



## SOCIAL SECURITY

The Commissioner

January 27, 2015

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

This letter transmits our *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* for fiscal year 2014. This report is required by 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).

I will keep you informed of our accomplishments as we continue to improve the representative payment program. If you have questions or need additional information, please call me or have your staff call Judy L. Chesser, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

I am also sending this report to Chairman Paul Ryan.

Sincerely,

Carolyn W. Colvin  
Acting Commissioner

Enclosure

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



**Social Security Administration**

**Fiscal Year 2014**

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

**October 1, 2013 through September 30, 2014**

## **Background**

The Social Security Act (Act), as amended by the Social Security Protection Act of 2004 (SSPA), requires the Social Security Administration (SSA) to report the results of site reviews of specific types of representative payees (payee) and any other reviews of payees conducted during the prior fiscal year (FY).<sup>1</sup> Our site reviews strengthen our oversight of payees and supplement the annual accounting process. This report provides the results of the reviews of payees who manage the benefits of Social Security, Special Veterans Benefits, and Supplemental Security Income (SSI) beneficiaries. This FY 2014 report is our 11<sup>th</sup> 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 reviews;
2. The results of the reviews;
3. The number of cases in which the payee was changed and why;
4. The number of cases in which we expedited oversight of the payee because of alleged misuse<sup>2</sup> of funds, failure to pay a vendor, or similar irregularities;
5. The number of cases of misuse of funds discovered;
6. How we dealt with cases of misuse of funds;
7. The final disposition of such misuse cases, including any criminal penalties imposed; and
8. Other information as deemed appropriate.

We presume that a legally competent adult beneficiary is capable of managing or directing someone else to manage his or her benefits, unless there are indicators or evidence to the contrary. We are required to pay legally incompetent adult beneficiaries and children under age 15 through a payee. A payee is a third party who manages the benefits of a beneficiary to meet the beneficiary's needs for food, clothing, and shelter. After meeting the beneficiary's basic needs, the payee must conserve any remaining Social Security benefits for the beneficiary's future use. In all payee selections, our primary concern is the beneficiary's best interests.

Those individuals who need payees are among our most vulnerable beneficiaries. The decision to appoint a payee is a serious one, and we carefully follow the law and regulations when deciding to appoint one. When it is necessary to appoint a payee, we make every effort to

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<sup>1</sup> 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 (P.L.) 108-203.

<sup>2</sup> The law defines misuse of benefits by a payee as "any case in which the representative payee receives payment . . . for the use and benefit of another person and converts such payment, or any part thereof, to a use other than for the use and benefit of such other person." Sections 205(j)(9) and 1631(a)(2)(A)(iv) of the Act.

choose one who is well qualified. Our policies reflect our commitment to ensure that payees use benefits to promote the physical, mental, and emotional well-being of beneficiaries in a manner that preserves the dignity and protects the basic rights of our beneficiaries. Most payees carefully and compassionately provide much-needed help to beneficiaries on a volunteer basis.

We have approximately 6 million payees managing \$76.8 billion in annual benefits for 8.7 million beneficiaries. Fifty-one percent of the beneficiaries with payees are minor children. The payee program relies heavily upon family relationships. Family members, primarily parents or spouses, serve 78.7 percent of the beneficiaries who have payees. Of the 6 million payees, 35,805 (less than one percent) are organizational payees serving approximately 1.2 million beneficiaries. Among the 35,805 organizational payees, approximately 1,480 are fee-for-service (FFS) organizational payees that we authorize to collect a fee as payment for providing payee services. FFS organizational payees serve approximately 229,000 beneficiaries. Generally, we will appoint an organizational payee only when a family member is unable, unavailable, unwilling, or not qualified to serve.

Our responsibility does not end when we appoint a payee. We monitor payees to ensure they continue to meet our qualifications and appropriately spend benefits on behalf of the beneficiary. Our monitoring activities help deter misuse. With the exception of certain State mental institutions, discussed on page 3 of this report, we require all payees to submit an annual payee accounting report for the use of beneficiaries' funds.

For the period October 2012 through September 2013, we mailed approximately 6.3 million accounting reports to our payees asking that they complete and return them as soon as possible. We mail the accounting reports throughout the fiscal year; therefore, the data that we provide in this report only covers FY 2013. We will provide the details of the FY 2014 accounting reports in the FY 2015 annual report. During FY 2013, payees failed to return approximately 801,370 reports (about 12 percent of the total) in a timely manner. If a payee does not respond to our requests for an accounting report, the appropriate field office (FO) will make all reasonable attempts, including directing the payment checks to the FO in some cases, to personally contact the payee. Once we make contact, we advise the payee of the importance of this annual accounting, secure a completed accounting report, and determine if we should find a new payee or pay the beneficiary directly. We immediately investigate any indications of misuse of funds or poor performance by a payee and take all appropriate actions to protect the beneficiary's best interests.

In addition to the annual accounting process, we monitor certain payees' fiduciary performance through on-site reviews. These initiatives protect beneficiaries from misuse of benefits by organizational and other payees and ensure these payees carry out their duties and responsibilities in compliance with our policies and procedures. We define each of the payee types and the different reviews we conduct beginning on page 3.

## New Payee Selection Policy to Prevent Misuse

In FY 2012, we began piloting a new payee selection policy barring certain individuals convicted of specific violent or financial crimes from serving as payee. In June 2013, the Philadelphia Region began piloting a tool that obtains third-party criminal information on our payee applicants from Lexis/Nexis Accurint. In February 2014, we implemented the new policy nationally, which prohibits certain individuals convicted of specific crimes from serving as representative payees.

## Types of Payees

Below we define all of our payee types. We report the results of our payee reviews and the problems found during the reviews beginning on page 5.

1. **Volume Payee:** An agency serving 50 or more beneficiaries. This category of payee does not include certified community-based nonprofit social service agencies (e.g., FFS payees) or certain State mental institutions. We review volume payees every four years. 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 that are not FFS payees, and nursing homes.
2. **State Mental Institutions:** A State-operated psychiatric hospital providing care and treatment. As of September 2014, 225 State mental institutions participate 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 do not require participating State mental institutions to provide an annual accounting form for each of the beneficiaries they serve. Instead, we conduct a site review of each of these institutions at least once every three years. Institutions deciding not to participate in this onsite review program must complete annual accounting forms for each beneficiary they serve and are still subject to periodic site reviews if they serve more than 50 beneficiaries or are FFS. (See “State Onsite Reviews” in the section titled “Type of Payee Reviews” on page 4.)
3. **FFS Payee:** A State or local government agency or a certified community-based nonprofit social service organization we authorize to collect a fee for payee services. The agency or organization must regularly serve five or more beneficiaries. We review FFS payees every three years. See sections 205(j)(4), 205(j)(6)(A)(ii), 1631(a)(2)(D), and 1631(a)(2)(G)(i)(II) of the Act.
4. **Individual Payee:** An individual who serves one or more beneficiaries. We review payees serving 15 or more beneficiaries every 4 years. Examples of payees in this category are guardians, an organization without an employer identification number, or a room and board provider serving 15 or more beneficiaries. See sections 205(j)(6)(A)(i) and 1631(a)(2)(G)(i)(I) of the Act.

5. **Other Organizational Payees:** Governmental or private groups or agencies other than those described above in this section. Beyond the reviews we do for individual payees, we use a predictive model to select organizations for review by the State Protection and Advocacy (P&A) agencies. The model selects cases based on payee and beneficiary characteristics that indicate a higher likelihood of potential misuse. The P&A agencies review organizations serving 49 or fewer beneficiaries. The P&A agencies do not review any FFS organizational payees.

## **Types of Payee Reviews**

Below we define our payee reviews. We report the results of our reviews and the problems found during the reviews beginning on page 5. Please see Appendix A which provides detailed descriptions of some of the problems encountered.

1. **Periodic Site Review:** At least once every 3 or 4 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 the payee's records. We assess the payee's recordkeeping and interview beneficiaries. These reviews are required under sections 205(j)(6)(A) and 1631(a)(2)(G)(i) of the Act.
2. **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.
3. **Educational Visit:** We visit all new FFS payees six months after appointment. The purpose of the educational visit is to ensure that these new payees fully understand their responsibilities and are on the right track with 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.
4. **State Onsite Reviews:** We conduct onsite reviews to evaluate the fiduciary performance of State mental institutions serving as payees for our beneficiaries every three years, pursuant to sections 205(j)(3)(B) and 1631(a)(2)(C)(ii) of the Act. A team of agency personnel visits the institution to conduct financial accountings and to observe and interview the beneficiaries served by the institution.
5. **Optional Reviews:** Since FY 2008, as resources allow, we conduct additional reviews of payees who may need more oversight due to weak recordkeeping skills.
6. **Special Site Reviews:** We use a predictive model to select organizational payees serving between 5 to 49 beneficiaries and individual payees serving 14 or fewer beneficiaries for review. This model selects organizational and individual payees based on payee and beneficiary characteristics that indicate a higher likelihood of potential misuse.



## **Results of Our Reviews**

We conducted each of the 2,377 payee reviews in FY 2014 through face-to face interviews. All reviews included the examination of the payee’s financial records and supporting documentation.

We conducted onsite reviews at 48 State institutions. All of the institutions reviewed were performing satisfactorily with no significant problems or corrective recommendations noted. Therefore, we do not provide details for State onsite reviews.

Table 1 below provides the types of reviews we performed by payee category. We include a detailed description of the problems discovered throughout the review process and the corrective actions taken in Appendix B.

***Table 1: Number of Reviews by Review Type and Payee Type***

	<b>Periodic Site Reviews</b>	<b>Targeted Reviews</b>	<b>Educational Visits</b>	<b>State Onsite Reviews</b>	<b>Optional Reviews</b>	<b>Special Reviews</b>	<b>Total</b>
<b>Volume Payees</b>	774	133	0	0	9	0	916
<b>State Mental Institutions</b>	0	0	0	48	0	0	48
<b>FFS Payees</b>	358	22	10	0	2	0	392
<b>Individual Payees</b>	117	7	0	0	0	281	405
<b>Other Organizational Payees</b>	0	3	0	0	0	613	616
<b>Total</b>	1,249	165	10	48	11	894	2,377

We identified 29 cases of misused funds during site, targeted, and special reviews. Twenty-one of these payees were volume payees, five were non-volume organizational payees, and three were individual payees. A detailed narrative describing these 29 cases of misused funds is provided later in this report beginning on page 17 under the heading “FY 2014 Misuse Cases.”

In five of the cases of misused funds identified in FY 2014, we removed the payee. In 18 cases, we decided to retain the payee because it reimbursed the beneficiaries for any funds taken

through unauthorized fees or employee theft, took steps to prevent similar such misuse in the future, and was otherwise a good payee. The six remaining cases of misuse identified in FY 2014 are still being investigated, so we have yet to make a decision. We remove any payee who fails to repay misused funds.

We also removed 29 payees due to poor performance of duties. In these cases, we decided we could better serve our beneficiaries by appointing new payees.

In addition, we identified problems involving misunderstanding of payee duties without any intentional misconduct. We detail the problems we found, and the corrective actions we took to address them, in Appendix B. Some of the payees we reviewed made errors in more than one area as summarized in Table 2.

Although this report covers reviews conducted in FY 2014, we may not have completed all of the corrective actions in FY 2014. 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 Reviews (1,249 conducted)**

***Table 2: Number of Payees with Problems Identified During Periodic Site Reviews***

	<b>Volume Payees</b>	<b>FFS Payees</b>	<b>Individual Payees</b>	<b>Total</b>
<b>1. Incorrect titling of bank accounts</b>	73	16	5	94
<b>2. Interest not posted timely</b>	11	4	0	15
<b>3. Bank account not interest bearing</b>	21	9	2	32
<b>4. Deposit to beneficiary accounts not timely</b>	17	5	0	22
<b>5. Beneficiary funds in agency operating account</b>	29	4	3	36
<b>6. Over SSI resource limit</b>	82	62	13	157
<b>7. Beneficiary expenses not properly documented</b>	114	53	12	179
<b>8. No personal needs allowance given</b>	16	3	0	19
<b>9. Incorrect FFS charged</b>	4	1	2	7
<b>10. Conserved funds not returned</b>	73	16	4	93
<b>11. Failure to report changes</b>	94	33	11	138
<b>12. Payee did not exercise oversight of benefits</b>	20	21	3	44
<b>13. Annual accounting forms not returned</b>	28	13	3	44
<b>14. Recordkeeping problems</b>	147	51	14	212
<b>15. Payment after death not returned</b>	19	6	0	25
<b>16. Payee repaid itself without SSA approval</b>	22	6	3	31
<b>17. Collective account not approved by SSA</b>	27	6	1	34
<b>18. Misuse suspected</b>	2	0	2	4
<b>19. Misuse Found</b>	5	5	0	10

**Targeted Reviews (165 conducted)**

***Table 3: Number of Payees with Problems Identified During Targeted Reviews***

	<b>Volume Payees</b>	<b>FFS Payees</b>	<b>Individual Payees</b>	<b>Total</b>
<b>1. Incorrect titling of bank accounts</b>	26	3	1	30
<b>2. Bank account not interest bearing</b>	2	1	0	3
<b>3. Beneficiary funds in agency operating account</b>	31	1	0	32
<b>4. Over SSI resource limit</b>	10	5	0	15
<b>5. Beneficiary expenses not properly documented</b>	45	3	4	52
<b>6. Conserved funds not returned</b>	22	2	0	24
<b>7. Failure to report changes</b>	34	4	2	40
<b>8. Payee did not exercise oversight of benefits</b>	17	2	0	19
<b>9. Annual accounting forms not returned</b>	4	1	0	5
<b>10. Recordkeeping problems</b>	61	5	4	70
<b>11. Collective account not approved by SSA</b>	24	0	0	24
<b>12. Deposit to beneficiary account not timely</b>	3	0	0	3
<b>13. No personal needs allowance given</b>	5	0	0	5
<b>14. Incorrect FFS charged</b>	3	2	1	6
<b>15. Payment after death not returned</b>	2	1	0	3
<b>16. Payees repaid itself without SSA approval</b>	3	0	0	3
<b>17. Misuse suspected</b>	1	0	0	1
<b>18. Misuse found</b>	16	0	1	17

*Note: Some payees made multiple errors.*

**Educational Visits for New FFS Payees (10 conducted)**

***Table 4: Number of Payees With Problems Identified While Conducting Educational Visits***

	<b>FFS Payees</b>
<b>1. Incorrect titling of bank accounts</b>	1
<b>2. Bank account not interest bearing</b>	1
<b>3. Beneficiary expenses not properly documented</b>	3
<b>4. Recordkeeping problems</b>	6
<b>5. Incorrect FFS charged</b>	2
<b>6. Over SSI resource limit</b>	2
<b>7. Payee did not exercise oversight of benefits</b>	1
<b>8. Failure to report changes</b>	1
<b>9. Conserved funds not returned</b>	1

*Note: Some payees made multiple errors.*

## Optional Reviews (11 conducted)

***Table 5: Number of Payees with Problems Identified While Conducting Optional Site Reviews***

	<b>Volume Payees</b>	<b>FFS Payees</b>	<b>Total</b>
<b>1. Incorrect titling of bank accounts</b>	4	1	5
<b>2. Over SSI resource limit</b>	3	0	3
<b>3. Beneficiary expenses not properly documented</b>	7	2	9
<b>4. Conserved funds not returned</b>	4	0	4
<b>5. Failure to report changes</b>	9	1	10
<b>6. Collective account not approved by SSA</b>	2	0	2
<b>7. Annual accounting forms not returned</b>	1	0	1
<b>8. Recordkeeping problems</b>	10	1	11
<b>9. Beneficiary funds in agency operating account</b>	2	0	2
<b>10. No personal needs allowance given</b>	1	0	1
<b>11. Payee did not exercise oversight of benefits</b>	1	0	1

*Note: Some payees made multiple errors.*

## **Special Site Reviews of Individual Payees (281 conducted)**

***Table 6: Numbers of Payees with Problems Identified While Conducting Special Site Reviews***

	<b>Individual Payees</b>
<b>1. Incorrect titling of bank accounts</b>	19
<b>2. Bank account not interest bearing</b>	7
<b>3. Deposit to beneficiary accounts not timely</b>	2
<b>4. Beneficiary funds in agency operating account</b>	1
<b>5. Beneficiary expenses not properly documented</b>	52
<b>6. No personal needs allowance given</b>	1
<b>7. Unauthorized FFS charged</b>	2
<b>8. Conserved funds not returned</b>	4
<b>9. Failure to report changes</b>	23
<b>10. Payee did not exercise oversight of benefits</b>	31
<b>11. Annual accounting forms not returned</b>	4
<b>12. Recordkeeping problems</b>	55
<b>13. Payee repaid itself without SSA approval</b>	2
<b>14. Misuse suspected</b>	3
<b>15. Misuse found</b>	2

*Note: Some payees made multiple errors.*

## **Special Site Reviews of Organizational Payees**

### ***Our Partnership with State P&A Organizations and the National Disability Rights Network***

P.L. 106-170, The Ticket to Work and Work Incentives Improvement Act, authorized creation of the Protection & Advocacy for Beneficiaries of Social Security (PABSS) program. The PABSS program operates under the umbrella of State P&A programs. The mission of P&A programs is to protect the rights of individuals with severe disabilities.

Generally, P&A agencies can advocate for individuals or groups with severe disabilities and refer individuals with disabilities for services. P&A agencies also provide other assistance, including helping individuals with filing complaints with other agencies and helping individuals with disabilities receive protection from agencies such as Adult Protective Services. The services that P&A agencies provide put them in a good position to assist beneficiaries with problems that are outside our expertise and the scope of services we provide. The National Disability Rights Network (NDRN) is the nonprofit membership organization for the federally mandated P&A agencies. NDRN holds subcontracts with all 57 P&A agencies.

### ***Background on Organizational Payee Reviews by P&A Agencies***

On September 29, 2009, we awarded NDRN a five-year, sole-source contract to provide training and technical support to all P&A agencies receiving grant funding to provide PABSS services to our beneficiaries. In addition to requirements to provide training and technical assistance to the P&A agencies, the NDRN contract includes a task to provide oversight, coordination, and management of the P&A agencies for onsite reviews. 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. In addition, we required the P&A reviewers to refer problems outside our purview to Federal, State, and local agencies that have responsibility to regulate the services with which the P&A reviewers found problems. For example, we required P&A reviewers to refer housing safety violations to the entity that monitors the housing type in which the beneficiary resides.

### ***Organizational Payee Reviews by P&A Agencies***

During FY 2014, the P&A agency staff conducted 613 on-site reviews of organizational payees chosen by the predictive model we developed. The reviews include an examination of the financial records of the organization. We referred 500 payees to the FOs for additional action. We did not need to make referrals on the remaining 113 payees.



**Table 7: Outside Referrals Generated by P&A Agency Reviews**

Type of Referral	Number of Cases
1. Advocacy services	60 Beneficiaries
2. Assistance to help utilize work incentives	4 Beneficiaries
3. Housing rights education	13 Beneficiaries
4. Noncritical health and safety issues	28 Beneficiaries
5. Possible employment law violations	1 Payee
6. Request to become own Payee	1 Beneficiary
7. Vocational rehabilitation	5 Beneficiaries
8. Other	1 Payee
<b>Total</b>	113

**Descriptions of Problems or Issues Leading to Referrals**

- 1. Advocacy Services:** The P&A agencies referred 60 beneficiaries to programs within the P&A agency when the reviewer believed a P&A-operated program could assist the beneficiary.

**Referral Made:** The 60 referrals encompassed a variety of services including monitoring of referrals made on the behalf of beneficiaries to other agencies for violations of personal rights or health, workplace accommodations, and safety issues.

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

**Referral Made:** The P&A agencies referred four beneficiaries to their local Work Incentives Planning and Assistance program for support and counseling about benefits. We fund this program.

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

**Referral Made:** The P&A agencies referred 13 beneficiaries for education about their housing rights and other housing alternatives.

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

**Referral Made:** The P&A agencies made 28 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&A agencies discovered possible violations of the Fair Labor Standards Act or State wage and hour issues with one payee. These infractions ranged from expired certificates authorizing payment of sub-minimum wages under the Fair Labor Standards Act or State wage laws to out-of-date time studies to support the payment of sub-minimum wages.

**Referral Made:** The P&A agencies sent one report to the State and Federal Departments of Labor for investigation and appropriate action related to an expired certificate authorizing payment of workers at a rate below the minimum wage, and other alleged wage and hour violations.

- 6. Request to Become Own Payee:** Observations by the P&A agencies suggested that 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 agency referred one beneficiary to the servicing FO to file 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&A agencies referred five beneficiaries to State Vocational Rehabilitation Services to support beneficiaries' employment goals.

- 8. Other:** Beneficiaries requested other services or the P&A agencies discovered issues not covered by other categories.

**Referral Made:** The P&A referred one payee to our agency's website for additional information on their duties as a representative payee.

### **P&A Agency Reports Referred to Our FOs for Additional Action**

After receiving the reports from the P&A agencies, we referred 500 cases to our FOs for additional action. If we determine misuse in any of the cases, we will include our findings in next year's report. Table 8 below shows specific issues referred to our FOs for action. We include a detailed description of the problems discovered throughout the review process and the corrective actions taken in Appendix B.

**Table 8: Social Security Referrals Generated by P&A Agency Reviews:**

	<b>Count</b>
<b>1. Incorrect titling of bank accounts</b>	92
<b>2. Beneficiary funds in agency operating account</b>	110
<b>3. Over SSI resource limit</b>	11
<b>4. Beneficiary expenses not properly documented</b>	58
<b>5. No personal needs allowance given</b>	17
<b>6. Conserved funds not returned</b>	9
<b>7. Payee did not exercise oversight of benefits</b>	14
<b>8. Recordkeeping problems</b>	165
<b>9. Payee repaid itself without approval</b>	30
<b>10. Collective account not approved by SSA</b>	125
<b>11. Bank account not interest bearing</b>	2
<b>12. Deposit to beneficiary accounts not timely</b>	1
<b>13. Failure to report changes</b>	16
<b>14. Annual accounting forms not returned</b>	1

*Note: Some payees made multiple errors.*

## **Milestones: FY 2014 P&A Reviews**

### *September 2013*

- Modified the task order with NDRN to change the deliverable due date to October 21, 2013.
- Issued task order for 315 reviews to be completed by March 31, 2014

### *October 2013*

- Modified the task order with NDRN to change the deliverable due date to November 30, 2013.

### *March 2014*

- Issued task order for 298 reviews to be completed by September 28, 2014. The total number of deliverables in FY 2014 was 613.
- NDRN started using the revised 2014 protocol.

### *September 2014*

- Issued task order for 900 reviews to be completed by September 28, 2015. One hundred of the reviews are for organizations recommended for review by the P&A agencies.

## **Next Steps - FY 2015 P&A Agency Reviews**

In FY 2015, we will assign 800 reviews following the predictive model. In addition to the 800, we will accept up to 100 recommendations for reviews from NDRN that they receive from the P&A agencies. We will evaluate each recommendation to determine if a review should be completed.

## **Change of Payee Situations**

During the FY 2014 review period, we removed five payees because we found misuse. While not a direct result of our reviews, 6 payees withdrew from serving as payees, and 23 other payees closed their businesses. The loss of a payee can result in a large workload for the servicing FO. The FO must conduct a capability determination to determine if the beneficiary still needs a payee; find a new payee, if needed; or take steps to initiate direct payment if the beneficiary is found to be capable.

## **Findings of Misuse**

Based on the FY 2014 reviews, we found that 29 payees misused beneficiaries' funds. The information provided below reflects all the information concerning actual misuse findings currently recorded on our internal misuse-tracking database. In some of the following cases, we retained a payee even though it technically met the definition of a "misuser." We retain a payee we label as a misuser only if we believe the payee continues to be the best payee for the beneficiary and makes restitution or has a definite plan to make restitution. For misuse cases for

years prior to FY 2014, which were pending as of our last annual report, we provide the details from our last report with the updates for actions taken in FY 2014.

### **FY 2014 Misuse Cases**

**Above and Beyond Rep Payee Services INC (Tucson AZ):** An employee of Above and Beyond Rep Payee Services was found to have embezzled \$18,381 of beneficiary funds. The embezzlement occurred in 2012, but the director did not report the crime to us. The insurance company refunded all but \$1,000 on April 16, 2014. Above and Beyond Rep Payee Services' authorization to charge a fee-for-service was revoked on July 1, 2014. The director closed Above and Beyond Rep Payee Services on July 18, 2014. The director has been unresponsive and has not returned conserved funds. The estimated amount of misused funds is \$570,000, affecting 269 beneficiaries.

**ADM Genoa Haven (Genoa, NE):** We removed this payee because of poor performance. The payee refused to comply with action items. ADM Genoa provided services for 10 beneficiaries; however, we found misuse on 2 records. The amount of misused funds is \$2,341. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**AHRC (Brookville, NY):** The payee reported that a former employee stole \$6,354 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. The theft was committed in three different incidences. The Nassau County Police Department investigated the matter, and AHRC terminated the employee. There was no loss to our agency. This case did not meet the prosecution guidelines for the U.S. Attorney's Office for the Eastern District of New York. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Artrip Health Care (Ashland, KY):** The payee appears to have falsified records and used benefits for personal gain. OIG and the State of Kentucky are currently investigating the fraud allegations. We believe the amount of misused funds is approximately \$189,339, affecting 45 beneficiaries.

**Betty Dare Good Samaritan (Alamogordo, NM):** The payee reported that a former employee stole \$58,325 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. 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.

**Camp Venture (Nanuet, NY):** The payee contacted us and reported the suspected theft of funds at one of their house locations. The payee is in the process of reviewing all financial records of the beneficiaries. The payee reported the theft to the police and to the advocates of the individuals involved. The payee is working closely with the Clarkstown Police Department.

The organization has a process in place to reimburse all affected beneficiaries as soon as the determinations are completed. The FO continues to work on the administrative actions.

**Eleanor Slater Hospital (Pascoag, RI):** The institution terminated the employee who committed the theft. The amount of the misused funds is to be determined. We retained this payee because it is a State institution and it intends to reimburse the beneficiaries when we have completed our development. The FO continues to work on the administrative actions.

**Employment Specialists of Maine (Augusta, ME):** We received an allegation that Employment Specialists of Maine was transferring client funds to the operating account to cover expenses. Our initial review appears to substantiate this allegation. We continue to work with the payee to complete our investigation. The estimated amount of misused funds is \$187,873. The FO continues to work on the administrative actions.

**Essex Residential Care (Essex, MO):** A P&A reviewer found incorrect bank titles, math errors, poor record keeping, and potential mismanagement of beneficiary funds. The misuse amounts are undetermined. We are still waiting for documentation requested in the closeout notice dated September 26, 2014. The FO continues to work on the administrative actions.

**First Born Outreach Center (Fort Valley, GA):** The payee reported that a former employee stole \$331 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. 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.

**Folts Home (Herkimer, NY):** The New York State (NYS) Department of Health removed the Chief Executive Officer and the Chief Operating Officer for using resident funds to make the payroll. The organization is under new management under the State's direction and is repaying all the funds. The estimated amount of misused funds is \$20,000. The organization and State continue to investigate to ensure all involved beneficiaries are reimbursed. The FO continues to work on the administrative actions.

**Frisbie Law Offices (White Cloud, MI):** The misuse in this case can be attributed to a misunderstanding of our policy. The payee indicated on their annual accounting reports that a fee was being charged over the past three years for one beneficiary. We were at fault for the length of time this went unnoticed. The amount of misused funds is \$1,260. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Gateways Community Services (Nashua, NH):** The amount of misused funds is \$74, caused by unauthorized fees. We retained this payee because it reimbursed the beneficiaries when we identified the errors, and it is otherwise a good payee. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Individual Payee (Farmington, CT):** We asked the payee to reimburse one beneficiary who was charged inappropriate fees. We scheduled an additional visit to review records of other

beneficiaries for inappropriate fees and to verify reimbursement. The FO continues to work on the administrative actions.

**Individual Payee (West Hartford, CT):** We asked the payee to reimburse two beneficiaries charged with inappropriate fees. We scheduled an additional visit to review records of other beneficiaries for inappropriate fees and to verify reimbursement. The amount of misused funds is \$3,515.00, affecting two beneficiaries. We are completing the administrative actions associated with our misuse investigation.

**Individual Payee (Dallas, TX):** This person is representative payee for five beneficiaries. OIG received an allegation that she had been misusing and neglecting the beneficiaries that she serves. The FO is preparing and processing the misuse determination. The amount of the misused funds is \$1,576.

**Jefferson Rehabilitation Center (Watertown, NY):** The payee reported that a former employee stole \$49,818 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. 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.

**Lake James Lodge (Marion, NC):** The payee reported that a former employee stole \$8,706 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. 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.

**Lochland School Inc. (Geneva, NY):** The organization's house manager admitted to the theft. The organization is working with the Geneva Police Department and the NYS Justice Center. We are retaining this organization because it was an isolated employee theft. The amount of misused funds is \$31,042, affecting 10 beneficiaries. The organizational payee filed insurance claims and reimbursed beneficiaries. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Michigan Ability Partners (Ann Arbor, MI):** This representative payee reported an employee theft. We are retaining this representative payee while our quick response review takes place. We are completing the administrative actions associated with our misuse investigation.

**Mt. View Family Ministry (Campobello, SC):** We are still developing this case for misuse. We will give the payee an opportunity to make restitution, and if the payee does not do so, we will terminate the payee. The amount of misused funds is \$300,000, involving approximately 122 beneficiaries. We are completing the administrative actions associated with our misuse investigation.

**Nishna Productions (Shenandoah, IA):** We are retaining the payee because Nishna Productions fired the employee immediately after finding out about the misused funds. Further, the payee took action to hire an outside firm to conduct audits of all records, in addition to audits conducted by both our agency and the State. The payee reimbursed all misused funds to the beneficiaries and implemented internal processes to prevent similar issues in the future. The amount of misused funds is \$2,730. The FO continues to work on the administrative actions.

**Paradise 4 Living Services, Inc. (Atlanta, GA):** The collective account was missing approximately \$107,000, affecting approximately 130 beneficiaries. The director acknowledged the discrepancy prior to the start of the review. We determined it was in the best interest of the beneficiaries to terminate the payee relationship with Paradise 4 Living Services, Inc. We are waiting for additional information prior to proceeding with termination. We will locate the beneficiaries and develop successor payees or direct payment. We will coordinate our development to prevent the interruption in payment.

**Rep-Payee Management, Inc. (Cookeville, TN):** The payee charged beneficiaries with unauthorized fees. The amount of misused funds is \$17,251, affecting 208 beneficiaries. We removed the payee, initiated direct payment to capable beneficiaries, and appointed new payees to the incapable beneficiaries. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**St. Andrews Place (Conway, AR):** The payee reported that a former employee stole \$10,578 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse and has repaid the stolen funds to the beneficiaries. The State of Arkansas prosecuted the individual who stole the benefits. OIG assisted the State of Arkansas prosecutor with this case and the employee received a 10-year jail sentence.

**Sterling Payee Services (Nashua, NH):** We asked the payee to reimburse one beneficiary who was charged inappropriate fees. The amount of misused funds is \$27. We retained the payee because it reimbursed the beneficiary when we identified the error and is otherwise a good payee. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**THORMINC (Jacksonville, FL):** The payee relationship was terminated on April 10, 2014. The payee continued to receive benefits while we located a successor payee or located the beneficiaries. The payee has not return conserved funds or payments received after termination. The amount of misused funds is approximately \$247,799, affecting 443 beneficiaries. This case is being actively pursued by the appropriate authorities.

**VINFEN (Somerville, MA):** The incident was isolated to one former employee. The amount of misused funds is \$41,300, affecting 14 beneficiaries. We are retaining VINFEN, which serves a very vulnerable population. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.



**Wrentham Developmental Center (Wrentham, MA):** During a site review, the payee indicated it filed a theft report with the State and local police concerning three employees. The former employees stole \$8,906 in beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to three former employees and the payee reimbursed the affected beneficiaries. 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.

### Updates to FY 2013 Misuse Cases

**Agave Guardianship Service (Albuquerque, NM):** We determined the payee misused \$50,786 of the beneficiaries' funds. We have removed this payee because it was no longer fulfilling its representative payee duties satisfactorily.

**Updated:** The Albuquerque, FO is currently preparing the misuse determinations.

**Anderson School (Staatsburg, NY):** The payee reported that a former employee stole \$2,833 from beneficiaries' funds. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse.

**Updated:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Angels Place Corporation (Southfield, MI):** The payee informed us at a site review that it terminated an employee who stole \$900 from a beneficiary. We are currently investigating possible misuse for the other beneficiaries served by this payee. We have retained the payee pending completion of our misuse investigation because the payee reimbursed the affected beneficiary.

**Updated:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Assets, Inc. (Anchorage, AK):** We received a report indicating a former employee of the payee was arrested on theft charges. The former employee admitted to stealing \$90,983 from beneficiaries. The payee is in the process of reimbursing all affected beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee is in the process of reimbursing the affected beneficiary. The payee has taken corrective action to prevent future misuse. OIG decided not to pursue a criminal investigation in this case because local authorities are prosecuting the former employee.

**Updated:** Our actions on this case are complete.

**Brockton Area Multi-Services, Inc. – BAMSI/STI (North Attleboro, MA):** The FO completed an investigation of the misuse allegation and found that the payee misused \$725 in funds belonging to one beneficiary. The payee reimbursed the affected beneficiary. No other beneficiaries were affected.

**Updated:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Claddagh Commission Inc. (Derby, NY):** During a site review, the payee indicated that it filed a theft incident report with State and local police concerning three employees. The former employees stole \$7,823 in beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to three former employees and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse.

**Updated:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Conard House, Inc. (San Francisco, CA):** The payee reported that a former employee stole \$62,221 of beneficiaries' funds. The payee has reimbursed \$60,253 to affected beneficiaries. Three of the affected beneficiaries have died, and we are in the process of locating legal representatives of the estates so the payee can reimburse the remaining \$1,968 in misused funds. We are retaining this payee because the incident was isolated to one former employee, and the payee is in the process of reimbursing the affected beneficiaries. The payee has taken corrective action to prevent future misuse.

**Updated:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Entrepreneurs in Action for Change (Springfield, MA):** The payee collected unauthorized fees from beneficiaries and falsified documents making it appear beneficiaries were incapable and in need of a payee. The total amount of unauthorized fees is unknown at this time. We have removed this organization as payee because it was misusing beneficiaries' funds and falsifying documents.

**Updated:** We are continuing our efforts to fully investigate this case to ensure all of our beneficiaries have been reimbursed. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Fulton County Chapter of NYSARC, doing business as Lexington Center (Gloversville, NY):** A former employee stole \$2,567 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. The payee reported the theft to the local authorities.

**Updated:** OIG declined the case. The FO continues to work on the administrative actions.

**Hogan Regional Center/Northeast Region Department of Developmental Services (Danvers, MA):** A former employee stole approximately \$33,406 in beneficiaries' funds. The payee has reimbursed all of the affected beneficiaries. We have retained the payee pending completion of our misuse investigation because the payee has taken corrective action to prevent future misuse and the payee is in the process of repaying the remaining amount to the affected beneficiaries.

**Updated:** Our investigation continues. We are in the process of completing the administrative actions associated with our misuse investigation.

**Indigent Partial Hospitalization (Baton Rouge, LA):** On March 8, 2013, we received a report from a Baton Rouge Cooperative Disability Investigator, who investigates disability fraud cases, alleging potential misuse of benefits by the payee. We have determined the payee misused

\$173,951.92 of beneficiaries' funds. We have removed this organization as payee because they misused beneficiaries' funds. OIG decided not to pursue a criminal investigation in this case.  
**Updated:** We continue to complete all administrative actions with this case.

**Individual Payee (Clearwater, FL):** During an individual payee review, we discovered the payee was charging \$3,000 per year in unauthorized fees from beneficiaries. The payee refused to cooperate with our review or provide requested documents on how funds were used for the beneficiaries; therefore, all funds paid to the payee are considered misused for a total of \$234,355. We immediately removed this individual as payee for all eight beneficiaries he was serving. We appointed a new payee or took steps to initiate direct payment to beneficiaries who were capable.

**Updated:** All funds have been accounted for; there was no loss. Our actions on this case are complete.

**Individual Payee (Concord, NH):** During a site review, we discovered the payee was charging questionable fees to a beneficiary as the court-appointed legal guardian. The alleged misuse amount is \$5,725. We have retained the payee pending completion of our misuse investigation.

**Updated:** The FO continues to work on the administrative actions.

**Individual Payee (West Seneca, NY):** This payee was unable to account for approximately \$8,415 in retroactive benefits for a beneficiary. We removed the payee because he misused a beneficiary's funds. We have determined the beneficiary is now capable and have initiated direct payment.

**Updated:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Integrated Life Choices (Lincoln, NE):** During an educational review, we found the payee had documentation problems, non-sufficient funds fees, and problems reporting changes.

Immediately following the educational review, OIG's Office of Audit began auditing this payee. During the audit, the reviewers found that an employee had resigned after the payee discovered that the employee had mismanaged beneficiaries' funds. The payee conducted an internal investigation and determined that \$1,959 was misused affecting six beneficiaries. The payee has already refunded this amount to the beneficiaries. OIG completed the audit and did not find additional evidence of payee misuse.

**Updated:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Mid Step Service (Sioux City, IA):** A former employee stole an unknown amount from beneficiaries' funds. We have retained the payee pending completion of our misuse investigation. The payee has taken corrective action to prevent future misuse.

**Updated:** The amount of misused funds was \$49,324. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Perry County Nursing Center (Perryville, AR):** A newspaper article reported that employees of the payee were embezzling funds from the patients' trust accounts for their personal use from September 2012 to November 2012. The Arkansas Attorney General's Medicaid Fraud Control

Unit discovered the theft during an investigation. Prosecutors have charged both individuals with felony and misdemeanor charges for the theft. We estimate that the former employees stole \$5,800 in beneficiaries' funds. We have retained the payee pending completion of our misuse investigation.

**Updated:** On September 04, 2013, Attorney General Dustin McDaniel announced that the employees were arrested. An investigator with the Attorney General's Office found that the employees made a series of unauthorized withdrawals from the trust account between September 2012 and November 2012. Our actions on this case are complete.

**Schoharie ARC (Schoharie, NY):** During a site review, the payee indicated that two former employees were accused of stealing approximately \$800 of beneficiaries' funds. We have retained the payee pending completion our misuse investigation. We are in the process of completing the administrative actions associated with our misuse investigation.

**Updated:** The FO continues to work on the administrative actions.

**Southwest Connecticut Mental Health (Bridgeport, CT):** A former employee stole approximately \$28,000 from beneficiaries' funds. This case is currently under investigation by the Connecticut State Attorney's Office. Once the State Attorney's Office returns the payee records, we will continue our review of the payee. We have retained the payee pending completion of our misuse investigation because the incident was isolated to one former employee.

**Updated:** An audit of the payee's records was completed, and the payee will meet with the Connecticut Chief State Attorney. The meeting will determine if the Chief State Attorney will proceed with criminal charges. We will contact the payee organization and the Connecticut State Attorney's office following the meeting to find out if there will be a prosecution and to determine if we can now proceed with an investigation to determine the extent of any misuse of client funds without affecting the ongoing investigation.

**The Hope Center (Lexington, KY):** In December 2012, the Kentucky P&A agency conducted a site review of Hope Center and did not discover any misuse. After the P&A agency review, the payee decided to conduct an internal review and discovered 104 unexplained debits that were the results of employee theft. In January 2013, we conducted a site review and determined the former employee stole \$14,456 of beneficiaries' funds. We are retaining this payee because the incident was isolated to one former employee.

**Updated:** An investigation is currently underway.

**Touched by the Hand (Tampa, FL):** In June 2013, we received a media inquiry regarding the owner of Touched by the Hand. The owner/operator was incarcerated in May 2013 for probation violation. We immediately conducted a site review of the organization. During the site review, we discovered the payee was charging \$54 per month in unauthorized fees from the beneficiaries. The total amount of unauthorized fees is unknown at this time. We removed the payee because of the unauthorized fees. We appointed a new payee or took steps to initiate direct payment to capable beneficiaries.

**Updated:** OIG declined to pursue for fraud. We initiated recovery and made restitution to the affected beneficiaries. All administrative actions are complete.

**Tri-County CAP (Whitefield, NH):** During a site review, we discovered that the payee authorized the transfer of \$375,000 from the payee bank account to the organization's operating account to pay its operating expenses. Based on its own determination, the payee estimates the amount of misuse at \$375,000, which it has reimbursed the affected beneficiaries. We have retained the payee pending completion of our misuse investigation because the organization is reimbursing the beneficiaries affected by the misuse. The court has suspended the authority of the entire board of directors who were in charge at the time of the misuse and placed the organization under the control of a special trustee.

**Updated:** The FO continues to work on the administrative actions.

**Webster County Public Administrator (Marshfield, MO):** During a site review, we discovered that the payee had very poor bookkeeping practices and did not return conserved funds to us or the beneficiaries' estates after the beneficiaries died. Based on our review we determined the former Webster County Public Administrator misused \$365 affecting 6 beneficiaries. Since the misuse occurred, a new County Public Administrator was elected, and we are allowing him to serve as payee. The payee has repaid \$335 and plans to repay the additional \$30 by the end of January 2014. The former Public Administrator no longer has access to beneficiaries' funds.

**Updated:** OIG declined to pursue for fraud. We initiated recovery and made restitution to the affected beneficiaries. All administrative actions are complete.

#### *Updates to FY 2012 Misuse Cases*

**Capitol Payee Services (Concord, NH):** This is an authorized FFS payee. The payee collected a fee from four beneficiaries during months the beneficiaries were not entitled to payments. The approximate amount of unauthorized fees is \$621. 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.

**Update:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**City Transformation (Milwaukee, WI):** We uncovered poor recordkeeping and financial irregularities from bank account reconciliations completed during a site review. The total amount of misuse is unknown at this time. We have removed this organization as payee because they were no longer satisfactorily fulfilling their payee duties. OIG is currently investigating this case. Upon completion of the investigation by OIG, we will render a misuse determination.

**Update:** In September 2014, the U.S. Attorney requested further information from a specific account involved in the investigation.

**Guardian and Conservator Services (GCS) Foundation, Inc. (Salt Lake City, UT):** The payee was collecting unauthorized fees from beneficiaries. The total amount of unauthorized fees is unknown at this time. We retained the payee pending completion of our misuse determination because this organization is an otherwise good payee and appears to be the best payee available. We are in the process of completing administrative actions associated with the misuse determination.

**Update:** We are still in the process of completing our misuse determination in this case.

**Individual Payee (Sheridan, WY):** The payee was collecting unauthorized fees from beneficiaries. The total amount of unauthorized fees is unknown at this time. We are making a misuse determination, and we have retained the payee pending its completion because this organization is an otherwise good payee and appears to be the best payee available. We are in the process of completing administrative actions associated with the misuse determination.

**Update:** After further investigation, it was determined that the payee was given erroneous information from the field office on charging fees to our beneficiaries. The FO is currently working with the organization to refund the beneficiaries the inappropriate fees of \$4,411.

**Individual Payee (Wetland, MI):** The payee misused approximately \$13,029 of a beneficiary's money. We immediately removed this individual as payee for all five beneficiaries she was serving. We are currently investigating additional misuse for other affected beneficiaries.

**Update:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**LifeLinks, Inc. (Chelmsford, MA):** The payee was collecting unauthorized fees from beneficiaries. The total amount of unauthorized fees is unknown at this time. We are making a misuse determination, and we have retained the payee pending its completion because this organization is an otherwise good payee and appears to be the best payee available. OIG decided not to pursue a criminal investigation in this case.

**Update:** We are still developing the total amount of unauthorized fees the payee collected.

**Moore Center Services (Manchester, NH):** The payee was collecting unauthorized fees from beneficiaries. The approximate amount of unauthorized fees is \$1,220. 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.

**Update:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Poweshiek County Mental Health Center (PCMHC) (Grinnell, IA):** During a P&A review, the reviewer notified us that the payee terminated a former employee for embezzling beneficiaries' money. Based on this referral, we conducted a review and confirmed the findings of the P&A referral. The former employee stole approximately \$60,400 from beneficiaries. 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.

**Update:** As of April 13, 2013, PCMHC is no longer in business. The investigation into the former employee continues.

**South Dakota CARES Inc. (Pierre, SD):** The payee notified us that they found questionable transactions made by a former employee. An OIG audit determined the amount to be \$8,739. OIG is currently conducting a criminal investigation. We will complete misuse determinations and make a final decision regarding the payees continued suitability when OIG's investigation is complete. The organization is still serving as payee.

**Update:** The case was accepted by U.S. Attorney's office for criminal prosecution and judicial actions are ongoing.

**Systems Unlimited Incorporated (Iowa City, IA):** The payee notified us that one of its employees stole two blank checks from a beneficiary's checkbook. We responded to this notification with a review of the payee organization. The approximate amount of stolen funds is \$90. We have retained the payee pending completion of a misuse determination. We will make a final decision regarding the payee's continued suitability once we receive the payee's response to our review findings. We are in the process of completing administrative actions associated with the misuse investigation.

**Update:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**The Living Center (Enid, OK):** A local newspaper published an article regarding the arraignment of two former employees of the payee. We have determined the payee misused approximately \$30,332; in addition, the payee is unable to account for an additional \$35,443. 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. OIG is currently investigating this case. We will take action to reimburse beneficiaries once OIG completes their investigation. One of the former employees pled guilty to theft and was sentenced to 10 years of incarceration as a deferred sentence. OIG plans to bring additional charges against the second former employee, who is currently facing charges for an unrelated crime.

**Update:** We reimbursed all affected beneficiaries. We are in the process of pursuing repayment of the misused funds from the payee. OIG completed their investigation on this case.

### **Updates to FY 2011 Misuse Cases**

**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 in auditing this payee. We have determined that the payee misused \$210,998 of beneficiaries' funds. We have removed this organization as payee because it was no longer fulfilling its payee duties satisfactorily.

**Update:** On March 4, 2014, the U.S. Attorney's office for the District of New Mexico declined prosecution of the case.

**JMS Guardianship Services (Appleton, WI):** On December 28, 2010, the Wisconsin Department of Human Services sent us a letter indicating that it planned to decertify JMS because of inadequate staff, failure to comply with orders to appear in court, 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 and found new payees for the beneficiaries. The local police department arrested the owner of JMS Guardianship Services and charged him 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.

**Update:** We completed misuse determinations and made restitution to all affected beneficiaries. The payee organization owner died during criminal prosecution; therefore, the case is pending

closure. Our Regional Chief Counsel is attempting to work with the payee's insurance company regarding reimbursement of the misused funds.

**LPJ & Associates, LTD (Clinton, MI):** The payee collected approximately \$6,032 in unauthorized fees from beneficiaries. We are still completing misuse determinations and have retained the payee pending completion because this organization is an otherwise good payee and appears to be the best payee available. We are awaiting the payee's response to our request to repay the misused funds. We plan to conduct a review of this payee in FY 2013 to assess their accounting practices and ensure no improper fees are charged. We will refer this case to OIG once we have completed all the administrative actions associated with the misuse determination.

**Update:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Office of the Public Guardian (Concord, NH):** A former employee stole approximately \$52,000 from beneficiaries. We are retaining this payee because we expect the payee to reimburse the affected beneficiaries, the incident was isolated to a former employee, and the organization is an otherwise good payee and appears to be the best payee available. The former employee was recently indicted for embezzlement. We are working with the payee to ensure restitution is made and all affected beneficiaries are reimbursed.

**Update:** 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. An audit is planned to determine the amount of funds misused, as the payee records are non-existent. The organization closed effective March 2012. We found new payees or initiated direct payment to all beneficiaries.

**Update:** The former employee died during criminal prosecution. OGC is attempting to work with the payee organization's insurance company regarding reimbursement of the misused funds. The parties (our agency, Cincinnati Insurance Company, and SICCM) drafted a settlement and release. Cincinnati Insurance Company has agreed to pay us the full \$400,000 limits of its policy, and we and SICCM agreed to negotiate SICCM's repayment of the remaining \$90,000. The negotiation of the compromise settlement of the remaining \$90,000 is on hold until the \$400,000 has been paid. Cincinnati Insurance Company and SICCM have signed the settlement and release, and our copy of the agreement is awaiting signature by a deputy in the Cincinnati Insurance Company payment center.

**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. The former employee was sentenced to 24 months of incarceration and ordered to pay restitution.

**Update:** OIG completed their investigation, which resulted in the payee reimbursing the affected beneficiaries. Our actions on this case are complete.



### Updates to 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 developed for additional misuse and determined that the total amount of misused funds is \$40,741. We are working to develop this allegation before we attempt to recover the misused funds.

**Update:** We are completing the misuse administrative actions.

**Absolut Center for Nursing and Rehab (Orchard Park, NY):** The former Chief Financial Officer (CFO) and another former employee embezzled \$176,790 of beneficiaries' funds. 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 an otherwise good payee and appears to be the best payee available. The CFO pled guilty to Grand Larceny in the Second Degree in Erie County Court and was ordered to make full restitution. A second individual pled guilty to Grand Larceny and was also ordered to repay the money. OIG did not pursue a criminal investigation because the individuals were prosecuted locally. The organization has reimbursed all the beneficiaries. The local FO continues to complete administrative actions with this case.

**Update:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Laporte County Council on Aging Inc. (Laporte, IN):** A former employee embezzled beneficiaries' funds. The payee has independently reimbursed the affected beneficiaries a total of \$55,562.

**Update:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

### Updates to FY 2009 Misuse Cases

**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, which we then returned to the proper beneficiaries. This organization is no longer serving as a payee. The payee stopped meeting its repayment schedule of the misused funds. We are continuing our efforts to ensure repayment of the misused funds.

**Update:** The Arc of Bristol County took over as the successor guardian. We are exploring the possibility of legal action for the remainder of the fees with our Office of the General Counsel. If the Office of General Counsel does not identify any other legal mechanism to pursue collection, we will need to consider closing out this item.

**Help Group Services (Atlanta, GA):** This payee could not account for \$1,375,436 in beneficiaries' funds. We have removed the payee, completed misuse determinations, reimbursed the beneficiaries, and recorded this overpayment to ensure collection efforts continue. The organization has not repaid any of the misused monies.

**Update:** The U.S. Attorney's Office, Northern District of GA, declined civil action. The matter is being considered for other potential remedies.

**Monytek Human Services (Beaverton OR):** We removed the payee. We plan to make misuse determinations and reimburse the beneficiaries.

**Update:** The Western District Court of Oregon is prosecuting this case; the trial is scheduled for January 2015.

**Potter's Fund (Atlanta, GA):** This payee charged \$328,826 in unauthorized fees, and we removed this payee. We are proceeding with administrative actions. We are currently pursuing collection and repaying the beneficiaries. The U.S. Attorney's office is reviewing this case and a prosecution decision is pending.

**Update:** In February 2013, the U.S. Attorney's Office declined this case for criminal prosecution, and declined for civil prosecution in March 2013. The OIG's investigation determined that the payee collected a fee from April 2007 through August 2009 totaling \$129,950.

### Updates to FY 2005 Misuse Case

**Life First, Inc. (Illinois):** We determined that the director of this organization misused beneficiaries' 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 referred the case to the U.S. Attorney's Office for prosecution. In March 2010, the director was indicted on 11 counts of mail fraud. The criminal trial was set for February 13, 2013.

**Update:** The case is still pending trial. The defendant is now claiming to be mentally disabled.

### Conclusion

Overall, the vast majority of reviews were problem free, and the payees managed beneficiaries' funds carefully and kept good records of how they used the benefits. 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 open 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 have also helped us identify areas where we need to improve our message to payees about their responsibilities.

We will continue to develop new training materials to improve employee understanding of our payee program and improve our efforts to better support payees. In addition, we continue to strive to improve our payee program through procedural and technological changes.

As mentioned earlier in this report, in February 2014, we finished the implementation of the national criminal bar policy. This new policy prohibits individuals convicted of specific crimes from serving as representative payees.

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.

## **APPENDIX A – Annual Representative Payee Report – Description of Payee Problems**

**Annual accounting forms not returned:** Payees did not complete annual accounting forms to account for how they used beneficiaries' funds.

**Bank account not interest bearing:** Payees did not use interest-bearing accounts for beneficiaries' funds.

**Beneficiary expenses not properly documented:** Payees did not keep receipts to document how they used beneficiaries' funds.

**Beneficiary funds in agency operating account:** Payees deposited beneficiaries' funds in an operating account that did not reflect beneficiaries' ownership of funds.

**Collective account not approved by the Social Security Administration (SSA):** Payees did not obtain our approval before they deposited a beneficiary's funds in a collective bank account. We require payees to ask for permission before depositing a beneficiary's 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.

**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.

**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.

**Failure to report changes:** Payees failed to comply with reporting responsibilities for both Social Security and Supplemental Security Income (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.

**Incorrect fee for service charged:** In some cases, the payees charged a fee that we did not authorize. In other situations, we authorized the payees to charge a fee, but the payees charged fees in excess of the statutory limit.

**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 payee did not title the account 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.

**Interest not posted timely:** The payees did not post the earned interest timely to each beneficiary's accounts so the money was not available for the beneficiary's use.

**Misuse found:** Payees received beneficiaries' benefits, but did not use the money for the beneficiaries.

**Misuse suspected:** Payees kept such poor records that it suggested the possibility of misuse of benefits.

**No personal needs allowance given:** The payees applied all benefits toward the cost of care for institutionalized beneficiaries and did not provide any money to beneficiaries for their personal needs.

**Over SSI resource limit:** SSI recipients had more than \$2,000 in countable resources, thus causing ineligibility.

**Payee did not exercise oversight of benefits:** Payees did not use the beneficiaries' benefits for their current needs, but rather gave the funds directly to the beneficiaries.

**Payee repaid itself without SSA approval:** Payee did not obtain our approval before reimbursing itself for past debts. Our policy requires payees to seek approval from us before they take money from a beneficiary because of a past debt to ensure repayment is not detrimental to the beneficiary.

**Payment after death not returned:** Payees failed to return payments issued after the death of a beneficiary.

**Recordkeeping problems:** Payees had poor recordkeeping practices or made bookkeeping errors.

**APPENDIX B – Problems Discovered Throughout the Review Process and Corrective Action Taken**

	<b>Description of Payee Problems</b>	<b>Corrective Action Taken</b>
<b>Incorrect Titling of Bank Accounts</b>	Bank accounts did not clearly reflect that the beneficiary, rather than the payee, was owner of the account, or the payee did not title the account 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.	At our direction, payees re-titled their accounts. The payees did not misuse any beneficiary's funds because of this error.
<b>Interest Not Posted Timely</b>	The payees did not post the earned interest timely to each beneficiary's account, so the money was not available for the beneficiary's use.	We directed payees to start posting interest timely.
<b>Bank Account Not Interest Bearing</b>	Payees did not use interest-bearing accounts for beneficiaries' funds.	We directed the payees to move beneficiaries' funds to interest-bearing accounts.
<b>Deposit to Beneficiary Accounts Not Timely</b>	Payees receiving paper checks for beneficiaries did not deposit the checks immediately, thereby increasing the risk of loss or theft.	We educated payees about the risks of paper checks and encouraged them to switch to direct deposit. In March 2013, the Department of Treasury required payees to establish direct deposit for beneficiaries.
<b>Beneficiary Funds in Agency Operating Account</b>	Payees deposited beneficiaries' funds in an operating account that did not reflect beneficiaries' ownership of funds.	We directed payees to move beneficiaries' funds into correctly titled accounts.
<b>Over SSI Resource Limit</b>	SSI recipients had more than \$2,000 in countable resources, thus causing ineligibility.	We reminded payees of the resource limit and the requirement to report when beneficiaries exceed the limit. We recommended that the payees put controls in place to flag accounts nearing this limit. In addition, we sent overpayment notices to begin the collection process.

<p><b>Beneficiary Expenses Not Properly Documented</b></p>	<p>Payees did not keep receipts to document how they used beneficiaries' funds.</p>	<p>We reminded payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries. We also interviewed beneficiaries regarding their satisfaction with their payee's management of their benefits.</p>
<p><b>No Personal Needs Allowance Given</b></p>	<p>The payees applied all benefits toward the cost of care for institutionalized beneficiaries and did not provide any money to beneficiaries for their personal needs.</p>	<p>We advised payees that current maintenance for institutionalized beneficiaries includes expenses for personal needs and directed them to set aside funds for personal needs and to repay any money incorrectly withheld.</p>
<p><b>Incorrect FFS Charged</b></p>	<p>In some cases, the payees charged a fee that we did not authorize. In other situations, we authorized the payees to charge a fee, but the payees charged fees in excess of the statutory limit.</p>	<p>We instructed payees who were not FFS payees to stop charging fees. We discuss these cases in depth in the "Findings of Misuse" section (beginning on page 17).</p>
<p><b>Conserved Funds Not Returned</b></p>	<p>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.</p>	<p>We advised payees of our policy regarding conserved funds. These payees agreed to comply with our policies in the future.</p>
<p><b>Failure to Report Changes</b></p>	<p>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.</p>	<p>We reviewed reporting responsibilities with payees who did not report the changes and updated each beneficiary's record.</p>
<p><b>Payee Did Not Exercise Oversight of Benefits</b></p>	<p>Payees did not use the beneficiaries' benefits for their current needs, but rather gave the funds directly to the beneficiaries.</p>	<p>We completed capability determinations for the beneficiaries who received their benefits in full directly from the payees to determine if the beneficiaries could manage their own money. We also reminded the payees to report whenever they believe a beneficiary in their care is capable of managing his or her money. For those beneficiaries we found to be capable, we began</p>

		paying them directly.
<b>Annual Accounting Forms Not Returned</b>	Payees did not complete annual accounting forms to account for how they used beneficiaries' funds.	We obtained outstanding accounting forms from payees.
<b>Recordkeeping Problems</b>	Payees had poor recordkeeping practices or made bookkeeping errors.	We instructed payees on how to improve their recordkeeping, and we worked diligently with payees to ensure they improved.
<b>Payment After Death Not Returned</b>	Payees failed to return payments after the death of a beneficiary.	We required payees to refund the amounts received after the beneficiaries' deaths and reminded the payees of their responsibility to promptly refund payments not due after a beneficiary's death.
<b>Payee Repaid Itself Without SSA Approval</b>	Payees did not obtain our approval before reimbursing themselves for past debts. Our policy requires payees to seek approval from us before they take money from a beneficiary because of a past debt to ensure repayment is not detrimental to the beneficiary.	We reminded payees of our policy and reviewed each payee's actions for conformity with our rules and regulations.
<b>Collective Account Not Approved by SSA</b>	Payees did not obtain our approval before they deposited a beneficiary's funds in a collective bank account. We require payees to ask for permission before depositing a beneficiary's 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.	We reviewed the accounts to ensure each met our requirements.
<b>Misuse Suspected</b>	Payees kept such poor records that it suggested the possibility of misuse of benefits.	We determined that the payees had poor recordkeeping practices but did not misuse benefits. We instructed these payees on how to improve recordkeeping and worked with them to ensure they improved.
<b>Misuse Found</b>	Payees received beneficiaries' benefits, but did not use the money for the beneficiaries.	We discuss cases of misuse beginning on page 17 under "Findings of Misuse."