



SOCIAL SECURITY

MEMORANDUM

Date: July 15, 2003

Refer To:

To: James F. Martin
Regional Commissioner

From: Assistant Inspector General
for Audit

Subject: Audit of the Community Counseling Centers of Chicago – A Fee-for-Service Representative Payee for the Social Security Administration (A-13-03-13002)

Attached is a copy of our final report. Our objectives were to determine whether the Community Counseling Centers of Chicago (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 Shirley E. Todd, Director, General Management Audit Division, at (410) 966-9365.

A handwritten signature in cursive script that reads "Steven L. Schaeffer".

Steven L. Schaeffer

Attachment

cc:
Fritz Streckewald
JoEllen Felice
Candace Skurnik

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**AUDIT OF COMMUNITY COUNSELING
CENTERS OF CHICAGO - A FEE-FOR-
SERVICE REPRESENTATIVE
PAYEE FOR THE
SOCIAL SECURITY ADMINISTRATION**

July 2003

A-13-03-13002

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 Community Counseling Centers of Chicago (C4) (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 (Rep Payees) to receive and manage these beneficiaries' 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 best interests of the beneficiary.

C4 is a nonprofit social service agency whose mission is to deliver needs-based, comprehensive mental health and substance abuse treatment and support services to community residents. Services include behavioral health and supportive services for adults; child, adolescent and family services; crisis intervention and assessment; medical, mental health and substance abuse treatment; and case management. During our audit period, SSA paid C4 approximately \$2.1 million for 418 beneficiaries in C4's care.

RESULTS OF REVIEW

Our audit showed that C4 needs to improve its safeguards over the receipt and disbursement of Social Security benefits and better ensure that Social Security benefit payments are used and accounted for in accordance with SSA's policies and procedures. Specifically, we found that:

- C4's Rep Payee bank account improperly included other funds along with Social Security benefits.
- C4's check disbursement approval process did not include an independent verification to original invoices.
- C4 did not establish direct deposit for beneficiary payments, leaving beneficiary checks vulnerable to loss and theft.
- C4 used estimated amounts to complete Representative Payee Reports (RPRs).

- C4 charged Rep Payee fees to three beneficiaries when the Rep Payee application stated otherwise.
- C4 improperly endorsed and deposited at least 71 benefit checks totaling approximately \$43,000 made payable to 17 beneficiaries for whom C4 was not the Rep Payee.

We also identified three areas for SSA's attention.

- The Representative Payee System (RPS) included eight beneficiaries who were no longer in C4's care.
- Benefits were paid directly to a beneficiary by direct deposit when C4 was the Rep Payee of record.
- SSA could not provide 11 of the 30 RPRs we requested (see Other Matter). We therefore could not determine whether C4 properly reported to SSA how benefits were spent and invested for all cases.

CONCLUSIONS AND RECOMMENDATIONS

C4 has internal control and accounting weaknesses, which prevent it from fully meeting its responsibilities as a Rep Payee. We believe C4 needs to improve several areas of its Rep Payee program. We recommend that SSA:

1. Ensure that C4 identifies all sources of funds in its Rep Payee account and removes any non-beneficiary funds. In doing so, C4 should also determine whether there are any SSA funds that should be paid to beneficiaries.
2. Ensure that C4's check disbursement approval process includes verification to original invoices by a second person.
3. Require C4 to establish direct deposit for all beneficiaries in its care.
4. Provide training and clarify procedures with C4 for completing RPRs.
5. Determine whether C4 is permitted to collect fees from the three beneficiaries whose Rep Payee application stated no fees would be charged.
6. Instruct C4 to stop the practice of negotiating Social Security checks when they are not the official Rep Payee.
7. Determine whether the 17 beneficiaries that have their Social Security checks sent directly to C4 need a Rep Payee.

8. Correct the RPS to show C4 is no longer the Rep Payee for eight beneficiaries.
9. Determine whether benefit payments were properly deposited into a beneficiary's bank account and determine whether the beneficiary needs a Rep Payee.

SSA COMMENTS

SSA generally agreed with all of our recommendations. However, SSA had additional comments to Recommendations 3, 5, 6, 7 and 9.

Recommendation 3 - SSA agreed the use of direct deposit should be considered but noted that C4's financial institution could not provide detailed individual deposit information quickly enough to ensure timely payments of beneficiary expenses.

Recommendation 5 - SSA requested specific information concerning the accounts involved so it may determine what additional actions may be necessary.

Recommendations 6 and 7- SSA stated C4 serves as a kind of bank, as an "in care of" addressee, to individuals not confident of the security of their mail. As a result of our findings, C4 and the local SSA field office have obtained additional documentation to support this arrangement, which is made for the convenience, and at the request, of the beneficiaries.

Recommendation 9 - SSA stated despite inaccurate data on RPS, the Master Beneficiary Record indicates the beneficiary has been in direct payment. C4 did not receive any funds.

See Appendix A for the full text of SSA's comments to our draft report.

REPRESENTATIVE PAYEE COMMENTS

C4 agreed with most of our recommendations. With respect to Recommendation 3, C4 stated it was unsure whether it could obtain detailed information for funds transmitted via direct deposit. With regard to Recommendation 6, C4 stated SSA has allowed it to assist beneficiaries in money management as long as each beneficiary signs an authorized agreement. See Appendix B for the full text of C4's comments.

OIG RESPONSE

We appreciate comments received from SSA and C4. With respect to Recommendation 3, we continue to believe direct deposit provides improved safeguards over benefit payments. It is an effective and efficient process that would save C4 the time and effort of handling numerous benefit checks. In addition, we contacted C4's bank and verified that it would be able to provide detailed information for funds transmitted via direct deposit.

Regarding Recommendation 5, we will provide the information requested so SSA may determine whether C4 is permitted to collect fees from the three beneficiaries. With respect to Recommendations 6 and 7, we understand C4 and the SSA field office have obtained additional documentation to allow SSA benefit checks to be mailed to C4. However, we continue to believe the beneficiary must endorse his/her own check. In addition, SSA should determine whether any of these beneficiaries need a Rep Payee.

Regarding Recommendation 9, we agree the beneficiary was in direct payment, and C4 did not receive any funds.

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Acronyms

C4	Community Counseling Centers of Chicago
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
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 Community Counseling Centers of Chicago (C4) (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 (Rep Payees) to receive and manage these beneficiaries' benefit payments.¹ 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 best interests of the beneficiary or recipient. 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 and invested.³

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

² 42 U.S.C. §§ 405(j), 1383(a)(2) (2002).

³ 20 C.F.R., §§ 404.2001 et seq., § 416.601 et seq. (2002).

About 7.6 million individuals have Rep Payees—approximately 4.5 million are OASDI beneficiaries, 2.3 million are SSI recipients, and 800,000 are entitled to both OASDI and SSI. The following chart reflects the types of Rep Payees and the number of individuals they serve.

Type of Rep Payee	Number of Rep Payees	Number of Individuals Served
<i>Individual Payees: Parents, Spouses, Adult Children, Relatives, and Others</i>	5,333,200	6,685,100
<i>Organizational Payees: State Institutions, Local Governments and Others</i>	41,500	807,400
<i>Organizational Payees: Fee-for-Service</i>	900	104,200
TOTAL	5,375,600	7,596,700

Source: Master Representative Payee File as of January 2003.

COMMUNITY COUNSELING CENTERS OF CHICAGO

C4 is a nonprofit, social service agency whose mission is to deliver needs-based, comprehensive mental health and substance abuse treatment and support services to community residents. Services include behavioral health and supportive services for adults; child, adolescent and family services; crisis intervention and assessment; medical, mental health and substance abuse treatment; and case management. SSA benefit checks go directly to the C4 Representative Payee Department.⁴ During our audit period, SSA paid C4 approximately \$2.1 million for 418 beneficiaries in C4’s care.

SCOPE AND METHODOLOGY

Our audit covered the period May 1, 2001 through April 30, 2002. To accomplish our objectives, we:

- Reviewed the Social Security Act and SSA policies and procedures pertaining to Rep Payees.
- Contacted SSA regional office and field office staffs to obtain background information about the Rep Payee’s performance.
- Obtained from SSA’s RPS and the Rep Payee a listing of individuals who were in the Rep Payee’s care and received SSA funds as of May 1, 2001 or who left the Rep Payee’s care after April 30, 2002.

⁴ C4’s Rep Payee Department receives SSA benefit checks, deposit funds, pays clients’ bills and distributes money based on the case manager’s discretion and clients’ budgets.

- Compared and reconciled the RPS and the Rep Payee's listings to identify the population of SSA individuals who were in the Rep Payee's care from May 1, 2001 through April 30, 2002.
- 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 a sample of 50 beneficiaries.
 - Compared and reconciled benefit amounts paid according to the Rep Payee's records to benefit amounts paid according to SSA's records.
 - Reviewed the Rep Payee's accounting records to determine whether benefits were properly spent or conserved on the individual's behalf. We also determined whether SSA was due a refund for any overpaid benefits.
 - Traced a sample of recorded expenses to source documents and examined the underlying documentation for reasonableness and authenticity.
- Interviewed a sample of beneficiaries, personal guardians, or caregivers to determine whether their basic needs were being met.
- Reviewed a sample of RPRs to determine whether the Rep Payee properly reported to SSA how benefits were used.
- Reviewed a sample of Representative Payee Applications (SSA-11-BK) to evaluate the completeness and appropriateness of the information provided on the applications.

We determined the computer processed data to be sufficiently reliable for their intended use. Further, any data limitations are minor in the context of this assignment, and the use of the data should not lead to an incorrect or unintentional message. We tested certain data element(s) of data extracts generated from the Agency's RPS. In addition, we tested benefit payment receipts and disbursements recorded in the Rep Payee's automated accounting system. We completed tests to determine the completeness, accuracy and validity of the data. These tests allowed us to assess the reliability of the data and achieve our audit objectives.

We performed our audit in Chicago, Illinois, and Baltimore, Maryland, between June and December 2002. We conducted our audit in accordance with generally accepted government auditing standards.

Results of Review

Our audit showed that C4 needs to improve its safeguards over the receipt and disbursement of Social Security benefits and better ensure that Social Security benefit payments are used and accounted for in accordance with SSA's policies and procedures.

Representative Payee Bank Account Included Non-Beneficiaries' Funds

individual Rep Payee's operating account.”⁶

The *Social Security: Guide for Representative Payees*, requires that a Rep Payee bank account only have SSA beneficiary funds. A Rep Payee cannot mix the beneficiary's funds with the Rep Payee's own or other funds.⁵ Furthermore, SSA policy states that “the account must be separate from the institution's, agency's or

C4 did not follow SSA's procedures to keep SSA beneficiaries' funds separate from other funding. Instead, C4 deposited and, as of the date of our review, maintained monies in the Rep Payee account from a research study, emergency assistance, and other sources unknown to C4's staff. We discussed this matter with C4. Staff could not identify the sources of funding for some of the line items on C4's balance sheet. C4 has agreed to research the line items, identify the source of funding, and remove non-beneficiary funds from the Rep Payee Account.

Check Disbursement Approval Process Needed Improvement

a verification of original invoices by a second person.

It is a good practice for a Rep Payee to have appropriate internal controls to ensure the accuracy, completeness and proper authorization of transactions related to the receipt and disbursement of beneficiaries' funds. As part of this, the Rep Payee's check disbursement approval process should include

We examined the check disbursement policy for C4 and found that the Client Account Coordinator signed disbursement checks without examining of the original invoices. Specifically, C4's Data Entry Operator enters all check requests, records checks for printing, prints checks from its Quick Books⁷ program, and verifies the data on the printed check. Finally, the Data Entry Operator reviews the check, the check request, and the original invoice to ensure they all agree. The Client Account Coordinator then signs the checks without examining of the original invoice.

⁵ SSA Publication No. 05-10076, *Social Security: A Guide for Representative Payees*, August 2001.

⁶ Programs Operations Manual System (POMS), GN 00603.020.

⁷ Quick Books is an automated accounting system C4 uses to track monies received, expenses paid, and the current balance for each client.

We believe C4 did not have the effective controls for the disbursements of beneficiaries' funds through the use of checks. The Data Entry Operator has numerous responsibilities in relation to the preparation, printing and verification of checks. Although the Data Entry Operator is not authorized to sign the checks, there is a risk of fraud and errors. While our audit did not detect any fraud or errors, we believe C4 should establish a policy that disbursement checks be approved and signed only after the information on the check is verified to original invoices by a second person.

As a result of our audit, C4 took corrective actions and changed its policy. The Client Account Coordinator now verifies the checks against original invoices.

Direct Deposit Was Not Used

Federal regulations generally require that Federal payments be made by direct deposit.⁸ Direct deposit is a secure way of receiving payments and protects beneficiaries from the loss, theft, or delays associated with mailing paper checks. For a Rep Payee, direct deposit is an effective and efficient process that saves the time and effort of handling numerous benefit checks.

The requirement to receive payments by direct deposit can be waived if it would impose a hardship on the individual. However, *SSA's Guide for Organizational Representative Payees* strongly encourages the Rep Payee to have benefit payments direct deposited in a bank account.

C4 receives monthly benefit payments by check rather than direct deposit. We found the manner in which C4 processed beneficiaries' checks to be labor-intensive. C4's Rep Payee Department receives beneficiaries' checks and alphabetizes the checks by last name. Copies of the checks are made and the Data Entry Clerk inputs the check information into Quick Books. The Client Account Coordinator prepares a deposit slip and stamps the back of the checks. Then, the Client Account Coordinator takes the checks to the bank for deposit.

C4 acknowledged the benefits of using direct deposit and asked its banking institution to provide specific information from the electronic funds transfer for each beneficiary. However, according to C4, the bank cannot identify the names of the beneficiaries with the funds transmitted via direct deposit. We contacted the bank and verified that it would be able to provide detailed information for funds transmitted via direct deposit.

Representative Payee Reports Were Incorrectly Prepared

Rep Payees are responsible for keeping records and reporting on the use of Social Security benefits by annually completing RPRs. SSA uses the RPR to monitor how the Rep Payee spent and/or saved the benefits on behalf of the beneficiary and identify situations where representative payment may no longer be appropriate or the Rep Payee may no longer be suitable.⁹

⁸ 31 C.F.R. § 208.3 (2002).

⁹ POMS, GN 00605.001.

C4 completed the RPRs incorrectly. Instead of reviewing the beneficiary's accounting records in its Quick Books program, C4 personnel simply provided estimated amounts on the RPRs. Specifically, C4 reported as spending \$1,000 each on personal items for 12 of 19 RPRs we reviewed. Our review of the accounting records of one of the affected beneficiaries showed that C4's actual spending on personal items exceeded \$3,000.

We believe that amounts were incorrectly reported because C4 personnel were not properly trained to complete the RPR. As a result, the information reported to SSA did not accurately reflect the actual amounts spent on beneficiaries during the 12-month reporting period.

Representative Payee Fees

SSA authorizes certain types of organizational Rep Payees to collect a fee from a beneficiary's monthly payment for providing Rep Payee services. These organizations are referred to as "fee-for-service"¹⁰ Rep Payees. SSA policy states, if an organization wants to apply to be a Rep Payee and collect a fee, it must state the following on the Representative Payee Application (SSA-11-BK):

1. as an authorized organization, we will collect a fee for acting as this person's Rep Payee and
2. we are/are not a creditor of this individual.¹¹

As part of our audit, we reviewed 10 Representative Payee Applications for C4. We found that 3 of the 10 applications stated that C4 would not collect a fee from the 3 beneficiaries. However, our audit showed that C4 charged three beneficiaries Rep Payee fees totaling \$352 during our audit period.

Improper Endorsement of Beneficiary Checks

According to SSA policy, generally, the beneficiary's mailing address should be the address where he/she resides. Any other address is questionable and is not acceptable if it facilitates an assignment of benefits, directs checks to a location where the beneficiary cannot readily negotiate them, or permits the beneficiary to conceal information that would result in nonpayment of benefits. SSA policy also states that, if the mailing address is that of a hospital, nursing home, rest home, etc., the beneficiary may need a Rep Payee.¹²

¹⁰ 42 U.S.C. §405 (j)(4)(A)(i) (2002) permits a qualified organization to collect from an individual a monthly fee for expenses incurred in providing services performed as such individual's Rep Payee. The fee is limited to the lesser of 10 percent of the monthly benefit, or \$30 per month (\$58 for individuals who have an alcoholism or drug addiction condition).

¹¹ POMS, NL 00703.945.

¹² POMS, GN 02605.025.

We identified 17 beneficiaries who had their benefit checks sent directly to C4. None of the 17 beneficiaries had a Rep Payee; therefore, all of the checks were made payable to the beneficiaries. However, we found that C4 improperly endorsed and deposited into its Rep Payee bank account at least 71 benefit checks, totaling approximately \$43,000, without any of the beneficiaries' signatures. As a result, there is a risk that beneficiary funds were improperly assigned to C4 or these beneficiaries may need a Rep Payee to manage their funds.

We informed C4 that this practice was not permitted. We also requested SSA to determine whether these 17 beneficiaries were capable of managing their own funds.

Representative Payee System Included Beneficiaries Who Were No Longer in C4's Care

Federal regulation requires that SSA provide for specific identification and control of all Rep Payees and the beneficiaries they serve.¹³ As a result, SSA established the RPS, an on-line system for entering and retrieving information about Rep Payees and those applying to be Rep Payees. RPS contains data about Rep Payee's

applicants, beneficiaries in the Rep Payee's care, and the relationship between the Rep Payee and the beneficiaries. In addition, SSA uses the RPS to select a sample of beneficiaries for review during its site visits of Rep Payees.

To determine the number of beneficiaries in C4's care, we compared C4 records to information contained in RPS. The comparison identified eight beneficiaries for whom C4 was no longer serving as Rep Payee but for whom it was recorded as the Rep Payee in the RPS.

We analyzed information pertaining to these beneficiaries to determine why SSA had C4 as the Rep Payee in RPS. We found that C4 records showed the beneficiaries' accounts were closed out before our audit period. According to SSA, some of its systems do not interface with each other to identify beneficiaries who left a Rep Payee's care. We provided the names to SSA so it could take corrective actions to show the beneficiaries were no longer in C4's care.

Benefits Were Paid to a Beneficiary When C4 Was the Rep Payee of Record

In March 2001, SSA selected C4 to become the Rep Payee for one of the beneficiaries we reviewed. C4 was also listed in RPS and SSA's payment records as the Rep Payee of record. However, none of the beneficiary's payments were sent to C4. In addition, C4 returned to SSA the RPR for the beneficiary and informed SSA the beneficiary was never in its

care. According to SSA, all the payments were direct deposited into the beneficiary's own bank account. However, we were unable to verify if, in fact, it was the beneficiary's bank account.

When we brought this matter to SSA staff's attention, it could not explain how this occurred. Therefore, we requested SSA to verify that the payments were properly

¹³ 42 U.S.C. § 405(j)(2) (2002). POMS, GN 00502.120.

deposited into the beneficiary's bank account and to determine whether the beneficiary needs a Rep Payee. SSA's records showed that, as of November 2002, the beneficiary did not have a Rep Payee.

Conclusions and Recommendations

C4 has internal control and accounting weaknesses, which prevents it from fully meeting its responsibilities as a Rep Payee. We believe C4 needs to improve several areas of its Rep Payee program. We recommend that SSA:

1. Ensure that C4 identifies all sources of funds in its Rep Payee account and removes any non-beneficiary funds. In doing so, C4 should also determine whether there are any SSA funds that should be paid to beneficiaries.
2. Ensure that C4's check disbursement approval process includes verification to original invoices by a second person.
3. Require C4 to establish direct deposit for all beneficiaries in its care.
4. Provide training and clarify procedures with C4 for completing RPRs.
5. Determine whether C4 is permitted to collect fees from the three beneficiaries whose Representative Payee application stated no fees would be charged.
6. Instruct C4 to stop the practice of negotiating Social Security checks when they are not the official Rep Payee.
7. Determine whether the 17 beneficiaries that have their Social Security checks sent directly to C4 need a Rep Payee.
8. Correct the RPS to show C4 is no longer the Rep Payee for eight beneficiaries.
9. Determine whether benefit payments were properly deposited into a beneficiary's bank account and determine if the beneficiary needs a Rep Payee.

SSA COMMENTS

SSA generally agreed with all of our recommendations. However, SSA had additional comments to Recommendations 3, 5, 6, 7 and 9.

Recommendation 3 - SSA agreed the use of direct deposit should be considered but noted that C4's financial institution could not provide detailed individual deposit information quickly enough to ensure timely payments of beneficiary expenses.

Recommendation 5 - SSA requested specific information concerning the accounts involved so it may determine what additional actions may be necessary.

Recommendations 6 and 7- SSA stated C4 serves as a kind of bank, as an “in care of” addressee, to individuals not confident of the security of their mail. As a result of our findings, C4 and the local SSA field office have obtained additional documentation to support this arrangement, which is made for the convenience, and at the request, of the beneficiaries.

Recommendation 9 - SSA stated despite inaccurate data on RPS, the Master Beneficiary Record indicates the beneficiary has been in direct payment. C4 did not receive any funds.

See Appendix A for the full text of SSA’s comments to our draft report.

REPRESENTATIVE PAYEE COMMENTS

C4 agreed with most of our recommendations. With respect to Recommendation 3, C4 stated it was unsure whether it could obtain detailed information for funds transmitted via direct deposit. With regard to Recommendation 6, C4 stated SSA has allowed it to assist beneficiaries in money management as long as each beneficiary signs an authorized agreement. See Appendix B for the full text of C4’s comments.

OIG RESPONSE

We appreciate comments received from SSA and C4. With respect to Recommendation 3, we continue to believe direct deposit provides improved safeguards over benefit payments. It is an effective and efficient process that would save C4 the time and effort of handling numerous benefit checks. In addition, we contacted C4’s bank and verified that it would be able to provide detailed information for funds transmitted via direct deposit.

Regarding Recommendation 5, we will provide the information requested so SSA may determine whether C4 is permitted to collect fees from the three beneficiaries. With respect to Recommendations 6 and 7, we understand C4 and the SSA field office have obtained additional documentation to allow SSA benefit checks to be mailed to C4. However, we continue to believe the beneficiary must endorse his/her own check. In addition, SSA should determine whether any of these beneficiaries need a Rep Payee.

Regarding Recommendation 9, we agree the beneficiary was in direct payment, and C4 did not receive any funds.

Representative Payee Reports

One method SSA uses to monitor Rep Payees is the RPR. The RPR is intended to assist SSA in determining the (1) use of benefits during the preceding 12-month reporting period, (2) Rep Payee's continuing suitability, and (3) continuing need for representative payment. Depending on the Rep Payee's responses, SSA may contact the Rep Payee to determine its continued suitability. We found that SSA could not always retrieve C4's completed RPRs.

As part of our audit, we planned to review a sample of completed RPRs to determine whether C4 met its reporting responsibilities. We requested the most recently completed RPRs for 30 beneficiaries. However, SSA only provided 19 of the 30 RPRs we requested. For the remaining 11, we could not determine whether C4 properly submitted RPRs.

However, in February 2003, SSA established an electronic imaging system that will image and electronically store all RPR forms. The imaging system should improve SSA's ability to timely obtain RPRs.

Appendices

Agency Comments

-----Original Message-----

From: Niesman, Denise
Sent: Wednesday, June 11, 2003 9:10 AM
To: Schaeffer, Steve
Cc: ||CHI ORC; ||CHI ARC MOS; Reeves, Robin; Condren-Kaplan, Mary
Subject: Audit of the Community Counseling Centers of Chicago (C4) (A-13-03-13002)--REPLY

To: Assistant Inspector General
for Audit

From: Regional Commissioner
Chicago

Subject: Audit of the Community Counseling Centers of Chicago (C4) - A Fee-for-Service Representative Payee for the Social Security Administration (A-13-03-13002)--REPLY

We reviewed the comments you sent us from C4 and other regions. Below are our amended comments.

- 1. Ensure that C4 identifies all sources of funds in its Rep Payee account and removes any non-beneficiary funds. In doing so, C4 should also determine whether there are any SSA funds that should be paid to beneficiaries.**
 - We agree. We review accounts as part of the triennial review process. By virtue of the last review, we know that funds are not routinely commingled. C4 maintains individual ledger accounts for each beneficiary. Some grant money was accidentally deposited to the beneficiary account. The money was transferred as soon as it was discovered. We found no evidence of SSA funds being misdirected into corporate accounts.
- 2. Ensure that C4's check disbursement approval process includes verification to original invoices by a second person.**
 - We understand C4 has implemented this recommendation based on conversations with your reviewers. It is a good business practice, although it is beyond the procedural requirements.
- 3. Require C4 to establish direct deposit for all beneficiaries in its care.**
 - While we agree that the use of direct deposit should be considered there is no regulatory or policy basis for making this a requirement. C4 contacted their current financial institution and determined it cannot provide detailed individual deposit information quickly enough to ensure timely rent payments, etc. for C4's clients'. C4 will continue to seek an alternative banking arrangement.
 - The Report indicates the basis for this error is *The Social Security: Guide for Representative Payees*. The Guide only contains recommendations on this issue.

Audit of C4 – A Fee-For-Service Rep Payee for SSA (A-13-03-13002)

4. Provide training and clarify procedures with C4 for completing RPRs.

- We agree. The Field Office maintains regular contacts with C4. They will increase the training offered to new staff.

5. Determine whether C4 is permitted to collect fees from the three beneficiaries whose Representative Payee application stated no fees would be charged.

- C4 is permitted to collect fees from all clients. The report did not include specific information about these applications. We would appreciate knowing the accounts involved so that we may determine what additional actions may be necessary.

6. Instruct C4 to stop the practice of negotiating Social Security checks when they are not the official Rep Payee.

- C4 serves as a kind of bank, as an "in care of" addressee, to the homeless and people who are not confident of the security of their mail. The FO was aware of this. This has been a long-standing arrangement. As a result of your findings, C4 and the FO have obtained additional documentation to support this arrangement, which is made for the convenience and at the request of the beneficiaries.

7. Determine whether the 17 beneficiaries that have their Social Security checks sent directly to C4 need a Rep Payee.

- See the reply to number 6 regarding additional documentation obtained for beneficiaries using a C4 address.

8. Correct the RPS to show C4 is no longer the Rep Payee for eight beneficiaries.

- We agree. The FO has reviewed and corrected the records.

9. Determine whether benefit payments were properly deposited into a beneficiary's bank account and determine if the beneficiary needs a Rep Payee.

- Despite inaccurate data on RPS, the MBR indicates the beneficiary has been in direct payment. C4 did not receive any funds.

If your staff have any questions, they may call Denise Niesman, Retirement and Survivors Insurance Team, at (312) 575-4241.

/s/
James F. Martin

Representative Payee Comments

OIG Contacts and Staff Acknowledgments

OIG Contacts

Shirley E. Todd, Director, General Management Audit Division, (410) 966-9365

James J. Klein, Audit Manager, (410) 965-9739

Acknowledgments

In addition to the persons named above:

Linda A. Webster, Auditor-in-Charge

Randy J. Townsley, Senior Auditor

Katherine M. Baker, Auditor

Kimberly Beauchamp, Writer-Editor

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