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

Social Security Administration

Fiscal Year 2010

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

October 1, 2009 through September 30, 2010

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 seventh 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 an allegation of 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 2,423 reviews for FY 2010. 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 29 cases of misused funds during site, random, and targeted reviews. Eighteen of these payees were volume payees, seven were fee-for-service (FFS) payees, and four were individual payees.

[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	926	360	0	4	0	22	0	1,312
State Mental Institutions	0	0	0	0	123	0	0	123
Fee-for-Service Payees	375	0	8	29	0	12	0	424
Individual Payees	129	57	3	0	0	1	0	190
Other Payees	0	0	20	2	0	2	0	24
Employer Payees	0	0	0	0	0	0	350	350
Totals	1,430	417	31	35	123	37	350	2,423

We have removed six payees in cases where we found misuse had occurred. We retained 14 payees because they reimbursed all of the beneficiaries who were the victims of employee theft. We retained two payees because they reimbursed us for the amount a former employee stole. We retained three payees because we expect them to reimburse us. In cases involving employee theft, we retained two payees pending formal notification to the payee of the amount misused. We retained two individual payees who incorrectly charged fees pending formal notification of the misused amount because they have stopped this practice. We will remove any payee who fails to repay misused funds. These 29 payees are included in the section of this report labeled, "Findings of Misuse," beginning on page 29.

During site and random reviews, we identified 18 additional cases of suspected misuse. Twelve of the payees were volume payees, four were FFS payees, and two payees were individuals. We also found one case of suspected misuse by a volume payee and three cases of suspected misuse by FFS payees during targeted reviews. We have referred these cases of suspected misuse to the servicing field office to make the final determination.

We removed 10 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, 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."

During FY 2010, we took the following actions:

October 2009

- Published the results of focus group testing of representative payees to explore how we could better serve payees. The findings indicated a need to increase payee awareness of our website and improve on-line support and tools for payees. In the months that followed, we finalized a plan to conduct usability testing of our website for payees as part of a long-term goal to provide better support for payees. We expect to conduct usability testing in the second quarter of FY 2011.

February 2010

- Published a final rule permitting direct transfer of accumulated conserved funds from a payee to a beneficiary, when we determine it would be in the best interest of the beneficiary. We made this regulatory change to allow flexibility in situations where the requirement for the payee to return such funds to the agency for re-issuance would have a detrimental effect. In particular, this regulatory change allows us to provide better service to youth transitioning out of foster care.

- Consolidated our contracts with accounting specialists for assistance with some of our site reviews in order to standardize the contracting process and assure that we get the best possible value.

May 2010

- Began developing software to automate the process of developing and processing misuse cases. The new program will give us better control and better management information about this workload. We expect to release the first phase of the system in FY 2011.

- Developed a sample ledger to demonstrate how representative payees should keep track of beneficiary income, expenses, and conserved funds. We plan to publish this tool to help representative payees carry out their responsibilities in "The Guide for Organizational Representative Payees," which is due for revision in hard copy and on our website in 2011.

July 2010

- Revised numerous sub-regulatory operating instructions for our employees to clarify policies for determining beneficiary capability and making good payee selections.

August 2010

- Released software to automate final accounting when a payee stops serving a Title II beneficiary. The program identifies large amounts of conserved funds and past-due benefits paid.

September 2010

- Developed a method using some of the risk factors identified by NAS to select payees for monitoring. We are considering our options for conducting targeted reviews to replace or supplement our current method of random reviews.

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. Since the appointment of 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, and then we monitor the payee's performance. 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 whom we appoint carefully and compassionately provide much needed help to beneficiaries on a volunteer basis.

We now have approximately 5.6 million representative payees managing $61 billion in annual benefits for 7.6 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 5.6 million payees, less than one percent, or 39,000, are organizational payees (including FFS payees), who serve approximately 885,000 beneficiaries. Generally, we will appoint an organizational representative payee only when no immediate or other family member is able, willing, or qualified to serve.

Once a representative payee is appointed, we monitor the representative payee to help 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 accounting report concerning 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 2008 through September 2009, we mailed approximately 5.9 million accounting reports to our representative payees. Payees did not return approximately 801,000 reports (or 13.6 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, which we perform on a triennial basis.

2. Random reviews of a portion of those payees not scheduled or not subject to a triennial 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. The procedures we use to review these institutions are 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 Protection & Advocacy (P&A) agencies to conduct these reviews. The P&A reviews are discussed in more depth beginning on page 23.

Some of our FOs also 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 their 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;
- 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.

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 23), 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 2010, there were 264 State mental institutions participating in our onsite review program, as stipulated under section 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 triennial 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. 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: For targeted reviews, a representative payee who is not authorized to charge a fee and does not serve enough beneficiaries to be subject to triennial site reviews. Examples of payees in this category are State and local social service agencies, private non-profit social service agencies, and nursing homes serving 49 or fewer beneficiaries. Other examples include guardians, organizations without an EIN, and room and board providers serving 14 or fewer beneficiaries.

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

Triennial Site Review: At least once every three 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 three 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 2010, we conducted onsite reviews at 123 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 triennial site reviews and payees who were not selected for a random review in the current FY.

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. These reviews were developed 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. Beginning in FY 2010, P&A agencies, skilled in employment issues concerning individuals with disabilities, conduct these reviews through a contract we have with NDRN.

Although this report covers reviews conducted in FY 2010, we may not have completed all of the corrective actions in FY 2010. 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.

Triennial Site and Random Reviews (1,847 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	143	52	50	0	9	2
2. Interest Not Posted Timely	18	13	11	0	0	0
3. Bank Account Not Interest Bearing	52	22	40	0	8	4
4. Deposit to Beneficiary Accounts Not Timely	42	10	12	0	3	0
5. Beneficiary Funds in Agency Operating Account	76	26	7	0	0	5
6. Over SSI Resource Limit	132	28	94	0	11	3
7. Beneficiary Expenses Not Properly Documented	154	53	83	0	24	12
8. No Personal Needs Allowance Given	27	10	3	0	3	2
9. Incorrect FFS Charged	8	3	37	0	3	2
10. Conserved Funds Not Returned	161	60	42	0	16	4
11. Failure to Report Changes	109	46	44	0	23	9
12. Payee Did Not Exercise Oversight of Benefits	53	18	24	0	14	4
13. Annual Accounting Forms Not Returned	30	11	8	0	2	4
14. Recordkeeping Problems	189	52	81	0	30	16
15. Payment After Death Not Returned	31	9	8	0	1	1
16. Payee Repaid Itself Without SSA Approval	28	5	6	0	1	0
17. Collective Account Not Approved by SSA	39	25	11	0	1	1
18. Misuse Suspected	11	1	4	0	1	1
19. Misuse Found	5	2	5	0	2	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, all 256 payees re-titled accounts and submitted proof of compliance. No beneficiary funds were mishandled as a result 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 42 payees to start posting interest timely and obtained proof of compliance.

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

   Corrective Action: We directed all 126 payees to move beneficiary funds to interest-bearing accounts and obtained proof of compliance.

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 67 payees about the risks of paper checks and encouraged them to switch to direct deposit. We verified that payees who continued to receive paper checks changed their practice and now deposit checks timely.

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 114 payees to move beneficiary funds into correctly titled accounts and obtained proof of compliance.

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

   Corrective Action: We reminded all 268 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 326 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 45 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. We then obtained proof of compliance.

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 37 FFS payees of the correct fee and instructed sixteen 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 three payees in the section of this report concerning misuse beginning on page 29. In these three 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 283 payees involved, 227 payees returned funds to us to reissue to a new payee. Eighteen payees turned funds over to the beneficiary when the beneficiary left the payee's care. Thirty-eight 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 231 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 113 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 55 payees.

14. **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 368 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 the 50 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 40 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 77 accounts to ensure they meet our requirements, and we approved the accounts.

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

    Corrective Action: In all 18 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 14 payees received payment for the use and benefit of another and converted the payment to other uses.

Corrective Action: We discuss these 14 cases in the section of this report with the heading, “Findings of Misuse,” beginning on page 29.

Targeted Reviews (31conducted)

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

	Volume Payees	Volume Other	FFS Payees	Individual Payees	Individual Other
15. Collective Account Not Approved	1	0	0	0	0
16. Misuse Suspected	1	0	3	0	0
17. Misuse Found	5	6	2	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 five payees re-titled accounts and submitted proof of compliance. No beneficiary funds were mishandled as a result of the error.

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 and obtained proof of compliance.

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 two payees about the risks of paper checks and encouraged them to switch to direct deposit. We verified that payees who continued to receive paper checks changed their practice and now deposit checks timely.

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 two payees to move beneficiary funds into correctly titled accounts and obtained proof of compliance.

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

   Corrective Action: We reminded all seven 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 ten 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 four FFS payees to stop charging incorrect fees. We required the payees to refund incorrectly charged fees and to submit proof of compliance. We discuss one payee in the section of this report concerning misuse, beginning on page 29. In this one case, 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: Three 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 residence address or change in income.

   Corrective Action: We reviewed reporting responsibilities with the 12 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 six 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:** A payee did not complete annual accounting forms to account for the use of beneficiary funds.

    Corrective Action: We obtained outstanding accounting forms from this payee.

12. **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 ten payees on how to improve recordkeeping and worked diligently with the payees to make sure they made improvements.

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

    Corrective Action: We required the two 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.

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 and reviewed the payee's actions for propriety.

15. **Collective Account Not Approved:** A payee 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 this one account to ensure it meets our requirements, and we approved the account.

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

    Corrective Action: In four 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 15 payees received payment for the use and benefit of another and converted the payment to other uses.

    Corrective Action: We discuss these 15 cases in the section of this report with the heading, "Findings of Misuse," beginning on page 29.

Educational Visits of New FFS Payees (35 conducted in FY 2010)

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	2	0	0
2. Interest not Posted Timely	1	0	0	0	0
3. Bank Account Not Interest Bearing	0	0	1	0	0
4. Over SSI Resource Limit	1	0	1	0	0
5. Beneficiary Expenses not Properly Documented	1	0	2	0	0
6. Conserved Funds not Returned	0	0	1	0	0
7. Failure to Report Changes	0	0	2	0	0
8. Recordkeeping Problems (e.g., minor math errors, weak internal controls)	0	0	2	0	0

Descriptions of Problems Identified 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, two payees re-titled accounts and submitted proof of compliance. No beneficiary funds were mishandled as a result of the titling 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 one payee to start posting interest timely and obtained proof of compliance.

3. **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.

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

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

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

   Corrective Action: We reminded three payees 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.

6. **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 agreed to comply with our rules in the future.

7. **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 two payees who did not report the changes and updated the beneficiary records.

8. **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 two payees on how to improve recordkeeping and worked with the payees diligently to make sure they made improvements.

Optional Reviews (37 conducted)

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

	Volume Payees	FFS	Volume Individual
1. Incorrect Titling of Bank Accounts	3	0	0
2. Interest Not Posted Timely	2	0	0
3. Bank Account Not Interest Bearing	3	0	0
4. Beneficiary Funds in Agency Operating Account	2	0	0
5. Over SSI Resource Limit	3	1	0
6. Beneficiary Expenses not Properly Documented	4	0	0
7. Unauthorized FFS Charged	0	0	1
8. Conserved Funds Not Returned	4	0	0
9. Failure to Report Changes	8	1	0
10. Collective Account Not Approved	3	0	0
11. Annual Accounting Forms Not Returned	1	0	0
12. Recordkeeping Problems (e.g., minor math errors, weak internal controls)	4	1	1
13. Payment after Death Not Returned	2	0	0
14. Payee Repaid Itself without Approval	3	0	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, three payees re-titled accounts and submitted proof of compliance. No beneficiary funds were mishandled as a result of the titling 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 two payees to start posting interest timely and obtained proof of compliance.

3. **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 and obtained proof of compliance.

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 two payees to move beneficiary funds into correctly titled accounts and obtained proof of compliance.

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

   Corrective Action: We reminded four 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 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 four payees 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.

7. **Unauthorized FFS Charged:** The payee charged a fee when not authorized by us to do so.

   Corrective Action: We advised one individual payee to stop charging a fee. We required the payee to refund incorrectly charged fees and to submit proof of compliance.

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

9. **Failure to Report Changes:** Nine 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 nine payees who did not report and updated beneficiary records.

10. **Collective Account Not Approved:** 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 approved these three accounts after reviewing them to make certain that they met our requirements.

11. **Annual Accounting Forms Not Returned:** The payee did not complete the annual accounting forms to account for how they used beneficiary funds.

    Corrective Action: We obtained outstanding accounting forms from this one payee.

12. **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.

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

    Corrective Action: We required the two 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.

14. **Payee Repaid Itself Without Approval:** The payee 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 three payees of this requirement and reviewed the payees' actions for propriety.

Special Reviews of Employer 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. The Office of Inspector General (OIG) also opened an investigation of the payee, which is still ongoing.

Hill Country Farms was serving as payee for fewer than 50 beneficiaries at the time the organization came under scrutiny. Organizational payees serving fewer than 50 beneficiaries are not subject to our routine site reviews. For these smaller payees, we rely heavily on our annual accounting process and reports from beneficiaries and the public to help uncover irregularities in a payee's performance. We are only able to conduct a small number of random site reviews each year to provide additional oversight of more than 30,000 organizational payees serving fewer than 50 beneficiaries.

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 did not uncover any 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 employer payees.

<u>FY 2010 Reviews of Employer Payees by State P&As</u>

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 5-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 includes 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.

<u>Procedures and Expectations for Beneficiary Reviews</u>:

- We provided a list of employer 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. (Although reviews uncovered some health and safety concerns, none of them represented an immediate threat to the health and safety of beneficiaries);
- 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 the subsequent 10 business days;

- 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 2010 Reviews of Employer Payees

October 2009

- We implemented our contract with NDRN. NDRN conducted training and provided technical support to the P&As and set up a system to coordinate and monitor P&A reviews.

- We began receiving applications for security clearance from the P&As so we could release personally identifiable information to them.

- We revised awards to all P&A organizations for a 10-month budget period. The awards included supplemental funds for start-up activities and employer payee reviews.

November 2009

- NDRN executed subcontracts with P&A organizations to authorize reviews of employer payees.

- NDRN initiated development of a curriculum for P&A staff to teach them how to conduct reviews of employer payees.

- We issued a letter for the P&As to give to payees explaining the P&As' authority to conduct reviews.

- We provided the list of payees selected for P&A review to NDRN for release to P&As who met contractual requirements.

December 2009

- NDRN completed training of the P&As in preparation for the payee reviews.

- NDRN developed and implemented a database to collect and maintain data and generate reports to our agency.

- The P&As completed the first two reviews.

January 2010

- NDRN received and approved the first interim reports from the P&As and later sent them to us.

February 2010 through September 2010

- NDRN assigned the remaining payees for review to the P&As.

Results of the P&A Reviews

By September 30, 2010, we received 337 interim reports from the P&As and received the remaining 13 interim reports in October to complete the 350 reviews required under our contract with NDRN. We have also received all 350 final reports. Fifty-eight of the 350 reviews resulted in 74 referrals by the P&As to other resources. The majority of these involved referrals to agencies with responsibility for employment, health, or safety issues, or for other P&A services. The P&As also gave 14 referrals to beneficiaries who desired access to services to help them improve the quality of their lives. In addition to these referrals, we forwarded 13 P&A review reports to our field offices for further action.

Table No. 6: Referrals Generated by PABSS Reviews (73 Referrals):

Type of Referral	Number of Referrals
1. Investigation of Financial Problems (3 referrals for 2 payees)	3
2. Investigation of Noncritical Health and Safety Issues	22
3. Advocacy Services under Other P&A Programs	40
4. Investigation of Possible Employment Law Violations	8

Descriptions of Problems or Issues Leading to Referrals

1. **Financial Problems:** P&As questioned payee recordkeeping or found financial irregularities that might indicate the payee is exploiting beneficiaries.

   Referral Made: The P&As submitted 3 reports concerning 2 payees to State agencies that monitor care facilities for investigation and further action. We conducted a targeted review of one of the organizations and removed the payee for poor recordkeeping. The second P&A report concerned Autauga Elmore Mental Retardation Board, an organization under the same umbrella organization as the payee the P&A reviewed. We discuss this payee on page 31 under "Findings of Misuse."

2. **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 22 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.

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

   Referral Made: The 40 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.

4. **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 8 reports to State or Federal Departments of Labor for investigation and appropriate action.

<u>Table No. 7: Referrals Requested by Beneficiaries for Services (14 Referrals):</u>

Type of Referral	Number of Referrals
1. Academic Services	3
2. Request to Become Own Payee	1
3. Housing Rights Education	1
4. Training in Independent Living Skills	3
5. Vocational Rehabilitation Services	4
6. Planning and Assistance to Help Utilize Work Incentives	2

<u>Descriptions of Problems or Issues Leading to Referrals</u>

1. **Academic Services:** Beneficiaries expressed an interest in continuing education to expand employment opportunities.

Referral Made: The P&As referred three beneficiaries to local academic support services.

2. **Request to Become Own Payee:** Observation 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 one beneficiary to our servicing FO to file an application for direct payment of benefits.

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

   Referral Made: The P&A referred one beneficiary for education about housing rights and other housing alternatives.

4. **Independent Living Skills Training:** Beneficiaries expressed an interest in learning or improving independent living skills.

   Referral Made: The P&As referred three beneficiaries to a local Center for Independent Living or similar organization to receive training.

5. **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 four beneficiaries to State Vocational Rehabilitation Services to support beneficiaries employment goals.

6. **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 two beneficiaries to their local Work Incentives Planning and Assistance program for support and counseling about benefits.

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

Although the P&A reviews focused primarily on the living and working conditions of beneficiaries, the P&As would occasionally uncover problems related to the performance of the employer-payee's representative payee duties. We referred 14 cases stemming from P&A reviews to our FOs for additional action. As a result of P&A reports, we removed one payee because it kept poor records and are investigating another payee, now out of business, for suspected misuse. This second payee closed its business before the P&A could schedule a review.

In six cases, we needed to educate the payees about their recordkeeping responsibilities. In one case, the payee allowed the accounts of SSI beneficiaries to exceed the SSI resource limit. We reminded the payee of the limit and recommended that the payee implement internal controls flag accounts nearing the limit to ensure SSI beneficiaries do not lose eligibility. We found one payee that had allowed a contractor to charge fees for managing beneficiary accounts. In this case, the fees amounted to a minor overcharge, and we have instructed the payee to stop the practice and have requested a refund.

We received one report concerning embezzlement, but confirmed the problem was at a related organization already under OIG investigation. We received one P&A report indicating that the payee had poor oversight of one beneficiary's violent behavior. While this information had no bearing on the payee's performance of representative payee duties, we referred the report to the servicing FO to consider when making payee selections. Finally, we received a report that the payee did not know the whereabouts of two beneficiaries the payee served. The servicing FO contacted the payee and resolved the issue.

Next Steps - FY 2011 Reviews of Employer Payees

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 employer-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 2011. We have already assigned 74 of these reviews to the P&As through NDRN and we will assign the remaining 276 reviews on a month-to- month basis during the continuing resolution until we have funding to assign the remaining reviews. We are continuing to refine and improve the protocols and process the P&As use to conduct reviews, and considering expanding these reviews to other types of organizational payees.

Change of Payee Situations

We removed 16 payees as a result of the site reviews, random reviews, targeted reviews, and educational visits. We removed six payees for misuse and ten payees for poor performance of duties.

While not a direct result of our reviews, five payees whom we reviewed decided to withdraw from the Representative Payee program, two payees sold their businesses, and eight 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

FY 2010

In FY 2010, as a result of our site reviews and targeted reviews, we found 29 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.

A and A Asset Management Inc. (Walterboro, SC): The payee collected $38,114 in unauthorized and excessive fees. We have notified the payee of our misuse determination. To date, the payee has not made an effort to repay the misused funds or disputed our findings. If the payee does not repay the funds, we will remove the payee. We 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.

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 has not made an effort to make restitution. This case is currently pending with the U.S. Attorney.

Anne Grady, Inc. (Holland, OH): A former employee misused $21,495. We retained the payee because it made full restitution, fired the employee, and the misuse was a one-time occurrence. The payee has also implemented internal procedures as a safeguard against future misuse. Since the local authorities are prosecuting the individual for theft, OIG decided not to pursue the case. The former employee pled guilty to theft, was sentenced to three years probation, and ordered to pay restitution to the payee.

Anthony Wayne Rehabilitation Center (Rocky River, OH): An employee of this payee misused $96,391. We have reimbursed the beneficiaries; however, the former payee has asked for a reconsideration of the amount. The payee was changed due to poor recordkeeping. OIG has not pursued this case since local authorities are pursuing it.

Arenac County Public Guardian (Standish, MI): Two former directors of this agency were charged with embezzlement. We determined $91,283 was misused. OIG decided not to pursue this case because local law enforcement was already involved. We have retained this payee because we expect the payee to reimburse the beneficiaries from insurance.

Arthur T. (Windsor, CT): This payee charged unauthorized fees for beneficiaries for whom he was the court-appointed guardian or conservator. We have retained the payee pending completion of misuse determinations because he is an otherwise good payee and appears to be the best payee available. We have referred this case to OIG.

Autauga Elmore Mental Retardation Board (Millbrook, AL): The director of this organization reported an internal theft. We are in the process of completing misuse determinations. The misuse involves approximately $27,000. We are retaining the payee since the misuse was isolated to one former employee and the payee is already making restitution of the amount it believes the employee stole and has taken corrective action to prevent future misuse. OIG declined to pursue this case since the local authorities are pursuing it.

Christie S. (Burlington, Iowa): This payee kept poor records and has been removed. We are still in the process of completing misuse determinations. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

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. We are still in the process of completing misuse determinations. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations. The former employee was prosecuted by local authorities, received a suspended sentence, and was ordered to make restitution to the payee's insurance company.

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 are still investigating the second incident. 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. Once we have completed formal misuse determinations, we will request restitution from the payee. OIG decided not to pursue a criminal investigation because the fraud loss did not meet Federal prosecutorial guidelines for this jurisdiction.

Decatur Health and Rehabilitation Center (Decatur, AL): The payee reported the termination of an employee for theft of beneficiary funds. We completed misuse determinations and found the misused amount totaled $13,924. The payee has made full restitution to the affected beneficiaries. Since this was a one-time occurrence and involved the action of a terminated employee, we have allowed the payee to continue to serve. OIG declined to pursue this case because local authorities prosecuted it. The court sentenced the former employee to two years probation and ordered the former employee to make restitution. Our actions on this case are now complete.

Enriched Resources for the Independent Elderly (Syracuse, NY): We uncovered possible employee theft during a site review. 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. Once we have completed formal misuse determinations, we will request restitution from the payee. If the payee does not repay the misused amount, we will remove him. OIG is currently investigating this case.

Evergreen Group Home (Rocky Mount, NC): A former employee of the payee's parent organization misused $4,065. We retained the payee because it made full restitution, fired the employee, and the misuse was a one-time occurrence. The payee has also implemented internal procedures as a safe guard against future misuse. Since the local authorities are prosecuting the individual for embezzlement, exploiting the disabled, financial car theft and fraud, OIG decided not to pursue the case. The former employee is now awaiting trial. Evergreen Group Home is a subsidiary of the same parent organization as the Simbelyn Group Home, a payee described on the next page.

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 has opened an investigation.

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. We are still in the process of completing misuse determinations. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

Laporte County Council on Aging Inc. (Laporte, IN): A former employee embezzled beneficiary funds. We are still in the process of making misuse determinations. We are retaining the payee because the misuse was isolated to one former employee, we expect the payee to make restitution from insurance, and the payee has taken corrective action to prevent future misuse. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

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. We have referred this case to OIG.

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 are retaining the payee's services while we complete determinations. Once we have completed formal misuse determinations, we will request restitution from the payee. If the payee does not repay the misused amount, we will remove him. We will refer the case to OIG after we have completed all the misuse determinations.

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. We have referred this case to OIG.

S & S Payee Association (Wichita, Kansas): This payee kept poor records and has been removed. We are still in the process of completing misuse determinations. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

Simbelyn Group Home (Nashville, NC): A former employee of the payee's parent organization misused $5,898. We retained the payee because it made full restitution, fired the employee, and the misuse was a one-time occurrence. The payee has also implemented internal procedures as a safe guard against future misuse. Since the local authorities are prosecuting the individual for embezzlement, exploiting the disabled, car theft, and fraud, OIG decided not to pursue the case. The former employee is awaiting trial.

Somerset Place (Chicago, IL): This payee was not able to provide documentation of beneficiary expenses and has been removed. We are still in the process of completing misuse determinations. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

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. We have repaid the beneficiary and have referred this case to OIG.

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 has opened an investigation.

Urban League of Rochester Inc. (Rochester, NY): This payee collected $6,500 in unauthorized fees. The payee repaid the misused funds and we have reimbursed the beneficiaries. We have retained this payee because it has repaid us, 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 now 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 and appears to be the best payee available. We have referred this case to OIG.

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 will reimburse the beneficiary after we appoint a new payee. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determination.

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. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

Update on FY 2009 Misuse Cases

Aware (Amarillo, TX): This payee could not account for $29,023 in beneficiary funds. We have removed this payee, reimbursed the beneficiaries, and have recorded this overpayment to ensure collection efforts continue. OIG declined to pursue a criminal investigation because the fraud loss did not meet Federal prosecutorial guidelines for this jurisdiction. Our actions on this case are complete.

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. We referred this case to OIG. The former administrator was sentenced to 37 months in Federal prison, will be required to serve 3 years of parole, has been banned from gambling, and ordered to pay restitution through the court. This agency has a new administrator.

East Tennessee Human Resource Agency (Knoxville, TN): After a State audit, the payee reported a former employee stole $34,042. The payee reported the theft to local law enforcement. The former employee was prosecuted, found guilty of theft and forgery, and received 10 years probation. We removed the payee and have reimbursed the beneficiaries. The payee has repaid the misused funds. OIG closed this case because the county prosecuted the former employee. The former employee pled guilty to theft and forgery, received 10 years probation, and was ordered to pay restitution to the payee. Our actions on this case are complete.

Echo Plus (Estherville, IA): The payee reported a former employee stole beneficiary funds. We have retained this payee because it has repaid the $30,244 misused funds and we have reimbursed the beneficiaries. The former employee has voluntarily pled guilty to dependent adult abuse and is now on probation for 5 years. Our actions on this case are now complete.

Family Management Credit Counselors Inc. (Waterloo, IA): The payee reported a former employee stole beneficiary funds. We recently determined the payee misused $138,675. The payee's insurance company paid us the entire amount and we have reimbursed the beneficiaries. We have retained the payee because it is an otherwise good payee and appears to be the best payee available. The former employee was sentenced to 10 years in prison. 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. We will continue our misuse investigation once OIG completes its audit.

Greater Boston ARC (Brighton, MA): We found that this organization charged $62,918 in fees without our authorization. We have retained this payee because it agreed to make restitution to us. However, due to a recent management change, the payee has stopped meeting its repayment schedule. We are working to ensure continued repayment, but will remove the payee and refer the case to OIG again, if necessary. We have reimbursed the beneficiaries.

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. OIG is still investigating the payee.

Lari's Residential Care (Muskogee, OK): This payee could not account for $3,876 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 declined to pursue this case because the fraud loss did not meet Federal prosecutorial guidelines for this jurisdiction. Our actions on this case are complete.

Monytek Human Services (Beaverton OR): We removed the payee. OIG is actively investigating 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 this organization appears to have stolen beneficiary funds. We have retained the payee pending completion of misuse determinations and notification of our determination. The payee plans to repay us with insurance proceeds. Once our review is complete, we will refer the case to OIG.

Potter's Fund (Atlanta, GA): This payee appears to have charged approximately $100,000 in unauthorized fees and has been removed. OIG is still investigating this case. Once the OIG investigation is complete, we will complete formal misuse determinations, reimburse the beneficiaries, and pursue restitution.

Safe Harbor (Scottsbluff, NE): The payee reported a former director stole approximately $26,114. We have retained the payee pending completion of misuse determinations and notification of our determination. OIG verified the local police department's work identifying the amount of the loss, and has started an audit to help us determine if the payee has controls in place to prevent such theft in the future. OIG is also pursuing a criminal investigation in this case.

Southeast Community Work Center Inc. (Depew, NY): A former employee of this organization stole $745 from beneficiary funds. We have retained this payee because it has reimbursed the beneficiaries. OIG has closed its investigation. Our actions on this case are now complete.

The Arc of Armstrong County (Kittannang, PA): A former employee of this organization stole $975 from beneficiary funds. We have retained this payee because it has reimbursed all the beneficiaries. OIG declined to pursue a criminal investigation because the fraud loss did not meet Federal prosecutorial guidelines for this jurisdiction. Our actions on this case are now complete.

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. Although the payee stopped charging unauthorized fees, he has made no effort at restitution. We are in the process of removing the payee and have referred the case to OIG.

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, completed misuse determinations, and are in the process of reimbursing the beneficiaries. The OIG investigation is still pending.

Elaine R. (Belmont, MI): We found that this payee charged approximately $13,000 in fees without our authorization due to a misunderstanding. The payee has resigned as payee for beneficiaries for whom she is not the legal guardian. Our misuse investigation found that the payee only recovered allowable out-of-pocket expenses from the affected beneficiaries and that misuse did not occur. Our actions on this case are now complete.

Harry Meyering Center (Mankato, WI): A former employee stole $20,782 from beneficiary funds. We have retained this payee because it has reimbursed all the beneficiaries. OIG found the case did not meet the guidelines for Federal prosecution. The County Attorney decided not to pursue the case. Our actions on this case are now complete.

Herbert W. (Loma Vista, CA): This individual payee misused $31,135 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. However, OIG is now considering civil monetary penalty action with regard to this payee.

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 has been reimbursed (the fifth beneficiary is deceased). Our FO sent a certified letter to the payee in November 2010 instructing the payee to make restitution, and the payee will be removed if it does not repay the misused funds.

Janel F. (Wichita, KS): When we notified the payee of a scheduled review, the payee's attorney told us that we might find irregularities. The payee was removed and new payees found for the beneficiaries. OIG became involved in this case and the court ordered an audit of the payee's records. OIG closed their investigation because the audit found the payee did not misuse benefits. 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). We have notified OIG and continue our development of misuse. This individual is no longer payee for any beneficiaries.

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 protesting our findings.

Westside Health Care and Westside Terrace (Cincinnati, OH): These organizations have the same owner. OIG received a report that this payee was mismanaging benefits and asked us to review it. We found the payee misused $18,870. We have removed the payee, reimbursed the beneficiaries, and have recorded this overpayment to ensure collection efforts continue. OIG opened an investigation, but was unable to proceed due to a lack of evidence indicating criminal activity. Our actions in this case are complete.

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 and have referred this case to OIG for investigation again. The OIG investigation is still pending.

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 the 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. No 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.

The FO quickly worked to locate all of the beneficiaries, determine if they still needed payees, and to find new payees where necessary. We terminated the payee, and started a misuse investigation. We referred the case to OIG, and continue to work with them and the U.S. Attorney's office closely to determine misuse amounts.

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 SSA 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 final accounting for payees who stop serving Title II beneficiaries. This new process ensures that former payees account for all benefits received and transfer conserved funds to new payees and capable beneficiaries. Through our partnership with NDRN and the P&A agencies, we have increased and improved our oversight of employer payees. This project allowed us to tailor oversight activities to evaluate the living and working conditions of a unique segment of vulnerable beneficiaries.

Our partnership with NDRN and the P&As continues this year and allows us to use our FO resources for onsite financial reviews of representative payees, an area where we have expertise. We will continue to develop new training materials to improve employee understanding of the Representative Payee program, and our efforts to better support representative payees. We expect to release new software to ensure proper development of misuse cases and to provide better management information soon. Finally, we expect to revise and republish "The Guide for Organizational Representative Payees" in 2011 and to release a sample ledger to demonstrate to payees how to account for benefits properly.

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 thank Congress for its interest and for passing legislation that strengthens the Representative Payee program. We look forward to continuing to work with Congress on measures to improve our programs.