
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SEATTLE MENTAL HEALTH
INSTITUTE - AN ORGANIZATIONAL
REPRESENTATIVE PAYEE FOR THE
SOCIAL SECURITY ADMINISTRATION**

October 2004

A-09-04-14015

AUDIT REPORT



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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.**
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- 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.**

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- Independence to determine what reviews to perform.**
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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: October 26, 2004

Refer To:

To: Carl L. Rabun
Regional Commissioner
Seattle

From: Assistant Inspector General
for Audit

Subject: Seattle Mental Health Institute – An Organizational Representative Payee
for the Social Security Administration (A-09-04-14015)

OBJECTIVE

Our objectives were to determine whether Seattle Mental Health Institute (SMHI) (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 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 beneficiaries or Supplemental Security Income (SSI) recipients when representative payments would serve the individual's interests. Representative payees are responsible for using benefits in the beneficiary's best interests.

SMHI has offered behavioral health services to the Metropolitan Seattle and King County community since 1967. From June 1, 2002 to May 31, 2003, SMHI received approximately \$3 million in Social Security benefits on behalf of 574 beneficiaries. During our audit, SMHI had four employees who were responsible for the accounting of beneficiaries' receipts and disbursements.

¹ We use the term "beneficiary" generically in this report to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and SSI recipients.

² 42 U.S.C. §§ 405(j) and 1383(a)(2) (2001).

RESULTS OF REVIEW

We could not determine whether SMHI properly used benefits for the beneficiaries' use and benefit. Our audit showed that SMHI neither (1) had effective safeguards over the disbursement of Social Security benefits nor (2) ensured Social Security benefits were used and accounted for in accordance with SSA's policies and procedures.

SMHI did not have an effective system of internal controls to safeguard an estimated \$3 million in annual benefits received and disbursed. Specifically, SMHI did not

- maintain supporting documentation for 84 percent of the beneficiary transactions we reviewed;
- provide evidence that an estimated \$40,054 in beneficiary funds issued to SMHI employees was spent on behalf of the beneficiaries;
- consistently report to SSA in a timely fashion when beneficiaries were incarcerated, resulting in \$12,668 in overpayments;
- report work activity to SSA for two SSI recipients;
- identify SSI recipients with excess resources, resulting in \$7,153 in overpayments; and
- return \$3,421 in conserved funds to SSA for beneficiaries no longer in its care.

These conditions existed because SMHI management did not place enough priority on its representative payee program and did not ensure its employees were properly trained in SMHI's responsibilities as a representative payee.

SMHI Did Not Have Adequate Internal Controls to Safeguard Beneficiaries' Funds

SSA's *Guide for Organizational Representative Payees* requires that a representative payee establish an accounting system to track how much money is received, how much is spent, and the balance saved for each beneficiary.³ SSA also requires that the representative payee's financial records and supporting documentation of beneficiary receipts and expenses be available upon request.⁴ To meet its responsibilities as a representative payee, SMHI should have established appropriate internal controls to

³ SSA, *Guide for Organizational Representative Payees*, p. 29.

⁴ *Id.*

ensure the accuracy, completeness, and proper authorization of transactions related to the disbursement of beneficiaries' funds.⁵

Our audit of SMHI's disbursements disclosed that SMHI did not follow basic accounting practices to protect beneficiary funds. Specifically, SMHI did not ensure that original invoices were examined before signing disbursement checks, reconcile bank statements in a timely manner, or use pre-numbered checks. Most significantly, we found that SMHI did not retain supporting documentation for beneficiary expenses, and SMHI often issued checks payable to SMHI employees from beneficiaries' funds.

[Lack of Supporting Documentation](#) – Our tests of SMHI's financial records for a sample of 50 beneficiaries showed that SMHI did not retain supporting documentation for 63 (84 percent) of the 75 transactions we selected for review. Of the 12 transactions for which SMHI had supporting documentation, 11 were either credits, checks sent to State facilities, or funds returned to SSA. Generally, SMHI was unable to provide any supporting documentation for beneficiary disbursements, including but not limited to, rent, utilities, clothing, and food. Consequently, we were unable to determine whether funds were used for the beneficiaries. This occurred because SMHI neither had a formal retention policy nor ensured supporting documentation was verified or retained.

[SMHI Issued Payments to Employees](#) - SMHI's policies and procedures state, "Checks may not be written to cash or to the client's case manager except for loan repayment or in extenuating circumstances, the only being that the client is incarcerated or hospitalized. Chief Financial Officer (CFO) approval is required on all unusual check requests."⁶

We identified 31 checks, totaling \$13,838, that were written to 5 SMHI employees. Of the \$13,838, we determined that \$3,489 was written on behalf of the 50 beneficiaries in our sample. SMHI was unable to provide evidence the money was used for the beneficiaries' needs. In addition, SMHI was unable to provide evidence of CFO approval or evidence of a loan or extenuating circumstance. An SMHI official agreed the checks were not in compliance with its policies and procedures.

We believe the checks improperly written to SMHI employees in the amount of \$3,489 for the 50 sampled beneficiaries are representative of additional checks written to SMHI employees for all 574 beneficiaries in SMHI's care. Therefore, we estimate that approximately \$40,054 may have been improperly written to SMHI employees.⁷

⁵ Internal Control – Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission (1992).

⁶ Seattle Mental Health Protective Payee Procedures (December 31, 2002).

⁷ The estimate is based on the checks totaling \$3,489 that were written to SMHI employees on behalf of the 50 beneficiaries in our sample. The average error per beneficiary, \$69.78, was multiplied by the population of 574 to estimate the total amount improperly written to SMHI personnel.

SMHI Did Not Adequately Monitor and Report to SSA Changes in Beneficiaries' Circumstances that Could Have Affected Their Eligibility

Representative payees must notify SSA of any event that affects the beneficiary's entitlement or benefit payments amount.⁸ This includes instances when beneficiaries are incarcerated and changes in income or resources.⁹ We found that SMHI did not consistently report these changes to SSA because SMHI staff did not understand their reporting responsibilities.

Incarcerated Beneficiaries - SMHI did not consistently report to SSA when beneficiaries were incarcerated. We determined that 133 (23 percent) of the 574 beneficiaries for whom SMHI received benefits had a record on SSA's prisoner update processing system (PUPS).¹⁰ Of these, we reviewed 49 cases that consisted of beneficiaries who were incarcerated during our audit period. We determined that nine individuals received benefit payments totaling \$12,668 that should have been suspended because of incarceration. Although SMHI did not report the incarcerations, SSA detected and established overpayments in eight of the nine cases.

Unreported Work and Earnings - Our review disclosed that SMHI did not always report to SSA when beneficiaries had work and earnings that could have affected their entitlement to benefits. We found that two SSI recipients had unreported work and earnings. In one circumstance, the recipient's case folder contained a medical history completed by the Case Manager that stated, "Not currently reporting income to social security against Case Manager advice." In the second circumstance, a treatment plan review completed by the Case Manager stated that the client "has been doing odd jobs." We referred these two cases to SSA, and it has agreed to take appropriate corrective action.

SMHI Did Not Adequately Monitor Conserved Funds

Under the SSI program, a recipient is limited to countable resources totaling \$2,000 to remain eligible for payments.¹¹ If the resource limit is exceeded, the beneficiary is no longer eligible for benefits.¹² It is the representative payee's duty to notify SSA if a recipient's resources exceed \$2,000 at the beginning of any payment month.¹³

⁸ 20 C.F.R. §§ 404.2035 (April 2003) and 416.635 (April 2004); SSA, POMS, SI 02301.005.

⁹ SSA, POMS, GN 00502.113.

¹⁰ PUPS contains information about incarcerated beneficiaries that SSA receives from jails, prisons, other penal institutions or correctional facilities, certain mental health facilities and various third parties.

¹¹ SSA, POMS, SI 01110.003.

¹² *Id.*

¹³ SSA, POMS, GN 00502.113 and SI 01110.003.

SMHI did not adequately monitor SSI recipients' conserved funds. Of the 50 cases we sampled, 2 had conserved funds exceeding the \$2,000 SSI resource limit. As a result, SSA overpaid the two SSI beneficiaries \$7,153. We referred these two cases to SSA, and it has taken appropriate action.

SMHI Did Not Return Conserved Funds to SSA

A representative payee who has conserved or invested funds for a beneficiary, but is no longer serving as representative payee for the beneficiary, is required to return the funds to SSA for reissuance to either the successor representative payee or the beneficiary in direct payment.¹⁴

Of the 50 cases we sampled, SMHI did not return to SSA \$3,421 in conserved funds for 5 beneficiaries no longer in its care. Rather, SMHI paid the conserved funds directly to four successor representative payees and to one beneficiary who SSA determined no longer needed a representative payee.

CONCLUSION AND RECOMMENDATIONS

SMHI had significant internal control and accounting weaknesses, which prevented it from fully meeting its responsibilities as a representative payee. Given the seriousness of the conditions identified, we believe SMHI needs to improve several areas of its representative payee program. We recommend that SSA:

1. Ensure SMHI establishes appropriate internal controls over benefit disbursements, including the maintenance of supporting documentation for beneficiary expenses.
2. Ensure payments issued to SMHI employees are in accordance with policies and procedures.
3. Ensure SMHI implements controls to monitor and report to SSA all changes in circumstances that affect the amount of benefits beneficiaries receive or the right of beneficiaries to receive benefits.
4. Ensure SMHI monitors beneficiaries' accounts to ensure conserved funds do not exceed the \$2,000 resource limit.
5. Require that SMHI implement controls over the transference of conserved funds for beneficiaries who are no longer in its care to SSA.
6. Compare and reconcile PUPS and the payment records for the 84 beneficiaries that have a record present on PUPS to ensure that payments to incarcerated beneficiaries were suspended.

¹⁴ SSA, POMS, GN 00603.055.

AGENCY COMMENTS

SSA agreed with all of our recommendations. SSA stated it is committed to ensuring SMHI properly uses and accounts for payments made on behalf of all the individuals for whom SMHI serves as a representative payee.

In addition, SSA provided comments on the following recommendations.

Recommendation 2 – SSA requested that we revise our estimate of payments made to SMHI employees.

Recommendation 4 – SSA agreed that SMHI was not properly monitoring SSI beneficiaries' conserved funds. SSA also requested that we revise the overpayment amounts for the SSI recipients with conserved funds exceeding \$2,000.

Recommendation 5 – SSA commented that we should state that SMHI did not maintain or misuse any of the conserved funds.

Recommendation 6 – SSA agreed that SMHI was not properly reporting incarcerations to SSA. SSA also noted it had detected most of these instances and requested that we provide SSA the file with the 84 beneficiaries so it could take any necessary actions.

See Appendix D for the full text of SSA's comments.

REPRESENTATIVE PAYEE COMMENTS

SMHI agreed with all of our recommendations. In addition, SMHI provided a suggested estimate for the amount of payments issued to SMHI employees (Recommendation 2).

See Appendix E for the full text of SMHI's comments.

OIG RESPONSE

We appreciate the comments from SSA and SMHI. We are also encouraged that SSA is taking prompt action to address the deficiencies identified by our audit.

As a result of SSA's and SMHI's comments, we

- modified our report to clarify that five SMHI employees were issued payments,
- revised our estimate of payments issued to SMHI employees as proposed by SMHI,
- revised the overpayment amounts based on additional information SSA provided after we issued our draft report,

- noted that SSA took appropriate action when it learned that SMHI was not properly reporting incarcerations, and
- provided SSA the file of 84 beneficiaries with prisoner records.

We did not revise our report to state that SMHI did not misuse any of the conserved funds. Given all of the deficiencies we identified with SMHI's safeguards over the disbursement of Social Security benefits, we did not conclude that there was no misuse of beneficiary funds.

OTHER MATTERS

Theft of Beneficiary Funds

During our audit, we learned that SMHI's bank accounts were compromised on two occasions within a 6-month period. The two instances involved check fraud in the amounts of \$4,151 and \$5,966, respectively. When SMHI learned of the fraud, it promptly filed an affidavit with its bank in both cases. The bank subsequently reimbursed SMHI for the stolen funds.

Given the theft of beneficiary funds and the potential the theft could have been committed by an SMHI employee, we provided this information to OI for review. For one of the instances of fraud, OI has identified a potential suspect who was not an SMHI employee. OI is still investigating the other instance of check fraud.

SSA Did Not Provide All of the Representative Payee Accounting Report Forms

SSA is required to keep essential material that is integral to the claimant's case and, whether the result is favorable or unfavorable, SSA must retain the information in either an electronic or paper environment for a specified period.¹⁵ One method SSA uses to monitor representative payees is the Representative Payee Report. This Report is designed to assist SSA in determining (1) the use of benefits during the preceding 12-month reporting period, (2) the representative payee's continuing suitability, and (3) the continuing need for representative payment.¹⁶ Depending on the representative payee's responses, SSA may contact the representative payee to determine their continued suitability. During our review, we found that SSA could not always obtain and retrieve SMHI's completed Representative Payee Reports.

As part of our audit, we planned to review a sample of completed Representative Payee Reports to determine whether SMHI met its reporting responsibilities. We requested the most recently completed Representative Payee Reports for 36 beneficiaries. We found that SSA could not provide all of the reports we requested. Of the 36 we requested,

¹⁵ SSA, POMS, TE 02005.005.

¹⁶ SSA, POMS, GN 00605.066; GN 00605.067; GN 00605.090; GN 00605.221.

SSA could only provide 33; however, only 13 were for our audit period. Therefore, for the remaining 23, we could not determine whether SMHI properly reported to SSA how benefits were spent and invested.

A handwritten signature in black ink, appearing to read "Steven L. Schaeffer". The signature is written in a cursive style with a large initial "S".

Steven L. Schaeffer

Appendices

APPENDIX A – Acronyms

APPENDIX B – Background

APPENDIX C – Scope and Methodology

APPENDIX D – Agency Comments

APPENDIX E – Representative Payee Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Acronyms

CFO	Chief Financial Officer
OASDI	Old-Age, Survivors and Disability Insurance
OI	Office of Investigations
OIG	Office of the Inspector General
POMS	Program Operations Manual System
PUPS	Prisoner Update Processing System
RPS	Representative Payee System
SMHI	Seattle Mental Health Institute
SSA	Social Security Administration
SSI	Supplemental Security Income

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'¹ benefit 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 representative payments would serve the individual's interests.

Representative payees are responsible for using benefits to serve the best interests of the beneficiary or recipient. Their duties include

- using benefits to meet the beneficiary's current and foreseeable needs,
- conserving and investing benefits not needed to meet the beneficiary's current needs,
- maintaining accounting records of how the benefits are received and used,
- reporting events to SSA that may affect the beneficiary's entitlement or benefit payments amount,
- reporting any changes in circumstances that would affect their performance as a representative payee, and
- providing SSA an annual Representative Payee Report accounting for how benefits were spent and invested.³

¹ We use the term "beneficiary" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

² 42 U.S.C §§ 405(j) and 1383(a)(2) (2001).

³ *Id.*; 20 C.F.R. §§ 404.2001 *et seq.* (April 2003) and 416.601 *et seq.* (April 2004).

Scope and Methodology

Our audit covered the period June 1, 2002 through May 31, 2003.

To accomplish our objectives, we:

- Reviewed applicable Federal regulations, the Social Security Act, and SSA policies and procedures pertaining to representative payees.
- Contacted SSA regional office and field office staffs to obtain background information about SMHI's performance.
- Obtained from SSA's Representative Payee System (RPS) a list of individuals who were in SMHI's care as of May 31, 2003 or who left SMHI's care after June 1, 2002.
- Obtained from SMHI a list of individuals who were in its care and had received SSA funds as of May 31, 2003 or who left its care after June 1, 2002.
- Compared and reconciled the RPS list to SMHI's list to identify the population of SSA beneficiaries who were in SMHI's care from June 1, 2002 to May 31, 2003.
- Reviewed SMHI's internal controls over the receipt and disbursement of OASDI benefits and SSI payments.
- Performed the following tests for a sample of 50 beneficiaries and recipients:
 - compared and reconciled benefit amounts received according to SMHI's records to benefit amounts paid according to SSA's records;
 - reviewed SMHI's accounting records to determine whether benefits were properly spent or conserved on the individual's behalf; and
 - selected a sample of 69 recorded expenses to trace to source documents to examine the underlying documentation for reasonableness and authenticity.
- Interviewed a sample of 10 beneficiaries to determine whether their basic needs were being met.
- Reviewed 13 Representative Payee Reports to determine whether SMHI properly reported to SSA how benefits were used.

- Reviewed five representative payee applications (Form SSA-11-BK) to evaluate the completeness and appropriateness of the information provided on the applications.

Given the lack of supporting documentation of beneficiary expenses and the ineffective internal controls, we could not determine whether SMHI's computer-processed data were sufficiently reliable for our intended use. We performed our audit in Seattle, Washington, and Richmond, California, between October 2003 and February 2004. We conducted our audit in accordance with generally accepted government auditing standards.

Agency Comments

MEMORANDUM

Date: September 14, 2004

From Regional Commissioner
Seattle

Subject: Seattle Mental Health Institute - An Organizational Representative Payee for the Social Security Administration (A-09-04-14015) (Your Memo Dated 08/12/04) - SEATTLE REPLY

To: Assistant Inspector General for Audit

Thank you for the opportunity to provide you with our feedback on the draft report of the Office of the Inspector General's (OIG's) audit of the Seattle Mental Health Institute (SMHI). The OIG audit identified a number of areas where SMHI has not met its obligation with respect to its representative payee responsibilities. We have reviewed the draft report and will respond to each of the recommendations proposed by OIG. I assure you that we are committed to ensuring that SMHI properly uses and accounts for payments made on behalf of all individuals that they serve as a representative payee.

Background

SMHI is a private, non-profit organization that provides a comprehensive array of mental health and related services to persons with disabilities. Although originating in Seattle's Capitol Hill neighborhood, located just east of downtown Seattle, SMHI is now a county-wide provider with numerous branch locations in and around the city of Seattle. SMHI serves over 11,000 individuals throughout King County, Washington.

SMHI is a unique agency. Unlike most organizations that focus on a specific clientele, SMHI operates both a residential and an out-patient clinical program. While many organizational payees focus solely on clients that require payee services, SMHI provides payee services for only five percent of their total client base (approximately 574 beneficiaries/recipients). This means that SMHI has challenges unlike our other payee organizations in creating and maintaining policies and an infrastructure that will support what is only a small number of their clients. Although the payee workload for SMHI is relatively small in relation to their overall mission, they serve a large number of individuals in the metropolitan Seattle area who require payee services. Therefore, SMHI is an integral part of our network of representative payees.

In response to the OIG draft audit report, two members of our regional management team promptly completed an onsite review of SMHI. It was clear to our reviewers that SMHI had been analyzing its accounting and disbursement practices and had already initiated significant changes to address the problems raised in the OIG audit. Our discussion of the recommendations from the audit report includes information that we addressed with SMHI during our onsite review.

Report Recommendations

Ensure SMHI establishes appropriate internal controls over benefit disbursements, including the maintenance of supporting documentation for beneficiary expenses.

We agree with the recommendation. During our onsite review, we discussed SMHI's efforts to establish new control processes. SMHI has now begun using its electronic client information system to ensure that it maintains better records of its activities as a payee. They have taken steps to make certain that each individual they serve has a monthly budget, and they are incorporating that budget information into their overall client record. They have updated their processes for requesting disbursements, including a process for requesting emergency and non-emergency disbursements. Requests will be documented and a record maintained.

SMHI no longer relies on cancelled checks as proof of a disbursement. In most cases, SMHI will require the individual to sign the check stub to acknowledge that the funds were disbursed. Regular distributions (i.e., to utility companies) will still rely on the cancelled check as proof of the expense.

Ensure payments issued to SMHI personnel are in accordance with policies and procedures.

We agree with the recommendation and we would like to provide additional context. The OIG audit determined that SMHI was unable to provide evidence that checks issued to SMHI personnel were used for the benefit of the beneficiaries. We agree that SMHI did not have strict control over this practice. As a result, in August 2004, SMHI instituted a policy to prohibit the release of beneficiary funds directly to staff members.

However, we have concerns about OIG's audit results regarding the funds disbursed to SMHI employees without sufficient documentation. All of the 31 improperly documented checks referenced in the audit were written by a single employee.

In addition, OIG determined that the 31 improperly documented checks totaled \$13,838 and then used that figure to extrapolate the potential universe of incorrectly issued checks against the entire universe of SMHI clients. OIG did not take into consideration that these checks involved only one employee and pertained exclusively to individuals who were SMHI residential care clients. Since about 13 percent of SMHI's clients (75) receive residential care service, we believe OIG should revise its estimate of improperly written checks.

Ensure SMHI implements controls to monitor and report to SSA all changes in circumstances that affect the amount of benefits beneficiaries receive or the right of beneficiaries to receive benefits.

We agree with the recommendation. The OIG audit provided information about SMHI's failure to provide SSA with timely information about events that affect Title II and Title XVI payments. OIG stated that SMHI staff did not understand their reporting responsibilities. We spoke with SMHI's Chief Financial Officer, about this issue. SMHI's Chief Financial Officer stated that because of staff turnover, some individuals need additional training on the fundamentals of the Title II and Title XVI programs. To address this concern, regional office staff will conduct a training session for fifty SMHI employees, including the organization's accountants and chief financial officer. The training is scheduled for October 1 and will cover fundamental eligibility and entitlement issues for both the Title II and Title XVI programs. We will clearly restate and reiterate the duties and responsibilities of a representative payee.

SMHI is also taking steps to update its client information system to automatically remind its caseworkers to contact the Social Security Administration when certain events occur (i.e., incarceration, hospitalization, and change in income or work status). We will continue to monitor the effectiveness of this new system.

Ensure SMHI monitors beneficiaries' accounts to ensure conserved funds do not exceed the \$2,000 resource limit.

We agree with this recommendation and would like to provide additional context. We suggest that the report use the phrase "funds held for individual." "Conserved funds" is a term generally used in reference to funds held by one payee that are turned over to SSA to be issued to a new payee.

The OIG audit found two instances of Title XVI recipients with more than \$2000 in their individual accounts. We agree with this finding, but disagree with the overpayment amount computed by OIG. One individual was overpaid \$4374. Collection of the overpaid funds will begin through check adjustment in November 2004. The other individual was not overpaid because he received Title II benefits that were subject to windfall offset. Since his Title II benefits were already reduced because of the Title XVI funds he received from January through April 2003, there is no overpayment. We request that the report reflect the correct overpayment amount.

Require that SMHI implement controls over the transference of conserved funds for beneficiaries who are no longer in its care to SSA.

We agree with the recommendation and would like to provide additional context. The OIG audit identifies five situations where SMHI did not return conserved funds to SSA when they were no longer representative payee. In each of these five instances, SMHI returned the funds to the new payee or the beneficiary. While these actions were not appropriate, it is clear that SMHI did not maintain any of the funds and did not misuse any of the funds. Therefore, we request that the report reflect this information. As the

result of the audit, SMHI has issued a reminder to its staff that all conserved funds should be returned directly to SSA.

Compare and reconcile PUPS and the payment records for the 84 beneficiaries that have a record present on PUPS to ensure that payments to incarcerated beneficiaries were suspended.

We agree with this recommendation and would like to provide more context. We also need additional information from OIG to implement this recommendation. While the audit was pending, OIG agents referred nine potential prisoner cases to SSA for possible corrective action. In eight of those cases, the Title XVI payment records already reflected accurate information about the incarceration. The ninth case was not properly annotated; the servicing office updated the record in June 2004. To date, we have not been given a file with the 84 beneficiaries that are noted in this recommendation. Once we receive the information, we will take immediate action to review and, if necessary, update the records.

Concluding Comments

Regional office staff have developed an excellent working relationship with SMHI management. In addition, Dennis Wulkan, Seattle's Assistant Regional Commissioner for Management and Operations Support, recently had a candid and constructive conversation with SMHI's Chief Financial Officer to express the Region's concern about the audit findings and to offer the training and support necessary to ensure SMHI complies with SSA's representative payee requirements. SMHI's Chief Financial Officer expressed his personal assurance that SMHI is taking the OIG report very seriously and has already begun improving their processes and the integrity of their payee program. SMHI's Chief Financial Officer also complimented Jill Barry of the regional office staff and he told Mr. Wulkan that SMHI will take necessary corrective actions to ensure they are in compliance with all representative payee responsibilities and obligations. We will continue to work with SMHI both locally and regionally to ensure that the lines of communication remain open.

We remain committed to ensuring that SMHI follows proper procedures as an organizational payee. In addition to providing the training for SMHI staff in October, Seattle management staff will conduct a follow up review with SMHI by February 15, 2005 to ensure that SMHI has appropriate controls in place, has followed through on its new processes, and remains in compliance with the OIG recommendations.

Again, thank you for providing us with an opportunity to review the draft audit report. If your staff have any questions, they may contact Jill Barry, RSI Programs and Systems Team, by phone at 206-615-2120, by fax at 206-615-2643, or by email at jill.barry@ssa.gov.

/s/

Carl L. Rabun

Representative Payee Comments

September 7, 2004

Steven L Schaeffer
Assistant Inspector General for Audit
Office of the Inspector General
4 L 1 Operations Building
6401 Security Blvd.
Baltimore, Maryland 21235

Dear Mr. Schaeffer:

Seattle Mental Health Institute (SMHI) has reviewed the draft OIG audit report completed on SMHI's Representative Payee Services. SMHI provides this essential service to more than 600 beneficiaries who are in active clinical care at SMHI. SMHI understands that the audit identified processes and practices in SMHI's representative payee services that were not in full compliance with the requirements of the Social Security Administration. While SMHI is not in full agreement with all of the points and conclusions detailed in the audit, SMHI is in complete agreement that modified policies, procedures and practices (per Social Security guidelines) will improve the representative payee services at SMHI.

SMHI understands that the OIG audit results have generated recommendations to the local Social Security office for their follow up with SMHI. It is SMHI's intention to actively and openly participate with the local Social Security office to successfully resolve any and all concerns from the audit.

SMHI is firmly committed to improving its Representative Payee Services to maintain complete compliance with all requirements of Social Security. SMHI has been actively working with the local Social Security office to review SMHI's plans, and has implemented steps towards changing the representative payee service at SMHI. Based on review thus far from the local Social Security office, SMHI believes that it has made positive strides to improving its processes and will continue to work with Social Security to assure full compliance with all requirements.

SMHI would like the opportunity to comment on one specific item in the audit. The audit identified 31 checks for a total of \$13,838 that had been written to SMHI personnel. These checks included cases where funds were distributed to multiple beneficiaries in a single check at SMHI's residential programs. The audit extrapolated the total amount of the checks to a potential error of \$158,860 for SMHI's 574 beneficiaries. However only \$3,489 of the \$13,838 were written to the specific sampled beneficiaries tested in the audit. The remaining amount was related to other individuals in residential care at SMHI. The revised amount would extrapolate to a potential error of \$40,053. SMHI is not presenting this information as a counter to or argument against a justified concern in the audit summary regarding checks to SMHI personnel. However, SMHI does believe the modified extrapolation is a reasonable alternative to the audit summary.

I appreciate having this opportunity to respond to the audit results. SMHI has a strong commitment to maintaining full compliance with all system requirements related to the services that the organization provides. SMHI has begun and will continue to use the results of the audit in keeping with this commitment. If there are any questions regarding this letter – I can be contacted at davids@smh.org or by phone at 206.302.2250.

Sincerely,

/s/

David R. Stone, Ph.D.
Chief Executive Officer

OIG Contacts and Staff Acknowledgments

OIG Contacts

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

Joseph Robleto, Audit Manager, (510) 970-1737

Acknowledgments

In addition to those named above:

Nicole Kato Sullivan, Auditor-in-Charge

Brennan Kraje, Statistician

Kimberly Beauchamp, Writer-Editor

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Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Committee on Finance
Chairman and Ranking Minority Member, Subcommittee on Social Security and Family Policy
Chairman and Ranking Minority Member, Senate Special Committee on Aging
Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

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.

Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

Office of Executive Operations

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.