SOCIAL SECURITY

The Commissioner

January 27, 2012

The Honorable Max Baucus
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed is our *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* for fiscal year 2011. Sections 205(j)(6)(B), 807(k)(2), and 1631(a)(2)(G)(ii) of the Social Security Act (amended by section 102(b) of the Social Security Protection Act of 2004) require this report. I will keep you informed of our accomplishments as we continue to make improvements in the representative payment program.

If you have questions or need additional information, please do not hesitate to contact me or have your staff contact Scott Frey, Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

I am sending a similar letter to Congressman Camp.

Sincerely,

//s//

Michael J. Astrue

Enclosure

SOCIAL SECURITY
The Commissioner

January 27, 2012

The Honorable Dave Camp
Chairman, Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

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Enclosure

Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews

Social Security Administration

Fiscal Year 2011

Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews

October 1, 2010 through September 30, 2011

Executive Summary

The Social Security Act (Act), as amended by the Social Security Protection Act of 2004 (SSPA), requires the Social Security Administration (SSA) to report on the results of site reviews of specific types of representative payees and any other reviews of representative payees conducted during the prior fiscal year (FY).[1] This report provides the results of the reviews of representative payees who manage the benefits of Social Security, Special Veterans Benefits, and Supplemental Security Income (SSI) beneficiaries. This is our eighth annual report.

As the SSPA requires, this report includes a description of all of the problems identified by the reviews, the action that we took or plan to take to correct the problems, and the following additional information:

1. The number of such reviews;
2. The results of such reviews;
3. The number of cases in which the representative payee was changed and why;
4. The number of cases in which we expedited oversight of the representative payee because of alleged misuse of funds, failure to pay a vendor, or a similar irregularity;
5. The number of cases discovered in which there was a misuse of funds;
6. How we dealt with cases of misuse of funds;
7. The final disposition of such, including any criminal penalties imposed; and
8. Other information as deemed appropriate.

We conducted a total of 2,173 reviews for FY 2011. Table No. 1, on the following page, itemizes the types of reviews we performed by payee category. We provide definitions of the different types of reviews and payee categories on pages 8 through 10 of this report.

We identified 32 cases of misused funds during site, random, and targeted reviews. Nineteen of these payees were volume payees, nine were fee-for-service (FFS) payees, one was a State onsite facility and three were individual payees.

A detailed narrative describing these 32 cases of misused funds is provided later in this report, starting on page 29 under the heading "FY 2011 Misuse Cases." The action that we took in each of these cases depended upon our findings. In nine cases, we removed the payee. We retained

[1] Sections 205(j)(6)(B), 807(k)(2), and 1631(a)(2)(G)(ii) of the Act, 42 U.S.C. §§ 405(j)(6)(B), 1007(k)(2), and 1383(a)((2)(G) (ii), as amended by section 102(b) of the SSPA, Public Law 108-203.

__Table No. 1: Number of Reviews by Review Type and Representative Payee Type__

	Site Reviews	Random Reviews	Targeted Reviews	Educational Visits	State Onsite Reviews	Optional Reviews	Special Reviews	Total
Volume Payees	963	176	53	0	0	24	0	1,216
State Mental Institutions	0	0	0	0	74	0	0	74
Fee-for-Service Payees	330	0	5	48	0	7	0	390
Individual Payees	105	35	3	0	0	0	0	143
Other Organizational Payees	0	0	0	0	0	0	176	176
Employer Payees	0	0	0	0	0	0	174	174
Totals	1,398	211	61	48	74	31	350	2,173

12 payees because they reimbursed all of the beneficiaries who were the victims of employee theft or unauthorized fees. We retained one payee because we expect the payee to reimburse us. We retained one payee because the payee is in the process of reimbursing the beneficiaries who were the victims of employee theft. In cases involving employee theft and unauthorized fees, we retained seven payees pending formal notification to the payee of the amount misused. We retained one individual payee because he serves as payee only for his spouse and has made a partial reimbursement to us. He is no longer payee for the other individuals he was serving. One payee was unable to reimburse the unauthorized fees it had collected and therefore went out of business. We will remove any payee who fails to repay misused funds.

During site and random reviews, we identified 14 additional cases of suspected misuse. Twelve of the payees were volume payees and two were FFS payees. During a targeted review, we also found four cases of suspected misuse by a volume payee and one case of suspected misuse by a FFS payee. We have referred these cases of suspected misuse to the servicing field office to make the final determination as to whether funds have been misused..

We removed 17 payees due to poor performance of duties. In these cases, the payees performed their duties so poorly that we decided the beneficiaries would be better served by the appointment of new payees.

We identified other problems involving misunderstanding of representative payee duties, but without any intentional misconduct. Beginning on page 11, the report details the problems we found, and the corrective actions we took to address them. We continue to take steps to address the problems identified during our programmatic review activities and to address the findings in the National Research Council of the National Academy of Sciences' (NAS) report to Congress entitled, "Improving the Social Security Representative Payee Program: Serving Beneficiaries and Minimizing Misuse," published in July of 2007.

During FY 2011, we took the following actions:

January 2011

- We began revising our "Guide for Organizational Payees," which explains the responsibilities and duties of organizations serving as payee. The revised guide includes additional detailed guidance on the handling of conserved funds. We distributed the new guide during the first quarter of FY 2012.

- We began development to change the reviews completed by the State Protection and Advocacy (P&A) agencies from payees with an employer relationship to organizational payees serving 5 to 49 beneficiaries. These new reviews include a review of the organizations' financial records and interviews with selected beneficiaries. The reviews that we perform are determined based on a model that selects cases for review based on payee and beneficiary characteristics. We developed the model in response to a recommendation in the NAS report referenced above. (See page 21 for more information about our work with the State P&As.)

March 2011

- We developed training material for the P&A reviewers on the financial aspects of the new reviews.

April 2011

- The P&As started the new organizational payee reviews.

May 2011

- We hosted a webinar entitled, "Representative Payees: Roles and Responsibilities of Payees Who Serve Multiple Beneficiaries," which was viewed by more than 700 individuals and organizations serving, or considering serving, as payee. This webcast covered topics such as accountability, documentation, and reporting responsibilities, and is available at http://www.socialsecurity.gov/webinars/representative_payees.html

June 2011

- In response to a recommendation in the NAS report, we developed a model that selects cases for review based on payee and beneficiary characteristics. We also developed special procedures for our field employees to use when reviewing the individual payees identified through the model.

Background

When Social Security beneficiaries or SSI recipients are not able to manage or direct the management of their benefit payments to meet their basic needs, we appoint a representative payee. We do this to ensure that our beneficiaries' needs for food, clothing, and shelter are met and that any remaining benefits are conserved for the beneficiaries' future use. People who need a representative payee are among our most vulnerable beneficiaries. The decision to appoint a representative payee is such a serious decision, we carefully follow the law and regulations when deciding to appoint one. When it is necessary to appoint a representative payee, we choose one who is well qualified. Our policies reflect our commitment to ensure that benefits paid through a representative payee are used to promote the physical, mental, and emotional well-being of the beneficiary in a manner that both preserves the beneficiary's dignity and protects the beneficiary's basic rights. Nearly all representative payees carefully and compassionately provide much needed help to beneficiaries on a volunteer basis.

We now have approximately 5.7 million representative payees managing $62 billion in annual benefits for 7.8 million beneficiaries. Fifty-six percent of the beneficiaries with payees are minor children. The representative payment program relies heavily upon family relationships. Family members, primarily parents or spouses, serve 85 percent of the beneficiaries who have payees. Of the 5.7 million payees, less than one percent, or 39,000, are organizational payees (including FFS payees which account for approximately 1,400 organizations), who serve approximately 885,000 beneficiaries. Generally, we will appoint an organizational representative payee only when no family member is able, willing, or qualified to serve.

Once a representative payee is appointed, we monitor the representative payee to ensure his or her continued qualification to serve and to evaluate his or her performance. Our monitoring activities also help to deter misuse and to ensure that once a representative payee is appointed, he or she appropriately uses benefits. In assessing the performance of a payee, we look for indications that the payee is not performing his or her duties adequately. Often when we discover that a payee is performing poorly, we can help the payee correct the poor performance by reacquainting the payee with the duties and responsibilities of a payee, including the need to keep adequate records. Other times, the poor performance requires the removal of a representative payee.

With the exception of certain State mental institutions, all representative payees are required to submit an annual report accounting for the use of beneficiary funds. We review these reports and investigate those payees who provide questionable responses. If a representative payee does not respond to the initial or second request for an accounting report, the appropriate field office (FO) will make every effort to secure the completed accounting report. For the period October 2009 through September 2010, we mailed approximately 6.1 million accounting reports to our representative payees. Payees did not return approximately 776,000 reports (or 12.8 percent). We place non-response cases on our Electronic Representative Payee Accounting site for the FOs to resolve. Since September 2004, the Act has allowed us to redirect delivery of benefit payments to the FO when a representative payee fails to provide the required accounting forms. Individual FOs review the circumstances of each case and use this option whenever they determine it is the most effective way to secure an overdue payee accounting report.

In addition to annual accounting reports, we perform the following reviews to monitor the performance of volume representative payees:

1. Periodic site reviews of payees, as required by sections 205(j)(6)(A) and 1631(a)(2)(G)(i) of the Act,.

2. Random reviews of a portion of those payees not scheduled or not subject to a periodic site review.

3. Targeted reviews of payees conducted in response to a "trigger" event, such as a beneficiary or third party complaint of benefit mishandling or adverse media coverage.

4. Educational visits with all new payees who meet the criteria of sections 205(j)(4)(B) and 1631(a)(2)(D)(ii) of the Act, and who are authorized by us to charge a fee for payee services, to ensure the payee is complying with recordkeeping and reporting responsibilities.

5. Onsite reviews of State mental institutions. We have conducted triennial onsite reviews of certain State mental institutions for over 30 years using procedures tailored to this specific type of payee.

6. Special Site Reviews of Employer Payees. In FY 2009, we initiated a new type of review to focus on the working and living conditions of beneficiaries served by a payee who was also their employer. In FY 2010, we enlisted the services of State P&A agencies to conduct these reviews. The P&A reviews are discussed in more depth beginning on page 22.

7. Special Site Reviews of Other Organizational Payees. In FY 2011, we initiated a new type of review based on a model we developed which selects cases based on payee and beneficiary characteristics for additional monitoring. The State P&A agencies are conducting these new reviews. The reviews are discussed in more depth beginning on page 22.

Some of our Field Offices have conducted additional reviews of payees whom they believe need more oversight, even though no event necessitating a targeted review has occurred. We refer to these reviews as "optional reviews."

We take our monitoring responsibilities very seriously and continually make improvements to our monitoring procedures. The triennial site reviews, random reviews, targeted reviews conducted in response to a trigger event, and educational visits began in 2000. Since that time, we have also taken additional actions to improve the overall process, including:

- Created a training kit for organizational representative payees that includes a video, a booklet ("Guide for Organizational Representative Payees"), a beneficiary pamphlet, a lesson plan, and a PowerPoint presentation;
- Developed a pamphlet for adult beneficiaries served by representative payees to explain beneficiaries' rights and responsibilities;

- Provided our field personnel with updated program instructions that will help them conduct more thorough reviews and process cases of misuse correctly;
- Revised the annual accounting form used for FFS and organizational payees to detect those who incorrectly charge a fee for service;
- Contracted with accounting firms to assist us in some of our reviews of payees who serve large numbers of beneficiaries, have complex record systems, or whom we suspect of misuse;
- Produced training videos for representative payees on best recordkeeping practices and for our staff on the selection of organizational payees, reviewing payee records, and processing misuse cases;
- Continued to maintain a list of all payees who have lost payee status due to a finding of misuse of funds or conviction of a violation of sections 208, 811, or 1632 of the Act;
- Enhanced our representative payee monitoring website to capture more data about the outcomes of reviews and misuse cases;
- Added information for payees on our website about best recordkeeping practices and protecting the personally identifiable information of beneficiaries;
- Published regulations and operating instructions to improve the FFS program;
- Implemented a new Electronic Representative Payee Accounting system to automate processing of exceptions for representative payee accounting reports;
- Revised the interview guides that our staff uses to interview payees and beneficiaries when conducting periodic site reviews, random reviews, and targeted reviews, to ensure that we capture all pertinent information about a payee's practices;
- Revised the "Guide for Organizational Representative Payees" to provide more information to payees about managing benefits, including a sample ledger the payee can use to record expenditures on behalf of the beneficiary;
- Made the Representative Payee Accounting forms available for completion and submission on the Internet; and
- Contracted with the National Disability Rights Network (NDRN) and State P&A agencies to conduct reviews of employer payees and other organizational payees.

Results of Our Reviews

We conduct the reviews shown on page 3 in person. All reviews, except the special reviews (i.e., the reviews where the representative payee is also the beneficiary's employer, see page 22), include the examination of the representative payee's financial records and supporting documentation. Some of the payees we reviewed made errors in more than one area.

Definitions of the Representative Payee Types Reviewed

Volume Payee: An agency (other than a certified community-based nonprofit social service agency), serving 50 or more beneficiaries. We review volume payees triennially. See sections 205(j)(6)(A)(iii) and 1631(a)(2)(G)(i)(III) of the Act. Examples of payees included in this category are State and local social service agencies, private non-profit social service agencies, and nursing homes. This category does not include certain State mental institutions (see below).

NOTE: For SSA-initiated random reviews, organizations and governmental agencies serving fewer than 50 beneficiaries are also included in this definition.

State Mental Institutions: State mental institutions also serve as representative payees. As of September 2011, there were 257 State mental institutions participating in our onsite review program, established under sections 205 (j) (3)(B) and 1631(a)(2)(C)(ii) of the Act. These sections of the statute specify that participating State mental institutions are not required to provide an annual accounting form for each of the beneficiaries that they serve. Instead, we conduct a site review of each of these institutions at least once every three years. Institutions that do not participate in this onsite review program must complete annual accounting forms for each beneficiary that they serve and are still subject to periodic site reviews, if they serve more than 50 beneficiaries or are FFS (see section below entitled State Onsite Reviews).

Fee-for-Service (FFS) Payee: A State or local government agency providing social services or with fiduciary responsibilities, or a certified community-based nonprofit social service agency, serving five or more beneficiaries, whom we have authorized to collect a fee for representative payee services. Fee-for-Service payees, like volume payees, may serve 50 or more beneficiaries, but we categorize them separately. We review volume payees triennially. See sections 205(j)(4), 205(j)(6)(A)(ii) and 1631(a)(2)(D), 1631(a)(2)(G)(i)(II) of the Act.

Individual Payee: A person who serves 15 or more beneficiaries. We review individual payees triennially. See sections 205(j)(6)(A)(i) and 1631(a)(2)(G)(i)(I) of the Act. Examples of representative payees in this category are guardians, an organization without an employer identification number (EIN), or a room and board provider serving 15 or more beneficiaries.

> **NOTE:** We include individual payees serving fewer than 15 beneficiaries in this definition for SSA-initiated random reviews.

Other Organizational Payees: Organizations selected for review by the State P&As based on the model we developed. The model selects cases based on payee and beneficiary characteristics. Excluded from these reviews are organizations serving fifty or more beneficiaries and Fee-for-Service payees.

Employer Payee: For special site reviews of employer payees, a representative payee who employs one or more of the beneficiaries served.

Definitions for the Types of Reviews Conducted

Periodic Site Review: At least once every three or four years, we monitor the performance of individual payees who serve 15 or more beneficiaries, volume payees, and FFS payees, through a face-to-face meeting with the payee and an examination of beneficiary records. We assess the payee's recordkeeping and interview beneficiaries.

Random Review: These reviews are an agency initiative. For each of the last four years, we have conducted a random review of a selected sample of volume payees that serve between 43 and 49 beneficiaries, and individual payees who serve between 11 and 14 beneficiaries. We examine selected beneficiary records to determine the payee's compliance with representative payment policies and procedures. The review also includes beneficiary interviews.

Targeted Review: A targeted review is a site review conducted in response to an event that raises a question about the payee's performance or suitability. Examples of events that may trigger a targeted review include allegations of misuse or improper use of benefits from a beneficiary or third party, failure to pay a vendor, reports of employee theft, adverse media coverage, and investigation of the payee by another governmental agency.

Educational Visit: We visit all new FFS payees six months after appointment. The objective of the educational visit is to ensure that these new payees fully understand their responsibilities and are on the right track with respect to recordkeeping and reporting. We may also conduct educational visits to other types of payees. For example, we may make an educational visit to a volume payee if we learn the payee had changes in key personnel.

State Onsite Reviews: We conduct triennial onsite reviews to evaluate the fiduciary performance of State mental institutions serving as representative payees for our beneficiaries, pursuant to sections 205(j)(3)(B) and 1631(a)(2)(C)(ii). A team of agency personnel visits the institution to conduct financial accountings and to observe and interview the beneficiaries served by the institution. In FY 2011, we conducted onsite reviews at 74 of these institutions. All of the institutions reviewed were performing satisfactorily with no significant problems or corrective recommendations noted.

Optional Reviews: Since FY 2008, and as resources allow, we have conducted additional reviews of payees who may need more oversight due to weak recordkeeping skills. These payees may include those subject to periodic site reviews and payees who were not selected for a random review in the current fiscal year.

Special Site Reviews: "Special site reviews" focus on the working and living conditions of beneficiaries who are served by a payee who is also their employer. We developed these reviews in response to Congressional concerns and media reports about Hill Country Farms, a payee that employed beneficiaries and provided substandard housing. In FY 2009, SSA staff conducted these reviews. In FY 2010, P&A agencies, skilled in employment issues concerning individuals with disabilities, conducted these reviews through a contract we have with NDRN. During FY 2011 the "special site reviews" changed from reviewing employer payees to reviewing organizations selected using a model developed by our Office of Quality Performance (OQP). With this change, the P&As are reviewing a broad range of organizations, not just those with an employer/payee relationship.

Although this report covers reviews conducted in FY 2011, we may not have completed all of the corrective actions in FY 2011. For example, a payee reviewed late in the year may not have finished correcting the titles on payee bank accounts during the year, or we may need several months to review hundreds of records in a case of misuse.

Periodic Site and Random Reviews (1,609 conducted)

Table No. 2: Numbers of Problems Identified Sorted by Payee and Review Type

	Volume Payees		FFS Payees		Individual Payees	
	Site	Random Reviews	Site	Random Reviews	Site	Random Reviews
1. Incorrect Titling of Bank Accounts	123	15	41	0	10	0
2. Interest Not Posted Timely	9	2	6	0	0	0
3. Bank Account Not Interest Bearing	29	9	29	0	2	0
4. Deposit to Beneficiary Accounts Not Timely	21	5	4	0	0	1
5. Beneficiary Funds in Agency Operating Account	74	13	4	0	4	0
6. Over SSI Resource Limit	129	15	56	0	8	0
7. Beneficiary Expenses Not Properly Documented	130	22	70	0	8	2
8. No Personal Needs Allowance Given	22	3	2	0	2	0
9. Incorrect FFS Charged	6	1	22	0	4	0
10. Conserved Funds Not Returned	95	20	20	0	5	0
11. Failure to Report Changes	103	17	47	0	13	0
12. Payee Did Not Exercise Oversight of Benefits	23	8	17	0	5	3
13. Annual Accounting Forms Not Returned	15	2	13	0	0	1
14. Recordkeeping Problems	184	23	65	0	23	3
15. Payment After Death Not Returned	21	7	5	0	2	0
16. Payee Repaid Itself Without SSA Approval	25	6	3	0	1	1
17. Collective Account Not Approved by SSA	50	6	4	0	2	0
18. Misuse Suspected	12	0	2	0	0	0
19. Misuse Found	8	0	2	0	1	1

Descriptions of Problems and Corrective Action Taken

1. **Incorrect Titling of Bank Accounts:** Bank accounts did not clearly reflect that the beneficiary, rather than the payee, was owner of the account, or the account was not titled in such a way to prevent the beneficiary from gaining direct access to the account. The bank account(s) in question may be an individual or collective account.

   Corrective Action: At our direction, all 189 payees re-titled accounts. No beneficiary funds were mishandled because of this error.

2. **Interest Not Posted Timely:** Interest earned was not posted timely to the beneficiary accounts so that the money was available to be used for the beneficiaries.

   Corrective Action: We directed all 17 payees to start posting interest timely.

3. **Bank Account Not Interest-Bearing:** Payees did not use interest-bearing accounts for beneficiary funds.

   Corrective Action: We directed all 69 payees to move beneficiary funds to interest-bearing accounts.

4. **Deposit to Beneficiary Accounts Not Timely:** Payees receiving paper checks for beneficiaries did not deposit the checks immediately, thereby increasing the risk of loss or theft. (Although desirable, direct deposit is not a requirement.)

   Corrective Action: We told all 31 payees about the risks of paper checks and encouraged them to switch to direct deposit.

5. **Beneficiary Funds in Agency Operating Account:** Beneficiary funds were deposited in an agency's operating account and did not reflect beneficiary ownership of funds.

   Corrective Action: We directed all 95 payees to move beneficiary funds into correctly titled accounts.

6. **Over SSI Resource Limit:** SSI recipients had more than $2,000 in countable resources, thus causing ineligibility.

   Corrective Action: We reminded all 208 payees of the resource limit and the requirement to tell us when the limit is exceeded. We recommended that they put controls in place to flag accounts nearing this limit. We then sent formal notices of the overpayment determinations to the payees to begin the collection process of the overpayments from the beneficiaries.

7. **Beneficiary Expenses Not Properly Documented:** Payees did not keep receipts to document how they used beneficiary funds.

   Corrective Action: We reminded all 232 payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries and interviewed them regarding their satisfaction with the payees' management of benefits.

8. **No Personal Needs Allowance Given:** The payee applied all benefits toward the cost of care for institutionalized beneficiaries and provided no money to beneficiaries for personal needs.

Corrective Action: We advised the 29 payees that current maintenance for institutionalized beneficiaries includes expenses for personal needs and asked them to set aside funds for personal needs and to repay any money incorrectly withheld.

9. **Incorrect FFS Charged:** The payee charged a fee when not authorized by us to do so, or the payee was authorized to charge a fee, but charged a fee in excess of the statutory limit.

   Corrective Action: We advised 33 FFS payees of the correct fee and instructed six non-FFS payees to stop charging fees. We required the payees to refund incorrectly charged fees and to submit proof of compliance. We discuss the cases of 6 payees in the section of this report concerning misuse beginning on page 29. In these 6 cases, incorrect fee charging was more than a matter of a minor overcharge.

10. **Conserved Funds Not Returned:** Payees stopped serving as payee, but did not promptly return conserved benefits to us for re-issuance to the new payee or to a capable beneficiary.

    Corrective Action: Of the 140 payees involved, 112 payees returned funds to us to reissue to a new payee. Nine payees turned funds over to the beneficiary when the beneficiary left the payee's care. Nineteen payees turned funds over to the new payee directly when the beneficiary left the payee's care. All the payees agreed to comply with our rules in the future.

11. **Failure to Report Changes:** Payees failed to comply with reporting responsibilities for both Social Security and SSI beneficiaries. The most common deficiencies in this area were a failure to report a change in a beneficiary's residence address or change in income.

    Corrective Action: We reviewed reporting responsibilities with the 180 payees who did not report the changes and updated the beneficiary records.

12. **Payee Did Not Exercise Oversight of Benefits:** Payees did not ensure benefits were used for current needs, but rather turned over funds to the beneficiaries.

    Corrective Action: For all 56 payees, we completed capability determinations for the beneficiaries given funds to determine if the beneficiaries could now manage money. We also reminded the payees to report whenever they believe a beneficiary in their care has become capable of managing money. For those beneficiaries we found to be capable, we took action to pay them directly.

13. **Annual Accounting Forms Not Returned:** Payees did not complete annual accounting forms to account for how they used beneficiary funds.

    Corrective Action: We obtained outstanding accounting forms from the 31 payees.

14. **Recordkeeping Problems:** Payees had poor recordkeeping practices or made bookkeeping errors. The problems were not of a severity to warrant removal of the payees.

    Corrective Action: We instructed all 298 payees on how to improve recordkeeping and worked diligently with the payees to make sure they made improvements.

15. **Payment After Death Not Returned:** Payees failed to return payments that were not due after the death of a beneficiary.

    Corrective Action: We required 35 payees to refund the overpayments and reminded them of their responsibility to promptly refund payments received that are not due after a beneficiary's death.

16. **Payee Repaid Itself Without SSA Approval:** Payees did not obtain our approval before reimbursing themselves for past debts. Our policy requires that payees seek approval to ensure repayment is not detrimental to the beneficiary.

    Corrective Action: We reminded 36 payees of this requirement and reviewed the payees' actions for propriety.

17. **Collective Account Not Approved By SSA:** Payees did not obtain our approval of collective bank accounts. We require payees to ask for permission before depositing beneficiary funds to ensure the account is properly titled, account records are clear and up-to-date, and the payee has agreed to make account and supporting records available.

    Corrective Action: We reviewed the 62 accounts to ensure they meet our requirements, and we approved the accounts.

18. **Misuse Suspected:** Fourteen payees kept very poor records, raising the issue of possible misuse of benefits.

    Corrective Action: In all 14 cases, the payee was determined to have poor recordkeeping practices. We instructed these payees on how to improve recordkeeping and worked with them to make sure they made improvements.

19. **Misuse Found:** Misuse occurred when 12 payees received payment for the use and benefit of another and converted the payment to other uses.

    Corrective Action: We discuss these 12 cases in the section of this report with the heading, "Findings of Misuse," beginning on page 29.

Targeted Reviews (61conducted)

Table No. 3: Numbers of Problems Identified By Payee Type

	Volume Payees	Volume Other	FFS Payees	Individual Payees	Individual Other
1. Incorrect Titling of Bank Accounts	2	1	3	0	0
2. Bank Account not Interest Bearing	0	0	1	0	0
3. Deposit to Beneficiary Accounts not Timely	1	0	0	0	0
4. Beneficiary Funds in Agency Operating Account	2	2	0	0	0
5. Over SSI Resource Limit	1	0	2	0	0
6. Beneficiary Expenses Not Properly Documented	3	3	6	0	0
7. Incorrect FFS Charged	0	1	3	0	0
8. Conserved Funds not Returned	1	1	2	0	0
9. Failure to Report Changes	3	2	6	0	0
10. Payee Did not Exercise Oversight of Benefits	1	1	2	0	0
11. Annual Accounting Forms Not Returned	0	2	3	0	0
12. Recordkeeping Problems	8	3	7	0	0
13. Payment After Death Not Returned	0	0	1	0	0
14. Payees Repaid Themselves Without Approval	0	1	0	0	0
15. Collective Account Not Approved	0	1	1	0	0
16. Misuse Suspected	3	1	1	0	0
17. Misuse Found	11	1	6	1	1

Descriptions of Problems and Corrective Action Taken

1. **Incorrect Titling of Bank Accounts:** Bank accounts did not clearly reflect that the beneficiary, rather than the payee, was owner of the account or the account was not titled in such a way to prevent the beneficiary from gaining direct access to the account. The bank account(s) in question may be an individual or collective account.

   Corrective Action: At our direction, all six payees re-titled accounts. No beneficiary funds were mishandled because of the error.

2. **Bank Account Not Interest-Bearing:** Payees did not use interest-bearing accounts for beneficiary funds.

   Corrective Action: We directed the one payee to move beneficiary funds to interest-bearing accounts.

3. **Deposit to Beneficiary Accounts Not Timely:** Payees receiving paper checks for beneficiaries did not deposit the checks immediately, thereby increasing the risk of loss or theft. (Although desirable, direct deposit is not a requirement.)

   Corrective Action: We told the one payee about the risks of paper checks and encouraged the payee to switch to direct deposit.

4. **Beneficiary Funds in Agency Operating Account:** Beneficiary funds were deposited in an agency's operating account and did not reflect beneficiary ownership of funds.

   Corrective Action: We directed all four payees to move beneficiary funds into correctly titled accounts.

5. **Over SSI Resource Limit:** SSI recipients had more than $2,000 in countable resources, thus causing ineligibility.

   Corrective Action: We reminded all three payees of the resource limit and the requirement to tell us when the limit is exceeded. We recommended that they put controls in place to flag accounts nearing this limit. We then sent formal notices of the overpayment determinations to the payees to begin the collection process of the overpayments from the beneficiaries.

6. **Beneficiary Expenses Not Properly Documented:** Payees did not keep receipts to document how they used beneficiary funds.

   Corrective Action: We reminded all nine payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries and interviewed them regarding their satisfaction with the payees' management of benefits.

7. **Incorrect FFS Charged:** The payee charged a fee when not authorized by us to do so, or the payee was authorized to charge a fee, but charged a fee in excess of the statutory limit.

   Corrective Action: We instructed all four payees to stop charging incorrect fees. We required the payees to refund incorrectly charged fees and to submit proof of compliance. We discuss three payees in the section of this report concerning misuse, beginning on page 29. In these three cases, incorrect fee charging was not a matter of a minor overcharge.

8. **Conserved Funds Not Returned:** Payees stopped serving as payee, but did not promptly return conserved benefits to us for re-issuance to the new payee or to a capable beneficiary.

   Corrective Action: Four payees turned funds over to the beneficiary when the beneficiary left the payee's care. All the payees agreed to comply with our rules in the future.

9. **Failure to Report Changes:** Payees failed to comply with reporting responsibilities for both Social Security and SSI beneficiaries. The most common deficiencies in this area were a failure to report a change in a beneficiary's address or change in income.

   Corrective Action: We reviewed reporting responsibilities with the 11 payees who did not report the changes and updated the beneficiary records.

10. **Payee Did Not Exercise Oversight of Benefits:** Payees did not ensure benefits were used for current needs, but rather turned over funds to the beneficiaries.

    Corrective Action: For all four payees, we completed capability determinations for the beneficiaries given funds to determine if the beneficiaries could now manage money. We also reminded the payees to report whenever they believe a beneficiary in their care has become capable of managing money. For those beneficiaries we found to be capable, we took action to pay them directly.

11. **Annual Accounting Forms Not Returned:** Payees did not complete annual accounting forms to account for the use of beneficiary funds.

    Corrective Action: We obtained outstanding accounting forms from all five payees.

12. **Recordkeeping Problems:** Payees had poor recordkeeping practices or made bookkeeping errors. The problems were not of a severity to warrant removal of the payees.

    Corrective Action: We instructed all 18 payees on how to improve recordkeeping and worked diligently with the payees to make sure they made improvements.

13. **Payment After Death Not Returned:** A payee failed to return payments that were not due after the death of a beneficiary.

Corrective Action: We required the payee to refund the overpayment and reminded them of their responsibility to promptly refund payments received that are not due after a beneficiary's death.

14. **Payee Repaid Itself Without Approval:** A payee did not obtain our approval before collecting reimbursement for past debts. Our policy requires that payees seek approval to ensure repayment is not detrimental to the beneficiary.
Corrective Action: We reminded the payee of this requirement.

15. **Collective Account Not Approved:** Payees did not obtain our approval of a collective bank account. We require payees to ask for permission before depositing beneficiary funds to ensure the account is properly titled, account records are clear and up-to-date, and the payee has agreed to make account and supporting records available.

    Corrective Action: We reviewed two accounts to ensure they met our requirements, and we approved the accounts.

16. **Misuse Suspected:** Five payees kept very poor records, raising the issue of possible misuse of benefits.

    Corrective Action: In five cases, we determined that the payee had poor recordkeeping practices. We instructed these payees on how to improve recordkeeping and worked with them to make sure they made improvements.

17. **Misuse Found:** Misuse occurred when 20 payees received payment for the use and benefit of another and converted the payment to other uses.

    Corrective Action: We discuss these 20 cases in the section of this report with the heading, "Findings of Misuse," beginning on page 29.

Educational Visits of New FFS Payees (48 conducted in FY 2011)

Table No. 4: Numbers of Problems Identified

	Volume Payees	**Volume Other**	**FFS Payees**	**Individual Payees**	**Individual Other**
1. Incorrect Titling of Bank Accounts	0	0	4	0	0
2. Bank Account Not Interest Bearing	0	0	1	0	0

3. Beneficiary Expenses not Properly Documented	0	0	1	0	0
4. Failure to Report Changes	0	0	3	0	0
5. Recordkeeping Problems (e.g., minor math errors, weak internal controls)	0	0	3	0	0
6. Misuse Found	0	0	1	0	0

<u>Descriptions of Problems Identified and Corrective Action Taken</u>

1. **Incorrect Titling of Bank Accounts:** Bank accounts did not clearly reflect that the beneficiary, rather than the payee, was owner of the account or the account was not titled in such a way to prevent the beneficiary from gaining direct access to the account. The bank account(s) in question may be an individual or collective account.

   Corrective Action: At our direction, four payees re-titled accounts. No beneficiary funds were mishandled because of the titling error.

2. **Bank Account Not Interest-Bearing:** A payee did not use an interest-bearing account for beneficiary funds.

   Corrective Action: We directed one payee to move beneficiary funds to an interest-bearing account and obtained proof of compliance.

3. **Beneficiary Expenses Not Properly Documented:** A payee did not keep receipts to document how they used beneficiary funds.

   Corrective Action: We reminded one payee of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. We also verified large expenditures with competent beneficiaries and interviewed them regarding their satisfaction with the payees' management of benefits.

4. **Failure to Report Changes:** Payees failed to comply with reporting responsibilities for both Social Security and SSI beneficiaries. The most common deficiencies in this area were a failure to report a change in a beneficiary's residence address or change in income.

   Corrective Action: We reviewed reporting responsibilities with the three payees who did not report the changes and updated the beneficiary records.

5. **Recordkeeping Problems:** Payees had generally poor recordkeeping practices or made bookkeeping errors. The problems were not of a severity to warrant removal of the payees.

   Corrective Action: We instructed three payees on how to improve recordkeeping and worked with the payees diligently to make sure they made improvements.

6. **Misuse Found:** Misuse occurred when the one payee received payment for the use and benefit of another and converted the payment to other uses.

   Corrective Action: We discuss this case in the section of this report with the heading, "Findings of Misuse," beginning on page 29.

Optional Reviews (31 conducted)

Table No. 5: Numbers of Problems Identified By Payee Type

	Volume Payees	FFS	Volume Individual
1. Incorrect Titling of Bank Accounts	1	0	0
2. Bank Account Not Interest Bearing	0	1	0
3. Beneficiary Funds in Agency Operating Account	1	0	0
4. Beneficiary Expenses not Properly Documented	1	0	0
5. Conserved Funds Not Returned	1	0	0
6. Recordkeeping Problems (e.g., minor math errors, weak internal controls)	5	1	0

Descriptions of Problems and Corrective Action Taken

1. **Incorrect Titling of Bank Accounts:** Bank accounts did not clearly reflect that the beneficiary, rather than the payee, was owner of the account or the account was not titled in such a way to prevent the beneficiary from gaining direct access to the account. The bank account(s) in question may be an individual or collective account.

   Corrective Action: At our direction, the one payee re-titled accounts. No beneficiary funds were mishandled because of the titling error.

2. **Bank Account Not Interest-Bearing:** A payee did not use interest-bearing accounts for beneficiary funds.

Corrective Action: We directed the payee to move beneficiary funds to interest-bearing accounts.

3. **Beneficiary Funds in Agency Operating Account:** Beneficiary funds were deposited in an agency's operating account and did not reflect beneficiary ownership of funds.

   Corrective Action: We directed the payee to move beneficiary funds into correctly titled accounts.

4. **Beneficiary Expenses not Properly Documented**: A payee did not keep receipts to document how they used beneficiary funds.

   Corrective Action: We reminded the payee of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. We verified large expenditures with competent beneficiaries and interviewed them regarding their satisfaction with the payees' management of benefits.

5. **Conserved Funds Not Returned:** A payee stopped serving as payee, but did not promptly return conserved benefits to us for re-issuance to the new payee or to a capable beneficiary.

   Corrective Action: The payee returned funds to us to reissue to a new payee. The payees have agreed to comply with our rules in the future.

6. **Recordkeeping Problems:** Payees had generally poor recordkeeping practices or made bookkeeping errors. The problems were not of a severity to warrant removal of the payees.

   Corrective Action: We instructed six payees on how to improve recordkeeping and worked diligently with the payees to make sure they made improvements.

Special Site Reviews of Employer Payees and Other Organizational Payees

Background FY 2009

On February 5, 2009, we received an allegation of misuse from an employee of Hill Country Farms, an organizational payee and employer of record for beneficiaries working in a turkey processing plant in Iowa. Around the same time, State and Federal officials from other agencies started to investigate the company for serious housing and labor law violations. Two days after we received the allegation of misuse, Iowa State officials removed 20 beneficiaries served by Hill Country Farms from the location where they lived and worked. Promptly following these events, we took action to find new payees for all beneficiaries served by this payee.

We recognized the gravity of the situation in Iowa and quickly acted to ensure that other employer payees were not exploiting beneficiaries. As we reported last year, we developed a special review procedure with a requirement to visit working beneficiaries at their place of employment. The review also included a visit to the beneficiary's residence, if the payee provided housing. These special reviews were unlike our standard site reviews that take place at the payee's business office, focus on the payee's performance of representative payee duties, and include a close look at the payee's management of benefits. We completed 328 reviews of employer payees in FY 2009 and uncovered no significant problems related to these employers' performance of duties as representative payees.

Background FY 2010: Our Partnership with State P&A Organizations

The Ticket to Work legislation authorized creation of the Protection & Advocacy for Beneficiaries of Social Security (PABSS) program. The PABSS program operates under the umbrella of State P&A organizations. The Governor of each State or United States territory designates its P&A organization, and we fund the PABSS programs in the States and territories via grants.

The mission of the PABSS program is to protect the rights of individuals with disabilities in their return-to-work efforts. PABSS organizations help beneficiaries find solutions when faced with work discrimination, accommodation issues, and other issues that have a negative impact on their benefits. Generally, P&A organizations can advocate for individuals, refer individuals for services, provide other assistance, including help with filing complaints with other Federal agencies, and help beneficiaries receive protection from agencies such as Adult Protective Services. The services that the PABSS and other P&A programs provide put them in a good position to assist beneficiaries with problems that arise outside our purview and expertise.

The P&As have strong ties to the disability community and are familiar with the services available to individuals with disabilities. Their mission specifically includes protecting individuals with disabilities from abuse and neglect. This makes the P&As uniquely qualified to assist our efforts to ensure the well-being of vulnerable beneficiaries served by organizational payees.

Background FY 2010: Reviews of Employer Payees by State P&As

As part of our request to Congress for reauthorization of the PABSS program, we expanded the PABSS' authorized services for FY 2010 to include monitoring of representative payees who employ beneficiaries. On September 29, 2009, we also awarded NDRN a five-year sole-source contract to provide training and technical support to all P&A agencies receiving funds from our agency to establish PABSS projects. NDRN is the nonprofit membership organization for the federally mandated P&A systems and administrator of the PABSS program. For simplicity, we refer to both the PABSS and P&As as P&As in this report.

In addition to requirements to provide training and technical assistance to the P&As, the NDRN contract included a unique process to coordinate and oversee the completion of 350 reviews of employer payees by the P&As. Under the terms of the contract, NDRN developed training on the procedural protocol governing the P&A reviews of payees and conducted this training for the P&As. We patterned the procedural protocol governing the P&A reviews on the instructions we developed for our own staff.

We permitted the P&As to conduct beneficiary reviews only after the P&As:

1. Established a subcontract with NDRN;
2. Completed mandated training; and
3. Received security clearance from our agency.

Background FY 2011: Continued Reviews of Employer Payees by State P&As

The FY 2011 reviews began following the same procedures as the P&A reviews conducted in FY 2010. Results of the P&A reviews where an employer was also the payee were similar to the results of the emergency reviews that our agency conducted in FY 2010. Fortunately, we found that the combined relationship of employer and payee did not appear to increase the risk of exploitation or abuse.

FY 2011 Reviews of Other Organizational Payees by State P&As

As explained on page 10, our Office of Quality Performance (OQP) developed a model to select cases for review based on payee and beneficiary characteristics. In January 2011, we changed the pool of payees the P&As would review from payees with an employer relationship with the beneficiary to payees selected using the OQP model.

We also changed the contract with NDRN to broaden the type of payees from employer payees to any organizational payee we identified. We modified the contract so that the P&A agencies would look at not only the health and safety concerns that were the focus of their employer reviews, but also the financial records of the payee. In addition, NDRN revised the reporting database to include the financial information in their individual review reports to us. Between January and March 2011, we negotiated and executed these contract modifications, developed training materials for the P&A reviewers on the financial aspects of the reviews, delivered the training, and revised and delivered training on the P&A review protocol. We began reviews under the new model in April 2011. These new model reviews occurred concurrently with the remaining employer reviews that we had already assigned to the P&A agencies.

Procedures and Expectations for Beneficiary Reviews:

- Under both payee selection models, we provided a list of payees to NDRN via encrypted files;
- NDRN released the names of payees for review via encrypted files to the P&As;
- The P&As conducted the reviews according to the protocol and training provided by NDRN and our agency;
- If an apparent threat to the beneficiary's health and/or safety was discovered, the P&A reviewer made immediate referrals to appropriate authorities, while concurrently notifying NDRN;
- NDRN notified us if an urgent situation existed;
- The P&As also made appropriate referrals for follow-up to other agencies or to other federally funded programs within the P&A organization. We required the P&As to report

to us the reasons for these referrals which are listed later in this report together with the number of referrals;
- The P&As submitted interim reports via NDRN's reporting system within 10 business days to alert us about any potential problems, followed by a more complete electronic report within 20-25 days of the review;
- NDRN reviewed reports, and requested additional information or clarification from the P&As when necessary;
- NDRN then submitted these reports to us for further action or, if no further action was recommended, for informational purposes; and
- The P&As house all records of the interviews they conducted with payees and beneficiaries in a secure location and must maintain these records for a minimum of three years to permit follow-up investigations.

Milestones: FY 2011 P&A Reviews

January 2011:

- Finished analysis of the employer payee review findings which indicated that the dual relationship of payee and employer did not increase risk of exploitation or misuse.

- Initiated collaborative process to implement our model to select cases for review based on payee and beneficiary characteristics.

March 2011

- Completed contract modifications and revised protocols to reflect the P&As new responsibilities for reviewing payees selected by the OQP model.

- Issued task order to begin reviews under new criteria to run concurrently with remaining reviews of employer payees.

- Developed training packet for P&A representative payee reviewers and delivered training on the financial aspects of the review.

April 2011:

- Began reviews based on the OQP model.

August 2011:

- Issued two task orders to provide 257 additional model payee reviews for completion by April 30, 2012.

Results of the P&A Reviews

By September 30, 2011, we received 350 final reports from the P&As under our contract with NDRN. Approximately half of these reviews (176) followed the new review criteria, compared to the final 174 reviews of employer payees.

Table No. 6: Outside Referrals Generated by P&A Reviews:

Type of Referral	Employer Cases	Model Cases	Total Number of Referrals
1. Advocacy Services	10	19	29
2. Assistance to Help Utilize Work Incentives	3	8	11
3. Housing Rights Education	1	3	4
4. Non Critical Health and Safety Issues	10	2	12
5. Possible Employment Law Violations	7	1	8
6. Request to Become Own Payee	1	1	2
7. Vocational Rehabilitation	N/A	3	3
8 . Other	0	1	1
9. Messner's Personal Care Home	N/A	7	7
Total	32	45	77

Descriptions of Problems or Issues Leading to Referrals

1. **Advocacy Services:** The P&As referred beneficiaries to programs within the P&A agency when the reviewer believed a P&A program could assist the beneficiary.

   Referral Made: The 29 referrals encompassed a variety of services including monitoring of referrals made on the behalf of beneficiaries to other agencies for violations of personal rights, and health, safety, workplace accommodation and safety issues.

2. **Planning and Assistance to Help Utilize Work Incentives:** Employed beneficiaries required counseling to help them utilize work incentives including information about the impact of work on their benefits.

Referral Made: The P&As referred 11 beneficiaries to their local Work Incentives Planning and Assistance program for support and counseling about benefits.

3. **Housing Rights Education:** Beneficiaries are often unaware of the right to live somewhere other than the current residence or in a different residential environment.

   Referral Made: The P&As referred four beneficiaries for education about housing rights and other housing alternatives.

4. **Noncritical Health and Safety Issues:** P&As noted issues ranging from poor signage for exits and dirty facilities, to workplace or personal safety issues that posed no immediate danger to beneficiaries.

   Referral Made: The P&As made 12 referrals to various State and Federal agencies with oversight in the areas of protective services, issues concerning mental retardation and developmental disabilities, fire and housing safety, and occupational health and safety.

5. **Possible Employment Law Violations:** P&As discovered possible violations of the Fair Labor Standards Act (FLSA), or State wage and hour issues. These infractions ranged from expired certificates authorizing payment of sub-minimum wages under the FSLA or State wage laws to out-of-date time studies to support the payment of sub-minimum wages.

   Referral Made: The P&As sent eight reports to State or Federal Departments of Labor for investigation and appropriate action.

6. **Request to Become Own Payee:** Observations by the P&A suggested the beneficiary might be capable of managing his or her own benefits and the beneficiary expressed interest in direct payment.

   Referral Made: The P&A referred two beneficiaries to the servicing SSA field office to file an application for direct payment of benefits.

7. **Referrals to Vocational Rehabilitation:** Beneficiaries expressed a desire for services to help obtain or increase employment or a desire for employment supports.

   Referral Made: The P&As referred three beneficiaries to State Vocational Rehabilitation Services to support beneficiaries' employment goals.

8. **Other:** One deaf individual wanted a referral to other members of the local deaf community.

   Referral Made: The P&A reviewer referred the individual to other members of the deaf community.

9. **Messner's Personal Care Home:** On August 26, 2011, the Kentucky P&A agency conducted an on-site representative payee review at Messner's Personal Care Home (PCH) in Lexington, Kentucky. The reviewer uncovered extremely unsanitary living conditions for seven beneficiaries.

Referral Made: The P&A made referrals to monitoring agencies in Kentucky, such as Adult Protective Services, the Kentucky Office of the Inspector General, and the Department of Veterans Affairs, to alert them to the conditions and seek remediation or removal for the beneficiaries living at the PCH. This case did not fit other categories since it involved serious and immediate health and safety concerns. The situation is under investigation.

P&A Reports Referred to Our Field Offices for Additional Action

We referred 81 cases stemming from P&A reviews to our FOs for additional action. Because of P&A reports, we are investigating nine payees for suspected misuse. The table below shows additional issues referred to our field offices for action.

Table No. 7: Social Security Referrals Generated by P&A Reviews:

	Count
1. Incorrect Titling of Bank Accounts	41
2. Bank Accounts not Interest Bearing	3
3. Beneficiary Funds in Agency Operating Account	15
4. Beneficiary Expenses Not Properly Documented	20
5. Conserved Funds not Returned	1
6. Payee Did not Exercise Oversight of Benefits	15
7. Recordkeeping Problems	24
8. Collective Account Not Approved	9

Descriptions of Problems and Corrective Action Taken

1. **Incorrect Titling of Bank Accounts:** Bank accounts did not clearly reflect that the beneficiary, rather than the payee, was owner of the account or the account was not titled in such a way to prevent the beneficiary from gaining direct access to the account. The bank account(s) in question may be an individual or collective account.

   Corrective Action: At our direction, all 41 payees re-titled accounts.

2. **Bank Account Not Interest-Bearing:** Payees did not use interest-bearing accounts for beneficiary funds.

   Corrective Action: We directed three payees to move beneficiary funds to interest-bearing accounts.
3. **Beneficiary Funds in Agency Operating Account:** Beneficiary funds were deposited in an agency's operating account and did not reflect beneficiary ownership of funds.

   Corrective Action: We directed 15 payees to move beneficiary funds into correctly titled accounts.

4. **Beneficiary Expenses Not Properly Documented:** Payees did not keep receipts to document how they used beneficiary funds.

   Corrective Action: We reminded all 20 payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries and interviewed them regarding their satisfaction with the payees' management of benefits.

5. **Conserved Funds Not Returned:** A payee stopped serving as payee, but did not promptly return conserved benefits to us for re-issuance to the new payee or to a capable beneficiary.

   Corrective Action: The payee returned funds to the beneficiary when the beneficiary left the payee's care.

6. **Payee Did Not Exercise Oversight of Benefits:** Payees did not ensure benefits were used for current needs, but rather turned over funds to the beneficiaries.

   Corrective Action: For all 15 payees, we completed capability determinations for the beneficiaries given funds to determine if the beneficiaries could now manage money. We also reminded the payees to report whenever they believe a beneficiary in their care has become capable of managing money. For those beneficiaries we found to be capable, we took action to pay them directly.

7. **Recordkeeping Problems:** Payees had poor recordkeeping practices or made book-keeping errors. The problems were not of a severity to warrant removal of the payees.

   Corrective Action: We instructed all 24 payees on how to improve recordkeeping and worked diligently with the payees to make sure they made improvements.

8. **Collective Account Not Approved:** Payees did not obtain our approval of a collective bank account. We require payees to ask for permission before depositing beneficiary funds to ensure the account is properly titled, account records are clear and up-to-date, and the payee has agreed to make account and supporting records available.

   Corrective Action: We reviewed nine accounts to ensure they meet our requirements.

Next Steps - FY 2012 P&A Reviews

In addition to the periodic site reviews of payees, which are required by law, and other reviews that we have conducted since 2000, we will continue to monitor organizational payees through our existing partnership with NDRN and the State P&A agencies in 2011. We anticipate that the P&As will complete an additional 350 reviews in FY 2012. We have already assigned 247 of these reviews to the P&As through NDRN. Budget permitting, we will assign the remaining reviews for FY 2012. We are continuing to refine and improve the protocols and process that the P&As use to conduct reviews.

Change of Payee Situations

We removed 34 payees as a result of the site reviews, random reviews, targeted reviews, and educational visits. We removed three payees for misuse and seventeen payees for poor performance of duties.

While not a direct result of our reviews, four payees sold their businesses and 10 other payees closed their businesses. The loss of a qualified payee can result in a large workload for the payee's servicing FO, which must then find new payees for the beneficiaries the payee will no longer serve.

Findings of Misuse

In FY 2011, as a result of our site reviews and targeted reviews, we found 32 payees had misused beneficiary funds. The information provided below reflects all the information concerning actual misuse findings currently recorded on our internal monitoring website. This website houses management information and summaries of all the reviews we have conducted. In some of the following cases, we have retained a payee who technically meets the definition of a misuser because an employee stole benefits or the payee charged a fee for representative payee services without our authorization. We only retain a payee we label a misuser if we believe the payee continues to be the best payee for the beneficiary, and the payee has made restitution or has a definite plan to make restitution. Note that not all of these investigations are complete.

FY 2011 Misuse Cases

Arden Arcade Payee Services (Sacramento, CA): The payee was collecting unauthorized fees from beneficiaries. The total amount of unauthorized fees is unknown at this time. We are in the process of making misuse determinations. We have removed this organization as payee because they were no longer fulfilling their representative payee duties satisfactorily. We will refer the case to our Office of Inspector General (OIG) once we have completed all the administrative actions associated with the misuse determinations.

Aspire of Western NY (Getzville, NY): A former employee stole $2449 from beneficiaries. We are retaining this payee because the incident was isolated to one former employee, the payee is in the process of reimbursing the beneficiaries, and the organization is an otherwise good payee.

Association for Help of Retarded Children (Brookville, NY): A former employee stole $6,668 from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee, the payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. This case has been referred to OIG. The former employee pled guilty on July 28, 2011 to Falsifying Business Records in the first degree, Scheme to Defraud in the first degree, Grand Larceny in the fourth degree and three counts of Petit Larceny.

Benevolence Works (San Antonio, TX): We received a report that the payee was potentially misusing beneficiaries' monies. We contacted the payee to set up a review; however, the CEO of the company stated she was dissolving the company. We removed the payee because they discontinued providing representative payee services. OIG is currently investigating this case.

Bethesda Lutheran Homes and Services (Shawnee Mission, KS): The payee reported a former manager of the organization embezzled approximately $29,000 from beneficiaries. We are retaining this payee because the incident was isolated to one former employee, the payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. Once we have completed formal misuse determinations, we will request restitution from the payee. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations. This case is currently under investigation by the local authorities.

Bios Corporation (Sapulpa, OK): The payee reported a former employee of the organization embezzled $80,926 from beneficiaries' accounts. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee, the payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG closed this case because the U.S. Attorney's Office decided to pursue a criminal case against the former employee. The former employee pled guilty to theft and was sentenced in December 2011.

Client Benefit Services (Edgar, NE): This payee charged unauthorized fees for beneficiaries for whom they were the court-appointed guardian or conservator. The total amount of unauthorized fees is $481. The payee reimbursed the beneficiaries. We are retaining this payee because the payee reimbursed the beneficiaries, has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Continuing Developmental Services (Rochester, NY): The payee reported five incidences of theft totaling $2,478 from beneficiaries. The payee conducted an internal investigation and no specific employee has been found at fault. We are retaining the payee because the payee made restitution to the beneficiaries, and the payee has taken corrective action to prevent future misuse. Our actions on this case are complete.

Cornerstone Advantage, Inc. (Stillwater, OK): We received a report that the payee was potentially misusing beneficiaries' monies. We determined the payee misused $16,916 of beneficiaries' funds. We have removed the organization as payee because they were no longer fulfilling their payee duties satisfactorily. The beneficiaries have not been reimbursed yet because of the open investigation with OIG. When OIG concludes their investigation, we will take the necessary actions to reimburse the beneficiaries. The Department of Justice (DOJ) also has a pending case against this payee.

County of Galveston Social Services (Galveston, TX): The payee reported a former employee of the organization embezzled $38,970 from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee, the payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG did not pursue a criminal investigation because the former employee is being prosecuted locally.

Cuba Manor (Cuba, MO): A former employee embezzled $108,000 from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee, the payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG did not pursue a criminal investigation because the former employee is being prosecuted locally.

Darlene L. (Logan, IA): The payee collected approximately $810 in unauthorized fees from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the payee reimbursed the beneficiaries, has taken corrective action to prevent future misuse, and is an otherwise good payee. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Director Area II Office of Human Development (Scottsbluff, NE): A former employee stole $140 from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee, the payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG decided not to pursue a criminal investigation in this case. The payee referred the incident to the State Adult Protective Services. Our actions on this case are complete.

Door of Opportunity, Inc. (Artesia, NM): We received a report from the State of New Mexico's Office of Internal Audit, regarding major accounting discrepancies found while conducting an audit of this payee. We have determined the payee misused $210,998 of beneficiaries' funds. We have removed this organization as payee because they were no longer fulfilling their representative payee duties satisfactorily. The beneficiaries have not been reimbursed yet because of the open investigation with OIG. When OIG concludes their investigation, we will take the necessary actions to reimburse the beneficiaries.

Family Assistance Management Services (Charleston, SC): The payee reported a former manager of the organization, who is now deceased, embezzled $20,694 from beneficiaries. Our misuse determination is still pending; however, we estimate the misuse amount to be approximately $1,000,000 involving 824 beneficiaries. The organization has an insurance policy that it will be able to make a claim against to cover the loss. The payee is cooperating with the investigation. Once we have completed formal misuse determinations, we will request restitution from the payee. We are retaining this payee because the incident was isolated to one former employee and the organization is an otherwise good payee.

Garab Community Center (San Jose, CA) : The payee collected approximately $837 in unauthorized fees from beneficiaries. We have removed this organization as payee because they were no longer fulfilling their representative payee duties satisfactorily. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

Hillside Children's Center (Rochester, NY): A former employee stole $276 from beneficiaries. We are retaining this payee because the incident was isolated to one former employee, the beneficiaries have been reimbursed, and the organization is an otherwise good payee. Our actions on this case are complete.

JMS Guardianship Services (Appleton, WI): On December 28, 2010, the Wisconsin Department of Human Services sent us a letter indicating they planned to decertify JMS because of inadequate staff, non-response to court appearance orders, and failure to respond to requests in writing. On March 24, 2011, the payee did not cooperate with a scheduled onsite review. In April 2011, we removed the organization as payee. We found new payees for the beneficiaries. The local police department arrested the owner of JMS Guardianship Services and charged it with six felonies. We have completed misuse determinations for 26 beneficiaries totaling $94,604. There are 11 misuse determinations pending with an additional potential restitution of $23,499. OIG is coordinating potential actions against JMS Guardianship Services' owner with the local police department and District Attorney.

John M. (Lincoln, NE): The payee collected approximately $8,437 in unauthorized fees from beneficiaries. The payee has refunded $5,644 of the misused funds. The remaining $2,792 is being collected following our normal overpayment procedures. The payee is currently serving as payee for his wife, who is legally incompetent. We have found new payees for all other beneficiaries. OIG decided not to pursue a criminal investigation in this case.

Julie P (Arvada, CO): The payee was collecting unauthorized fees from beneficiaries. This individual payee was charging an hourly fee for her services to beneficiaries. The total amount of unauthorized fees is unknown at this time. We are in the process of making misuse determinations. We have removed this individual as payee because she was no longer fulfilling her representative payee duties satisfactorily. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

LPJ & Associates LTD. (Clinton, MI): The payee collected approximately $6,032 in unauthorized fees from beneficiaries. We are still in the process of completing misuse determinations. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

Macomb Family Services, Inc. (Clinton, MI): Two former employees stole $607 from beneficiaries. We are retaining this payee because the incident was isolated to two former employees, the payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. This case has been referred to OIG.

Office of the Public Guardian (Concord, NH): A former employee stole approximately $52,000 from beneficiaries. We have retained the payee pending completion of the OIG investigation, because this organization is an otherwise good payee and appears to be the best payee available. Once OIG completes their investigation, we will make misuse determinations and request restitution from the payee.

Pastoral Counseling Center (Portsmouth, OH): The payee collected approximately $47,985 in unauthorized fees from beneficiaries. The payee went out of business because they were poorly funded and unable to return any of the unauthorized fees. We found successor payees for the beneficiaries. We are in the process of making misuse determinations. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

Payee Services Inc. (Des Moines, IA): In March 2011, we received a letter from a member of Congress inquiring about Payee Services Inc. In response to these inquiries, we conducted a review of the payee. In May 2011, we removed the organization as payee. We found new payees for the beneficiaries. We are in the process of making misuse determinations. So far, we have determined that the payee misused $8,368. We have reimbursed the beneficiary funds. OIG decided not to pursue a criminal investigation in this case.

Restore and Rebuild (Atlanta, GA): The payee collected $4,305 in unauthorized fees from beneficiaries. To date, the payee has not made an effort to repay the misused funds. In July 2011, we removed the organization as payee. We found successor payees for the beneficiaries. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

SICCM/UCAN (Herrin, IL): A former employee embezzled money from beneficiaries. The total amount of money embezzled is unknown at this time. This case is currently being investigated by OIG. We will complete misuse determinations once OIG completes their investigation. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available.

Trent Assisted Living Center (Trent, SD): We received a report that the payee was not paying for beneficiaries' prescriptions. A recent review from the State Department of Social Services revealed that the payee did not have a record of "personal needs" transactions and no individual ledgers were found. We are in the process of reviewing the organization and making misuse determinations. We have retained this payee pending completion of misuse determinations. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

UCPA of Niagara County (Niagara Falls, NY): A former employee stole $680 from beneficiaries. We are retaining this payee because the incident was isolated to one former employee, who has since passed away, the beneficiaries have been reimbursed, and the organization is an otherwise good payee. This case has been referred to OIG.

Vermont Association for Retarded Citizens (Rutland, VT): A former employee stole approximately $15,000 from beneficiaries. We have retained the payee pending completion of the OIG investigation because this organization is an otherwise good payee and appears to be the best payee available. Once OIG completes their investigation, we will make misuse determinations and request restitution from the payee.

Village Green of Waterbury (Waterbury, CT): A former employee stole $30,253 from beneficiaries. We are retaining the payee because the misuse was isolated to one former employee, the payee made restitution to the beneficiaries for the amount identified as taken from the account, and the payee has taken corrective action to prevent future misuse. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Vineland Developmental Center (Vineland, NJ): On August 11, 2011, a news article indicated a supervisor at the facility was arrested and charged with cashing a phony check for several thousand dollars belonging to clients. The amount stolen from Social Security beneficiaries was $18,097. We are retaining the payee because the misuse was isolated to one former employee, the payee made restitution to the beneficiaries, and the payee has taken corrective action to prevent future misuse. The criminal investigation is still pending with the local police. This case has been referred to OIG.

Update on FY 2010 Misuse Cases

A and A Asset Management Inc. (Walterboro, SC): The payee collected $38,114 in unauthorized and excessive fees. We notified the payee of our misuse determination, but the payee did not make an effort to repay the misused funds. In March 2011, we removed the organization as payee and found new payees for the beneficiaries. We are still developing for additional misuse and will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

Absolut Center for Nursing and Rehab (Orchard Park, NY): The former chief financial officer and another former employee embezzled $176,790. We have retained this payee pending completion of misuse determinations because it has agreed to reimburse the beneficiaries and has started to do so. It is also an otherwise good payee and appears to be the best payee available. The chief financial officer pled guilty to second-degree grand larceny in Erie County Court and was ordered to make full restitution. A second individual pled guilty to grand larceny for stealing $13,402 and was ordered to repay $223 per month for 16 months. OIG did not pursue a criminal investigation because the individuals were prosecuted locally. The organization has begun reimbursing the beneficiaries. The local field office continues to work with the organization to ensure all affected beneficiaries are reimbursed.

Albert C. (Riverdale, GA): OIG received an allegation of misuse. During our misuse investigation, we determined that the payee was unable to account for $47,954 in conserved funds. We removed the payee because the payee had not made an effort to make restitution. The misused amount is now an overpayment on the payees' record. OIG is unable to locate the payee to impose penalties but continues to search for him.

Anthony Wayne Rehabilitation Center (Rocky River, OH): An employee of this payee misused $96,391. We have reimbursed the beneficiaries and the payee repaid $18,749 to us. The former payee has filed an appeal on the remaining amount of misused funds. A hearing on the appeal is scheduled to take place in the beginning of 2012. This organization is no longer serving as payee.

Arenac County Public Guardian (Standish, MI): Two former directors of this agency were charged with embezzlement. We determined $91,283 was misused. We received $91,283 repayment form the payees' insurance company. We are in the process of repaying the misused monies to the beneficiaries. We are retaining this payee because the payee reimbursed the misused funds, has taken corrective action to prevent future misuse, and is an otherwise good payee.

Arthur T. (Windsor, CT): This payee charged unauthorized fees for beneficiaries for whom he was the court-appointed guardian or conservator. The payee understands that while he can collect court approved guardian fees, he cannot collect fees for beneficiaries for whom he is not the guardian. We determined $1,020 was misused. We have retained the payee because he fully cooperated with restitution and misunderstood the policy differences between guardianship fees and payee fees. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Christie S. (Burlington, Iowa): This payee kept poor records and has been removed. After an investigation of the payees' records, we did not identify misuse. Our actions on this case are complete.

Colorado Coalition for the Homeless (Denver, CO): A former employee stole $12,500 from beneficiaries. We are retaining the payee because the misuse was isolated to one former employee, the payee made restitution to the beneficiaries for the amount identified as taken from the account, and the payee has taken corrective action to prevent future misuse. The payee reimbursed the beneficiaries. The former employee was prosecuted by local authorities, received a suspended sentence, and was ordered to make restitution to the payee's insurance company. Our actions on this case are complete.

Community Missions Inc. (Niagara Falls, NY): Two employees stole beneficiary funds. In the first incident, $440 was stolen, and the payee has reimbursed the beneficiaries. We have retained the payee pending completion of misuse determinations for the second incident, because this organization is an otherwise good payee and appears to be the best payee available. On June 7, 2011, the field office sent a closeout letter to the organization outlining the findings. The organization responded and provided us with additional information. We are in the process of evaluating the information to determine whether the second incident constitutes misuse. OIG decided not to pursue a criminal investigation because the fraud loss did not meet Federal prosecutorial guidelines for this jurisdiction.

Enriched Resources for the Independent Elderly (Syracuse, NY): We uncovered possible employee theft during a site review. On March 31, 2011, OIG completed their final report concerning their audit of Enriched Resources for the Independent Elderly (ERIE). OIG shared their findings with the Albany United States Attorney's office (AUSA). The AUSA's office indicated the matter would be considered closed as the investigation failed to establish any criminal misconduct on the part of anyone at ERIE. The report found significant administrative errors and procedural violations that were neither indicative of criminal activity nor worthy of additional development by the U.S. Attorney. We continue to follow-up with the organization to ensure all other items uncovered during the review are addressed.

Family Service of Rochester (Fairport, NY): A former employee stole $368 in beneficiary funds. We have retained this payee because the payee has reimbursed the beneficiaries, is an otherwise good payee, and appears to be the best payee available. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Glenwood Resource Center (Council Bluffs, IA): A former employee stole $1,000 from a beneficiary account. We are retaining the payee because the misuse was isolated to one former employee, the payee made restitution to the beneficiaries for the amount identified as taken from the account, and the payee has taken corrective action to prevent future misuse. The misuse determination is complete and we determined that the former employee embezzled $850. This case has been referred to OIG.

Laporte County Council on Aging Inc. (Laporte, IN): A former employee embezzled beneficiary funds. The court case of the employee is still pending. When a final judgment is made and the employee has been sentenced, we will use the court decision to prepare a misuse determination and take actions to make restitution. We will refer the case to OIG once we receive the criminal court decision.

Nowcap (Casper, WY): A former employee stole $225 from a beneficiary's account. We are retaining the payee because the misuse was isolated to one former employee, the payee repaid the beneficiary, and the payee has taken corrective action to prevent future misuse. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Richard R. (Gadsden, AL): We discovered that the payee was collecting overhead expenses and other fees from beneficiaries that the payee was not able to support with documentation. The payee has stopped collecting overhead expenses and other fees. We determined the payee collected $9,986 in unauthorized fees from beneficiaries. To date, the payee has returned $3,660. We are currently completing administrative actions to post the overpayment on the payees' record and make restitution to the affected beneficiaries. We are retaining the payee because he is making an effort to make restitution and we determined he poses no risk to the beneficiaries.

Road to Responsibility (Marshfield, MA): We uncovered a fraudulent check for $2,038. The payee has reimbursed the affected individual. We are still investigating employee theft at this organization. We have retained the payee pending completion of misuse determinations because it is an otherwise good payee and appears to be the best payee available. OIG decided not to pursue a criminal investigation in this case. We continue to work with this payee to address oversight concerns. Our actions on this case are complete.

S & S Payee Association (Wichita, Kansas): This payee kept poor records and has been removed. The misuse determinations are complete. The total amount of misuse is $22,470. The payee filed a reconsideration on the misuse overpayment amount. The reconsideration is still pending. OIG decided not to pursue a criminal investigation in this case.

Somerset Place (Chicago, IL): The payee had not been able to provide documentation of beneficiary expenses and was removed. This payee finally submitted documentation of beneficiary expenses. A determination of no misuse was made. There was no referral to OIG. All beneficiaries have been relocated and have new payees. The facility has officially closed. Our actions on this case are complete.

Systems Unlimited Inc. (Iowa City, Iowa): A former employee stole $854 from a beneficiary's account. We are retaining the payee because the misuse was isolated to one former employee, the payee made restitution to us, and the payee has taken corrective action to prevent future misuse. A misuse investigation did not reveal any additional misused funds. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

United Cerebral Palsy Association of Nassau County (Roosevelt, NY): A former employee stole $539 in beneficiary funds. We have retained this payee because the payee has reimbursed the beneficiaries, is an otherwise good payee, and appears to be the best payee available. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

West Side House Nursing Home (Worcester, MA): A former employee embezzled $14,742 in beneficiary funds. We have retained this payee because it has reimbursed the beneficiaries, is an otherwise good payee, and appears to be the best payee available. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Westside Regional Center (Culver City, CA): The payee gave $10,000 to the parents/ conservators of a beneficiary and then could not account for $4,642 of it. The payee was removed for this beneficiary. We retained the payee for other beneficiaries because the misuse was isolated to one unusual incident, the payee repaid us, and the payee has taken corrective action to prevent future misuse. We appointed a new payee for the beneficiary in October 2010 and the misused monies have been paid to the beneficiary. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Your Friends and Neighbors (Fort Wayne, IN): The director of this organization used beneficiary funds to pay his salary and business operating expenses. Local authorities prosecuted this case resulting in the sentencing of the director to two years in prison for theft of funds. We are in the process of completing misuse determinations and finding new payees for the beneficiaries. The director reimbursed the beneficiaries in an attempt to avoid prosecution. By September 2010, all beneficiaries had been placed with new payees. Any funds remaining for the individual beneficiaries were returned to us for reissuance to the new payee. We are in the process of referring this case to OIG.

Update on FY 2009 Misuse Cases

Buchanan County Public Administrator (St. Joseph, MO): The former administrator stole approximately $174,405 in beneficiary funds. We have retained the payee pending completion of misuse determinations and notification of our determination. The former administrator was sentenced to 37 months in Federal prison, required to serve three years of parole, has been banned from gambling, and ordered to pay restitution through the court. This agency has a new administrator. We have repaid the beneficiaries. Since the payee is a governmental entity, we will not seek repayment. Our actions on this case are complete.

Gateway Representative Payment Program (Birmingham, AL): This payee could not account for approximately $333,212 in beneficiary funds handled by an employee of a partner agency. We have removed the payee. OIG completed an audit and was unable to substantiate the amount of funds misused. We were able to identify $4,987 in undocumented disbursements as misused funds. We made restitution to the affected beneficiaries. To date, Gateway has returned $1,698. We requested reimbursement of the remaining $3,289.

Greater Boston ARC (Brighton, MA): We found that this organization charged $62,918 in fees without our authorization. We have reimbursed the beneficiaries. In March 2011, this payee returned $90,000 in conserved funds. The conserved funds were returned to the proper beneficiaries. This organization is no longer serving as a representative payee. The payee stopped meeting its repayment schedule of the misused funds. We are working to ensure continued repayment of the misused funds.

Help Group Services (Atlanta, GA): This payee could not account for $1,375,436 in beneficiary funds. We have removed the payee, completed misuse determinations, reimbursed the beneficiaries, and have recorded this overpayment to ensure collection efforts continue.

Monytek Human Services (Beaverton OR): We removed the payee and OIG continues to actively investigate this case. Once the OIG investigation is complete, we will make formal misuse determinations and reimburse the beneficiaries. The principals of the organization have been notified that they are under criminal investigation.

Outreach Community Living Services (Wooster, OH): A former employee of the organization appears to have stolen beneficiary funds. A formal determination for $29,755 in undocumented expenses has been prepared and notification sent to the payee. The employee in question was tried and convicted of one count of misappropriation. On February 3, 2011, the payee repaid $26,809. The balance owed will be paid to us in increments.

Potter's Fund (Atlanta, GA): This payee charged $271,135 in unauthorized fees and has been removed. OIG is still pursuing for civil monetary penalties. We are in the process of determining whose funds were misused and will make restitution once OIG gives us the clearance to continue administrative action.

Safe Harbor (Scottsbluff, NE): The payee reported a former director stole approximately $26,114. We retained the payee pending completion of misuse determinations. In FY 2010, OIG verified the local police department's work identifying the amount of the loss, and started an audit to help us determine if the payee had controls in place to prevent such theft in the future. The OIG investigation is now complete. The former employee was sentenced on one count of Federal program fraud with a five-year probation and ordered to make restitution to the insurance company and Safe Harbor in the amount of $19,113. Now that the investigation is complete, the field office is completing misuse development. In addition, the payee has implemented internal control procedures to deter future fraud. The payee continues to serve as payee because it is an otherwise good payee.

Victor G. (Swannanoa, NC): This payee charged fees without our authorization. We determined the payee misused $7,719 and we have repaid all the beneficiaries. The payee stopped charging unauthorized fees. Once we establish the overpayment to the misuser's record, the payee will begin making restitution of $214 per month. Since the payee made a plan to repay the misused funds and does not pose a risk to the beneficiaries, we will retain the payee.

Update on FY 2008 Misuse Cases

Case Representative Payee Services (Cleveland, OH): This FFS organization was charging excess fees and using funds in the beneficiaries' collective account for its operating expenses. The amount of misused funds was $200,513. We have removed this payee and completed misuse determinations. Restitution has been made for the beneficiaries who are alive. There were three deceased beneficiaries for whom we are developing survivors. OIG decided not to pursue a criminal investigation in this case.

Herbert W. (Loma Vista, CA): This individual payee misused $30,361 in beneficiary funds. We have removed the payee, completed misuse determinations, reimbursed the beneficiaries, and have recorded this overpayment to ensure collection efforts continue. OIG decided not to pursue a criminal investigation since the funds are being recovered administratively. Our actions on this case are complete.

Hope Homes (Stow, OH): A former employee of this organization stole $15,519. The employee has been prosecuted, and we referred the case to OIG in January 2010. We completed misuse determinations for all of the beneficiaries, and four of the five beneficiaries have been reimbursed (the fifth beneficiary is deceased). The payee gave us a check on May 20, 2011. We have retained the payee because the organization is an otherwise good payee and appears to be the best payee available. Our actions on this case are now complete.

Joyce L. (Chillicothe, MO): This payee charged unauthorized fees and we have completed determinations for those incidents of misuse of benefits. Initially, the payee appeared cooperative, and furnished proof that she had stopped charging fees. During the course of our investigation, however, we found evidence that other misuse had occurred (e.g., depositing retroactive benefits into her personal account, inappropriate purchases, such as cookware for a beneficiary in a nursing home). This individual is no longer payee for any beneficiaries. The beneficiaries affected by the unauthorized fees have been repaid. The payee reimbursed us for $14,552. OIG has declined to take action on this case. Our actions on this case are complete.

Thomas L. (Topeka, KS): OIG conducted an audit of this payee and determined that the payee had charged fees of approximately $33,521 without our authorization. The payee has stopped charging a fee and will be removed if he does not repay the money. We completed the formal misuse determinations and notified the payee who is now appealing our findings. The appeal is currently pending in the Office of Disability Adjudication and Review.

Update on FY 2007 Misuse Cases

Community of Family and Friends Resource Center, Inc. (Dallas, TX): We have completed all formal misuse determinations and removed this payee. We determined that this payee misused $24,000. On October 27, 2011, the Dallas Region followed up with Roger Coursey, OIG Special Agent, regarding the status of this case. He indicated the Northern District of Texas U.S. Attorney's Office declined criminal prosecution of this case. However, the Northern District of Texas Civil Division agreed to prosecute this case in civil court.

Update on FY 2005 Misuse Cases

Life First, Inc. (Illinois) - We determined that the director of this organization misused beneficiary funds. We removed this payee and notified the director to refund $228,074, which he has not done. We have finished reimbursing beneficiaries. OIG has completed its investigation and the case was referred to the U.S. Attorney's Office for prosecution. In March 2010, the director was indicted on 11 counts of mail fraud and released on bond. A trial was scheduled for November 2011, but the defendant received a continuance and no new trial date has been set.

Other Cases

People Helping People (Burien, Washington): We discovered on March 10, 2010, that this payee shut down unexpectedly, leaving 350 beneficiaries a note advising them to contact us. On February 4, 2011, the former registered agent/business manager of People Helping People, appeared before a Federal magistrate in Seattle, WA and pled guilty to the theft of government funds. On August 12, 2011, he was sentenced to serve five years in prison and ordered by the court to repay restitution of $625,666. We have completed all misuse determinations, reimbursed all individuals that could be located, and taken actions to ensure that the former business manager will be responsible for repaying the debt. Our actions on this case are complete.

Linda W. (Philadelphia, PA): In the beginning of FY 2012, the police arrested this payee and two other individuals and charged them with holding four mentally challenged adults chained in the cellar of an apartment house. She was payee for six individuals at the time of her arrest, three of whom were the victims in the cellar. Because of this case, we are looking into significant policy changes to prevent cases like this from happening in the future.

Conclusion

Overall, the vast majority of reviews were problem free, and the payees managed beneficiary funds carefully and kept good records of how benefits were used. These results give us confidence that our monitoring efforts protect vulnerable beneficiaries by:

- Deterring payee misconduct;
- Providing a strong oversight message to payees;
- Ensuring that FFS payees continue to be qualified under the law;
- Establishing good lines of communication between our agency and the payees; and
- Promoting good payee practices.

Since we first began monitoring FFS and high-volume payees in 2000, we have gained expertise in reviewing the recordkeeping of payees. We now have a much better understanding of how to conduct a thorough review and realize that some new payees may not be familiar with basic accounting principles. The reviews also have helped us to identify areas where we need to improve our message to payees about their responsibilities.

We continue to build our monitoring program and improve our oversight of payees. Since our last report, we have implemented new software to ensure proper development of misuse cases and to provide better management information. This new process ensures we properly document and investigate all allegations of misuse.

Through our partnership with NDRN and the P&A agencies, we have increased and improved our oversight of organizational payees. Our partnership with NDRN and the P&As continues this year and allows us to use our field office resources for financial reviews of individual representative payees. We will continue to develop new training materials to improve employee understanding of the Representative Payee program, and improve our efforts to better support representative payees.

We continue to strive to improve our representative payee program through procedural and technological changes and by supporting legislative solutions. As stated earlier, beneficiaries who need a payee are of particular concern to us because of their vulnerability. We take our responsibility to them, and to the taxpayers as stewards of public funds, very seriously. We look forward to continuing to work with Congress on measures to improve our programs.