As such, SSA must determine and document what are acceptable exceptions to the Agency’s recommended approach to safeguarding funds.

Ledger Sheets

The Rep Payee did not adequately account for beneficiary and recipient funds. Rep Payees have the freedom to establish unique accounting procedures, subject to meeting certain guidelines. Among these guidelines is that the accounting system allow the Rep Payee to report annually to SSA on how the beneficiary or recipient’s payments were spent. Also, the accounting system must allow for up-to-date reporting so the individual knows how the money was spent.⁴

The Rep Payee’s accounting for beneficiary and recipient funds consisted of monthly ledger sheets that reflected the receipt of SSA benefits and the application of those benefits to the room-and-board fees or cash disbursements to the individual. We compared the amount of SSA payments to the amounts reflected in the Rep Payee’s ledger sheets, and identified about \$13,512 in SSI payments and OASDI benefits that were not reflected in the ledger sheets. In discussing these differences with the Rep Payee, the Rep Payee informed us the ledger sheets were prepared specifically for our visit. The Rep Payee stated that she probably received the payments we identified but had inadvertently failed to record them. Before our visit, the Rep Payee had not maintained ledger sheets as procedures for accounting for beneficiary and recipient funds.

² Representative Payee Program, Guide for Organizational Representative Payees, Conservation of funds, page 11.

³ Representative Payee Program, Guide for Organizational Representative Payees, Conservation of funds, Collective Bank Accounts, page 12.

⁴ Representative Payee Program, Guide for Organizational Representative Payees, Developing a payee system, page 8.

Cash Disbursements

Poor documentation prevented us from independently verifying that beneficiaries and recipients were paid the funds that remained after their room-and-board fee had been paid. PAL charged \$500 per month during 1999 and \$512 per month during 2000 for room and board. These amounts equaled the maximum amounts paid to SSI recipients in 1999 and 2000. Since the Rep Payee charged an amount that equaled the maximum amount of SSI payments for a month, most of the beneficiaries or recipients included in our review had little or no money on a month-to-month basis after paying for their room and board.

For example, PAL's ledger sheets showed that 29 of the 51 individuals had an average of \$0 to \$50 available to them each month during the course of their residency at the facility.⁵ Another six had a negative cash balance each month and eight had a monthly average that exceeded \$50. (See Chart 1.) We were unable to calculate an average for eight individuals because the information for them was incomplete.

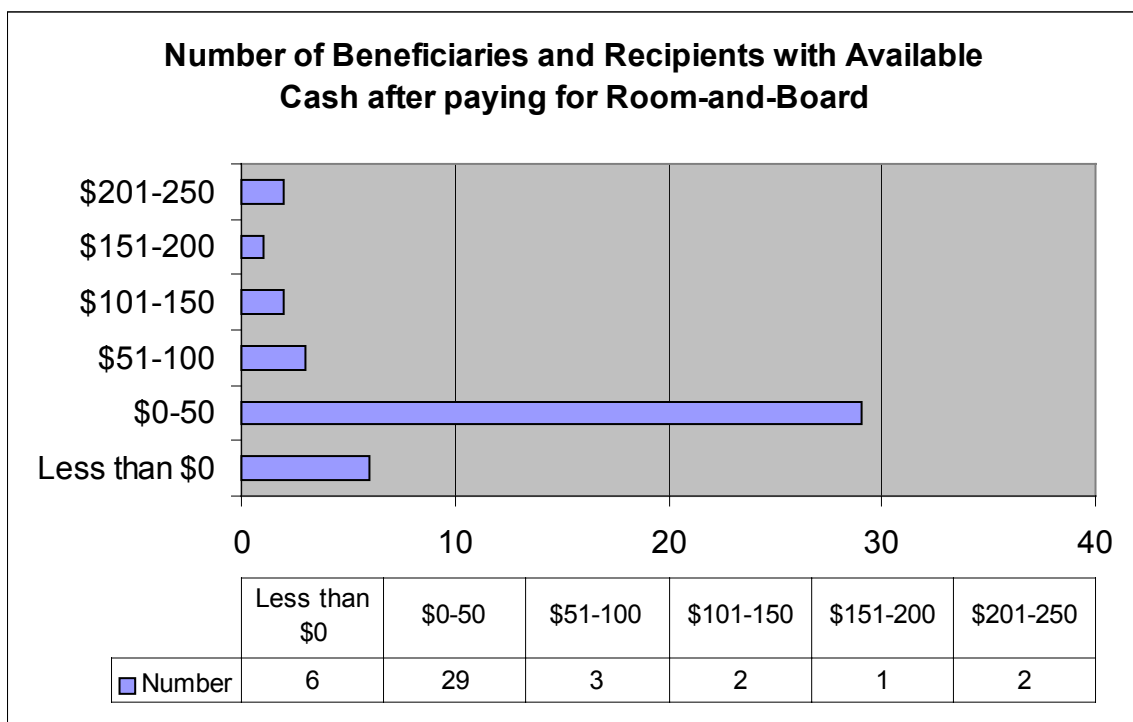


Chart 1

⁵ The monthly average cash available included receipts from other sources in addition to SSA benefits, less the cost of the monthly room-and-board fee.

The Rep Payee informed us that amounts in excess of the room-and-board fee were paid to the individuals in either cash or personal items, such as cigarettes (during our on-site visits to the PAL facility, we observed individuals receiving cigarettes). The cash payments were either in one payment or as several payments throughout the month. The Rep Payee recorded cash disbursements from excess funds as disbursements in a cash log. We noted, however, that the cash log was incomplete and did not show running balances for amounts due individuals. Also, the cash log did not reflect transactions involving personal items provided to the beneficiaries and recipients. Although the amount of excess funds was small during our audit period, the Rep Payee still needs to improve her system of accounting for excess funds.

REPRESENTATIVE PAYEE SYSTEM

As shown in the table below, we found that the Rep Payee was listed under three identities in RPS during our audit period. Although all 51 beneficiaries were residents of the Rep Payee’s room-and-board facility, SSA’s RPS sometimes categorized the Rep Payee as an “Individual,” and on other occasions, the Rep Payee was categorized as an “Organization.” The chart below identifies how the Rep Payee was categorized for the 51 beneficiaries and/or recipients we reviewed.

Identity Listed in RPS	Number of Individuals Listed
Rep Payee’s Social Security number	45
Not A Choice—Don’t Use Prague Assisted Living	5
Prague Assisted Living	1

SSA uses the number of beneficiaries and recipients as a guideline to determine whether to conduct on-site reviews of “Individual” Rep Payees. The criteria for SSA site visits for Rep Payees requires reviews of “Individual” Rep Payees serving 20 or more beneficiaries.⁶ If an “Individual” Rep Payee is listed under more than 1 RPS identity—with each identity listing fewer than 20 beneficiaries—he or she will not be automatically selected for an on-site review. However, if cumulatively, the Rep Payee is serving 20 or more beneficiaries, the Rep Payee should be selected for review. As a result, by RPS listing a Rep Payee under multiple identities, a required on-site review might not be performed. The field office overseeing a particular Rep Payee is responsible for making appropriate corrections to RPS.

⁶ EM-00072, Increased Monitoring of Fee-for-Service and Volume Representative Payees, June 1, 2000.

Conclusions and Recommendations

While the Rep Payee did not follow SSA's recommended policies and procedures for disbursing and accounting for a small portion of beneficiary and recipient funds, the Rep Payee generally met her responsibilities for ensuring the beneficiaries and recipients' needs were met. The Rep Payee told us that payments exceeding the room-and-board fees were given to the beneficiaries either as cash or personal items; however, the Rep Payee did not have adequate documentation to support disbursement of these funds.

We recommend that SSA:

1. Work with the Rep Payee to determine the appropriate level of documentation to account for and report on the receipt and disbursement of SSA benefits in accordance with SSA's policies and procedures, including procedures to properly account for and safeguard individual funds and accurately complete RPRs. These procedures should clearly address the need for timely, accurate cash logs as well as the need to establish and maintain individual ledger sheets as deemed appropriate.
2. Ensure that multiple identities are not used for this Rep Payee in RPS.

AGENCY COMMENTS

In response to our draft report, SSA agreed with both of our recommendations. Specifically, SSA will ask its local field office to: (1) work with the payee to ensure proper record-keeping and accurate RPRs; and (2) consolidate the RPS entries and classify this Rep Payee as an organization. (See Appendix A for SSA's comments.)

REP PAYEE REPORTS

To determine whether the Rep Payee properly reported to SSA how benefits were used, we requested from SSA 21 RPRs for beneficiaries and recipients in the Rep Payee's room-and-board facility. SSA was unable to locate 7 of the 21 RPRs. Because SSA did not provide all the RPRs requested, we could not independently confirm that the Rep Payee met her reporting responsibilities. For the seven RPRs SSA did not provide, we do not know whether the Rep Payee failed to submit them, or submitted the RPRs to SSA and SSA could not locate them. Further, the Rep Payee did not maintain copies of the RPRs and, hence, could not determine whether she had received the RPRs from SSA or completed them.

REP PAYEE CLASSIFICATION

SSA uses two general categories for classifying representative payees. The general classifications are (1) "Individual Payee" and (2) "Organizational Payee." These classifications determine the nature and extent of SSA's monitoring of such payees. We found that SSA's criteria for determining Rep Payee classifications are complicated, unclear, and inconsistent; and, we believe, this contributed to the multiple classifications of the Rep Payee we examined.

SSA defines an individual payee as a person serving as payee on the basis of his/her personal relationship with the beneficiary. SSA defines an organizational payee as an entity serving as payee as the agent, representative, or official of an institution, agency or other organization. An institutional payee is considered a specific type of organizational payee that provides care and treatment for the beneficiaries who reside in the institution or in off-site facilities affiliated with the institution.⁷

SSA informed us that the Rep Payee we examined was classified as an individual payee, since it was a room-and-board facility and did not provide proof of licensing. However, SSA acknowledged that it never requested such licensing documentation. Further, it should be noted that licensing is not a criterion for organizational payee classification, but rather one of several factors in determining whether an organizational payee can collect a fee.⁸

SSA's policies and procedures emphasize the importance of determining the suitability of a payee applicant and monitoring the payee's performance. Also, correct Rep Payee classification is considered critical to subsequent payee operations—including

⁷ POMS Section GN 00501.012 B.3.

⁸ POMS Section GN 00506.100 2.C.

accounting and targeted monitoring of high-risk Rep Payees.⁹ Therefore, it is important for SSA to correctly identify and properly classify Rep Payees. Our audit showed that 45 of the 51 beneficiaries or recipients residing at PAL during the time of our review had an individual designated as their Rep Payee. For these 45 beneficiaries or recipients, the benefit checks were issued in the Rep Payee's name for the beneficiary or recipient. Also, six beneficiaries or recipients residing at PAL had PAL designated as their Rep Payee and the benefit checks were issued to PAL. For several of these beneficiaries and recipients, SSA originally listed PAL (the corporation) as the Rep Payee, but later changed the Rep Payee from PAL to the name of the individual who represented PAL. While we did not find any indications of misuse during our audit of PAL, SSA's inconsistent designation of a Rep Payee for PAL's residents created potential problems in applying SSA's criteria for identifying high-risk payees. Further, SSA's inconsistent designation raises questions regarding who would be legally liable if misuse of funds were to occur.

As a result, SSA should make improvements to its Rep Payee application and record-keeping processes. It should (1) clarify in its policies and procedures who is considered the owner when referring to a room-and-board residence; (2) improve its application process to ensure that Rep Payees are properly classified as "Individual" or "Organizational" Rep Payees; and (3) ensure that Rep Payee applications are retrievable in the event specific applications are needed for investigation when misuse is alleged.

⁹ POMS Section GN 00501.012.A

Appendices

Agency Comments



Date: September 27, 2001

From: Regional Commissioner
Dallas

Subject: Response: Financial-Related Audit of an Individual Representative Payee for the Social Security Administration in Region VI (A-06-00-10063)

To: Inspector General

We appreciate the thorough review you conducted of this representative payee. In your memorandum dated August 27, 2001, you offered us the opportunity to respond to the facts and recommendations presented in the audit. Following are our responses to the recommendations you cited:

Recommendation

Work with the Rep Payee to determine the appropriate level of documentation to account for and report on the receipt and disbursement of SSA benefits in accordance with SSA's policies and procedures, including procedures to properly account for and safeguard individual funds and accurately complete RPRs [representative payee reports]. These procedures should clearly address the need for timely, accurate cash logs as well as the need to establish and maintain individual ledger sheets as deemed appropriate.

Response

We agree. We will ask the local SSA office to work with the payee to ensure proper record keeping and accurate representative payee reports.

Recommendation

Ensure that multiple identities are not used for this Rep Payee in RPS.

Response

We agree. We will ask the local SSA office to consolidate the RPS entries for this payee and to properly classify this payee as an organization rather than as an individual payee. We note that while this is the correct action to take according to current representative payee policy, this payee would not have been subject to an audit, had the payee been properly classified. Accordingly, we will ask the SSA offices parallel to the other payees with 20 or more beneficiaries currently classified as individuals to determine whether this classification is accurate for them.

If you have any questions about this response, please call me. If your staff has questions, please have them call Jim Matthews, Center for Programs and Systems, Management and Operations Support at (214) 767-2808.

/s/

Earl Melebeck for
Horace L. Dickerson, Jr.

cc: Area Director, Area 1
District Manager, Shawnee, OK
Denver-Dallas RSI Team

OIG Contacts and Staff Acknowledgments

OIG Contacts

Rona Rustigian, Acting Director, Disability Program Audit Division, (617) 565-1819

Paul Davila, Deputy Director, (214) 767-6317

Acknowledgments

In addition to those named above:

Billy W. Mize, Auditor-in-Charge

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The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.