SOCIAL SECURITY
Office of the Commissioner

January 31, 2013

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

Dear Mr. Chairman:

This letter transmits our *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* for fiscal year 2012. This report is required by sections 205(j)(6)(B), 807(k)(2), and 1631(a)(2)(G)(ii) of the Social Security Act (amended by section 102(b) of the Social Security Protection Act of 2004).

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

I am also sending this report to Congressman Dave Camp.

Sincerely,

Michael J. Astrue

Enclosure

SOCIAL SECURITY

Office of the Commissioner

January 31, 2013

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

Dear Mr. Chairman:

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

Social Security Administration

Fiscal Year 2012

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

October 1, 2011 through September 30, 2012

The Social Security Act (Act), as amended by the Social Security Protection Act of 2004 (SSPA), requires the Social Security Administration (SSA) to report the results of site reviews of specific types of representative payees (payees) and any other reviews of payees conducted during the prior fiscal year (FY).[1] This report provides the results of the reviews of payees who manage the benefits of Social Security, Special Veterans Benefits, and Supplemental Security Income (SSI) beneficiaries. This is our ninth 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 (payee) was changed and why;
4. The number of cases in which we expedited oversight of the payee because of alleged misuse of funds, failure to pay a vendor, or similar irregularities;
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.

Background

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

Those individuals who need payees are among our most vulnerable beneficiaries. The decision to appoint a payee is a serious one and we carefully follow the law and regulations when deciding to appoint one. When it is necessary to appoint a payee, we choose one who is well qualified. Our policies reflect our commitment to ensure that payees use benefits to promote the physical, mental, and emotional well-being of beneficiaries in a manner that preserves their

[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.

dignity and protects their basic rights. Most payees carefully and compassionately provide much needed help to beneficiaries on a volunteer basis.

We now have approximately 5.9 million payees managing $72 billion in annual benefits for 8.4 million beneficiaries. Fifty-two 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 5.9 million payees, 38,500, less than one percent, are organizational payees. Among these are approximately 1,400 fee-for-service (FFS) organizational payees whom we authorize to collect a fee as payment for providing representative payee services. FFS organizational payees serve approximately 1.1 million beneficiaries. Generally, we will appoint an organizational payee only when a family member is unable, unavailable, unwilling, or not qualified to serve. We describe each of the payee types starting on page 4.

Our responsibility does not end when we appoint a payee. We monitor payees to ensure they continue to meet our qualifications and appropriately spend funds on behalf of the beneficiary. Our monitoring activities help deter misuse. With the exception of certain State mental institutions, discussed on page 5 of this report, all payees are required to submit an annual report accounting for the use of beneficiaries' funds.

For the period October 2010 through September 2011, we mailed approximately 6.25 million accounting forms to our payees asking that they complete and return them as soon as possible. We reviewed these reports and investigated those payees who provided questionable responses or failed to respond at all. Last year, payees failed to return approximately 825,000 forms (about 13.2 percent of the total) in a timely manner. If a representative payee does not respond to our requests for an accounting report, the appropriate field office (FO) will make all reasonable attempts, including directing the payment checks to the FO in some cases, to personally contact the payee. Once we make contact, we advise the payee of the importance of this annual accounting, secure a completed accounting report, and determine if we should develop a new payee or pay the beneficiary directly. We immediately investigate any indications of misuse of funds or poor performance by a payee and take all appropriate action to protect the beneficiary's best interests.

In addition to the annual accounting process, we monitor certain payee's fiduciary performance through on-site reviews. These initiatives protect beneficiaries from misuse of benefits by organizational and other payees and ensure these payees carry out their duties and responsibilities in compliance with our policies and procedures. We define each of the representative payee types and the different reviews we conduct starting on page 4.

New Representative Payee Selection Policy to Prevent Misuse

In October 2011, the Philadelphia, Pennsylvania police department arrested one of our payees, Linda Weston, and two other individuals and charged them with holding four mentally challenged adults in the cellar of an apartment house. Ms. Weston was payee for six individuals at the time of her arrest, three of whom were victims in the cellar. The police have charged her

with kidnapping, assault, conspiracy, false imprisonment, and other related charges. Her trial date is set for January 2013.

In response to this horrific case, we needed to review our payee selection procedures. Our goal is to prevent individuals like Linda Weston from ever serving as a payee for our beneficiaries. To this end, we are piloting a new payee selection policy barring individuals with certain violent or financial crimes from serving as payee. Under our pilot program, felony convictions for any of twelve crimes listed below will bar an individual from serving as a representative payee:

- Human trafficking
- False imprisonment
- Kidnapping
- Rape/sexual offense
- First degree homicide
- Robbery
- Fraud to obtain governmental assistance
- Fraud by scheme
- Theft of government funds/property
- Abuse/neglect
- Forgery
- Identity theft

We are piloting this new policy in our Philadelphia Region. As of January 23, 2013, the region completed 10,291 representative payee applications. Of these 10,291 applications, the region barred 108 applicants from serving as a payee because they had committed one or more of the crimes listed above. To date, we have been able to locate alternative payees for all affected beneficiaries by contacting the beneficiary or examining our own records. We plan to publish a *Federal Register* Notice to solicit public comments on the policy. We will keep Congressional staff apprised of our actions in this area.

While we are still assessing the policy through the pilot, we are pursuing additional protections for our beneficiaries. Currently, we receive criminal background information through payee applicant self-reporting, Prisoner Update Processing System (PUPS) data, or Fugitive Felon data. If an applicant has a criminal history, we ask follow up questions to determine his or her suitability as payee. In FY 2013, we plan to implement an electronic system to obtain third-party criminal information on our payee applicants from Lexis/Nexis Accurint.

Types of Payees

1. **Volume Payee:** An agency serving 50 or more beneficiaries. This category of payee does not include certified community-based nonprofit social service agencies or certain State mental institutions. We define certified community-based nonprofit social service agencies and State mental institutions below. We review volume payees on a quadrennial basis. 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.

2. **State Mental Institutions:** State mental institutions also serve as payees. As of September 2012, there were 257 State mental institutions participating in our onsite review program, established under sections 205(j)(3)(B) and 1631(a)(2)(C)(ii) of the Act. These sections of the statute specify that participating State mental institutions are not required to provide an annual accounting form for each of the beneficiaries that they serve. Instead, we conduct a site review of each of these institutions at least once every three years. Institutions deciding not to participate in this onsite review program must complete annual accounting forms for each beneficiary that they serve and are still subject to periodic site reviews, if they serve more than 50 beneficiaries or are Fee-for-Service (FFS). (See the section below entitled State Onsite Reviews).

3. **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 payee services. Fee-for-service payees, like volume payees, may serve 50 or more beneficiaries, but we categorize them separately. We review fee-for-service payees triennially. See sections 205(j)(4), 205(j)(6)(A)(ii), and 1631(a)(2)(D), 1631(a)(2)(G)(i)(II) of the Act.

4. **Individual Payee:** An individual who serves one or more beneficiaries. We review individuals serving 15 or more beneficiaries on a quadrennial basis. Examples of 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. See sections 205(j)(6)(A)(i) and 1631(a)(2)(G)(i)(I) of the Act.

5. **Other Organizational Payees:** Organizations selected for review by the State Protection and Advocacy (P&A) agencies based on the predictive model we developed. The model selects cases based on payee and beneficiary characteristics that indicate a higher likelihood of potential misuse. The P&As review organizations serving 49 or fewer beneficiaries and they do not review any fee-for-service organizational payees.

Types of Payee Reviews

1. **Periodic Site Review:** At least once every three or four years, we monitor the performance of individual payees who serve 15 or more beneficiaries, volume payees, and FFS payees, through a face-to-face meeting with the payee and an examination of the beneficiary's records. We assess the payee's recordkeeping and interview beneficiaries. These reviews are required under sections 205(j)(6)(A) and 1631(a)(2)(G)(i) of the Act.

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

theft, adverse media coverage, and investigation of the payee by another governmental agency.

3. **Educational Visit:** We visit all new FFS payees six months after appointment. The 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. These reviews are required under sections 205(j)(4)(B) and 1631(a)(2)(D)(ii) of the Act.

4. **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) of the Act. A team of agency personnel visits the institution to conduct financial accountings and to observe and interview the beneficiaries served by the institution. In FY 2012, we conducted onsite reviews at 48 of these institutions. All of the institutions reviewed were performing satisfactorily with no significant problems or corrective recommendations noted.

5. **Optional Reviews:** Since FY 2008, as resources allow, we conduct additional reviews of payees who may need more oversight due to weak recordkeeping skills.

6. **Special Site Reviews:** "Special site reviews" are reviews of payees selected using a model developed by our Office of Quality Performance (OQP). This model selects cases based on payee and beneficiary characteristics for additional monitoring. In FY 2012, in addition to the organizational payee "special site reviews," we began reviewing individual payees serving 14 or fewer beneficiaries selected using a model developed by OQP.

Results of Our Reviews

We conducted 2,050 reviews in FY 2012. Table No. 1 below provides the types of reviews we performed by payee category.

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

	Site Reviews	Targeted Reviews	Educational Visits	State Onsite Reviews	Optional Reviews	Special Reviews	Total
Volume Payees	605	7	0	0	21	0	633
State Mental Institutions	0	0	0	48	0	0	48
Fee-for-Service Payees	369	15	27	0	8	0	419

Individual Payees	73	1	0	0	4	256	334
Other Organizational Payees	4	49	0	0	6	557	616
Totals	1,051	72	27	48	39	813	2050

We identified 30 cases of misused funds during site, special, and targeted reviews. Twenty-six of these payees were volume payees, one was a fee-for-service (FFS) payee, and three were individual payees. A detailed narrative describing these 30 cases of misused funds is provided later in this report, starting on page 23 under the heading "FY 2012 Misuse Cases."

In six cases, we removed the payee. We retained seven payees because the payees reimbursed all of the beneficiaries who were subjected to unauthorized fees or were victims of theft by a former employee of the payee. We retained two payees because the payees are in the process of reimbursing the beneficiaries who were the victims of employee theft. In cases involving employee theft and unauthorized fees, we retained 13 payees pending formal notification to the payees of the amount of misused funds. We retained one payee because the payee's bank reimbursed all of the beneficiaries who were the victims of employee theft. We retained one payee because we are in the process of locating successor payees. We will remove any payee who fails to repay misused funds.

We removed 14 payees due to poor performance of duties. In these cases, the payees performed their duties so poorly that we decided we could better serve our beneficiaries by appointing new payees.

We identified other problems involving misunderstanding of payee duties, but without any intentional misconduct. Beginning on page 7, the report details the problems we found and the corrective actions we took to address them. Some of the payees we reviewed made errors in more than one area, as summarized in Table No. 2 below.

We conducted all payee reviews, summarized in Table No.1 above, through face-to face interviews. All reviews included the examination of the payee's financial records and supporting documentation.

Although this report covers reviews conducted in FY 2012, we may not have completed all of the corrective actions in FY 2012. For example, a payee reviewed late in the year may not have finished correcting the titles on payee bank accounts during the year, or we may need several months to review hundreds of records in a case of misuse.

Periodic Site Reviews (1,051conducted)

Table No. 2: Numbers of Payees with Problems Identified While Conducting Periodic Site Reviews

	Volume Payees	FFS Payees	Individual Payees
1. Incorrect Titling of Bank Accounts	63	38	6
2. Interest Not Posted Timely	7	5	0
3. Bank Account Not Interest Bearing	19	17	2
4. Deposit to Beneficiary Accounts Not Timely	12	4	0
5. Beneficiary Funds in Agency Operating Account	26	1	1
6. Over SSI Resource Limit	78	44	9
7. Beneficiary Expenses Not Properly Documented	86	62	12
8. No Personal Needs Allowance Given	14	5	3
9. Incorrect FFS Charged	1	28	2
10. Conserved Funds Not Returned	63	14	7
11. Failure to Report Changes	71	35	15
12. Payee Did Not Exercise Oversight of Benefits	20	19	4
13. Annual Accounting Forms Not Returned	19	5	3
14. Recordkeeping Problems	128	81	18
15. Payment After Death Not Returned	15	8	0
16. Payee Repaid Itself Without SSA Approval	17	8	1
17. Collective Account Not Approved by SSA	32	6	1
18. Misuse Suspected	6	0	1
19. Misuse Found	4	1	0

Problems and Corrective Action Taken (See Appendix for a detailed description of each of the problems noted below)

1. **Incorrect Titling of Bank Accounts:** At our direction, all 107 payees re-titled the accounts. The payees did not mishandle any beneficiary's funds because of this error.

2. **Interest Not Posted Timely:** We directed all 12 payees to start posting interest timely.

3. **Bank Account Not Interest-Bearing:** We directed all 38 payees to move beneficiaries' funds to interest-bearing accounts.

4. **Deposit to Beneficiary Accounts Not Timely:** We told all 16 payees about the risks of paper checks and encouraged them to switch to direct deposit. We will require direct deposit starting March 2013.

5. **Beneficiary Funds in Agency Operating Account:** We directed all 28 payees to move beneficiaries' funds into correctly titled accounts.

6. **Over SSI Resource Limit:** We reminded all 131 payees of the resource limit and the requirement to report when beneficiaries exceed the resource limit. We recommended that the payees put controls in place to flag accounts nearing this limit. In addition, we 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:** We reminded all 160 payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries. We also interviewed beneficiaries regarding their satisfaction with the payees' management of their benefits.

8. **No Personal Needs Allowance Given:** We advised the 22 payees that current maintenance for institutionalized beneficiaries includes expenses for personal needs and asked them to set aside funds for personal needs and to repay any money incorrectly withheld.

9. **Incorrect FFS Charged:** We advised 31 FFS payees of the correct fee amount and instructed six payees who were not 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 four payees in the section of this report on page 23 under the heading "FY 2012 Misuse Cases." In these four cases, incorrect fee charging was more than a matter of a minor overcharge.

10. **Conserved Funds Not Returned:** Of the 84 payees involved, 68 payees returned funds to us to reissue to a new payee. Five payees turned funds over to the beneficiary when the beneficiary left the payee's care. Eleven payees turned funds over to the new payee directly when the beneficiary left the payee's care. The payees agreed to comply with our policies in the future.

11. **Failure to Report Changes:** We reviewed reporting responsibilities with the 121 payees who did not report the changes and updated each beneficiary's record.

12. **Payee Did Not Exercise Oversight of Benefits:** We completed capability determinations for the beneficiaries who received their funds from the payees to determine if the beneficiaries could manage their own money. We also reminded the 43 payees to report whenever they believe a beneficiary in their care is capable of managing his or her money. For those beneficiaries we found to be capable, we took action to pay them directly.

13. **Annual Accounting Forms Not Returned:** We obtained outstanding accounting forms from the 27 payees.

14. **Recordkeeping Problems:** We instructed the 227 payees on how to improve their recordkeeping and we worked diligently with the payees to make sure they made improvements.

15. **Payment After Death Not Returned:** We required 23 payees to refund the overpayments and reminded them of their responsibility to promptly refund payments that are not due after a beneficiary's death.

16. **Payee Repaid Itself Without SSA Approval:** We reminded 26 payees of our policy and reviewed each payee's actions for propriety.

17. **Collective Account Not Approved By SSA:** We reviewed the 39 accounts to ensure they met our requirements.

18. **Misuse Suspected:** In all seven cases, we determined the payees had poor recordkeeping practices, but did not find misuse of benefits. We instructed these payees on how to improve recordkeeping and worked with them to make sure they made improvements.

19. **Misuse Found:** We discuss these five cases in the section of this report on page 23 under the heading "FY 2012 Misuse Cases."

Targeted Reviews (61conducted)

Table No. 3: Numbers of Payees with Problems Identified While Conducting Targeted Reviews

	Volume Payees	Volume Other	FFS Payees	Individual Payees	Individual Other
1. Incorrect Titling of Bank Accounts	1	1	1	0	0
2. Bank Account Not Interest Bearing	0	0	1	0	0
3. Beneficiary Funds in Agency Operating Account	3	1	0	0	0
4. Over SSI Resource Limit	1	0	1	0	0
5. Beneficiary Expenses Not Properly Documented	2	0	2	1	0
6. Incorrect FFS Charged	0	0	2	1	0
7. Conserved Funds Not Returned	0	2	0	1	0
8. Failure to Report Changes	0	2	2	1	0
9. Payee Did Not Exercise Oversight of Benefits	2	1	0	0	0
10. Annual Accounting Forms Not Returned	0	0	0	1	0

	Volume Payees	Volume Other	FFS Payees	Individual Payees	Individual Other
11. Recordkeeping Problems	3	0	5	1	1
12. Payees Repaid Themselves Without Approval	1	0	0	0	0
13. Collective Account Not Approved	0	1	0	0	0
14. Misuse Suspected	2	1	0	0	0
15. Misuse Found	22	0	0	0	0

Problems and Corrective Action Taken (See Appendix for a detailed description of each of the problems noted below)

1. **Incorrect Titling of Bank Accounts:** At our direction, all three payees re-titled accounts. The payees did not mishandle any beneficiaries' funds because of this error.

2. **Bank Account Not Interest-Bearing:** We directed one payee to move beneficiary funds to interest-bearing accounts.

3. **Beneficiary Funds in Agency Operating Account:** We directed all four payees to move beneficiary funds into correctly titled accounts.

4. **Over SSI Resource Limit:** We reminded both payees of the resource limit and the requirement to tell us when they exceed the limit. 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.

5. **Beneficiary Expenses Not Properly Documented:** We reminded all five payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries. We also interviewed beneficiaries regarding their satisfaction with their payee's management of their benefits.

6. **Incorrect FFS Charged:** We advised three payees of the correct fee amount and told them to stop charging incorrect fees. We required the payees to refund incorrectly charged fees and to submit proof of compliance. We discuss these three payees in the section of this report concerning misuse, beginning on page 23. In these cases, incorrect fee charging was not a matter of a minor overcharge.

7. **Conserved Funds Not Returned:** Three payees turned funds over to the beneficiary when the beneficiary left the payee's care. The payees agreed to comply with our policies in the future.

8. **Failure to Report Changes:** We reviewed reporting responsibilities with the five payees who did not report the changes and updated each beneficiary's record.

9. **Payee Did Not Exercise Oversight of Benefits:** We completed capability determinations for the beneficiaries who received their funds from the payees to determine if the beneficiaries could manage their own money. We also reminded the three payees to report whenever they believe a beneficiary in their care is capable of managing his or her money. For those beneficiaries we found to be capable, we took action to pay them directly.

10. **Annual Accounting Forms Not Returned:** We obtained outstanding accounting forms from the payee.

11. **Recordkeeping Problems:** We instructed the 10 payees on how to improve their recordkeeping and we worked diligently with the payees to make sure they made improvements.

12. **Payee Repaid Itself Without Approval:** We reminded one payee of our policy and reviewed their actions for propriety.

13. **Collective Account Not Approved:** We reviewed one account to ensure it met our requirements.

14. **Misuse Suspected:** In all three cases, we determined the payees had poor recordkeeping practices, but did not find misuse of benefits. We instructed these payees on how to improve recordkeeping and worked with them to make sure they made improvements.

15. **Misuse Found:** We discuss these 22 cases in the section of this report with the heading, "Findings of Misuse," beginning on page 23.

Educational Visits for New FFS Payees (27 conducted)

Table No. 4: Numbers of Payees with Problems Identified While Conducting Educational Visits

	FFS Payees
1. Incorrect Titling of Bank Accounts	2
2. Over SSI Resource Limit	2
3. Beneficiary Expenses Not Properly Documented	4

4. Failure to Report Changes	1
5. Recordkeeping Problems (e.g., minor math errors, weak internal controls)	3

Problems and Corrective Action Taken (See Appendix for a detailed description of each of the problems noted below)

1. **Incorrect Titling of Bank Accounts:** At our direction, both payees re-titled accounts. The payees did not mishandle any beneficiaries' funds because of this error.

2. **Over SSI Resource Limit:** We reminded both payees of the resource limit and the requirement to tell us when they exceed the limit. 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.

3. **Beneficiary Expenses Not Properly Documented:** We reminded all four payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries. We also interviewed beneficiaries regarding their satisfaction with their payee's management of their benefits.

4. **Failure to Report Changes:** We reviewed reporting responsibilities with one payee who did not report the changes and updated each beneficiary's record.

5. **Recordkeeping Problems:** We instructed the three payees on how to improve their recordkeeping and we worked diligently with the payees to make sure they made improvements.

Optional Reviews (39 conducted)

Table No. 5: Numbers of Payees with Problems Identified While Conducting Optional Site Reviews

	Volume Payees	FFS	Volume Individual
1. Incorrect Titling of Bank Accounts	**1**	**0**	**0**
2. Beneficiary Funds in Agency Operating Account	**3**	**0**	**0**
3. Beneficiary Expenses not Properly Documented	**1**	**0**	**1**

4. Unauthorized FFS Charged	**0**	**0**	**1**
5. Conserved Funds Not Returned	**2**	**0**	**0**
6. Failure to Report Changes	**2**	**1**	**0**
7. Collective Account Not Approved	**1**	**0**	**0**
8. Recordkeeping Problems (e.g., minor math errors, weak internal controls)	**2**	**0**	**0**
9. Payee Repaid Itself Without Approval	**1**	**0**	**0**

Problems and Corrective Action Taken (See Appendix for a detailed description of each of the problems noted below)

1. **Incorrect Titling of Bank Accounts:** At our direction, one payee re-titled accounts. The payee did not mishandle any beneficiaries' funds because of this error.

2. **Beneficiary Funds in Agency Operating Account:** We directed all three payees to move beneficiary funds into correctly titled accounts.

3. **Beneficiary Expenses not Properly Documented**: We reminded both payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries. We also interviewed beneficiaries regarding their satisfaction with their payee's management of their benefits.

4. **Unauthorized FFS Charged:** We instructed the payee to stop charging incorrect fees. We required the payee to refund incorrectly charged fees and to submit proof of compliance.

5. **Conserved Funds Not Returned:** Both payees returned funds to us to reissue to a new payee. The payees have agreed to comply with our policies in the future.

6. **Failure to Report Changes:** We reviewed reporting responsibilities with the three payees who did not report the changes, and updated each beneficiary's record.

7. **Collective Account Not Approved:** We reviewed the one account to ensure it met our requirements.

8. **Recordkeeping Problems:** We instructed two payees on how to improve their recordkeeping and we worked diligently with the payees to make sure they made improvements.

9. **Payee Repaid Itself Without Approval:** We reminded the one payee of our policy and reviewed his actions for propriety.

Special Site Reviews of Individual Payees (256 conducted)

Table No. 6: Numbers of Payees with Problems Identified While Conducting Special Site Reviews

	Individual Payees
1. Incorrect Titling of Bank Accounts	28
2. Bank Account Not Interest Bearing	4
3. Beneficiary Funds in Payee's Checking Account	1
4. Over SSI Resource Limit	2
5. Beneficiary Expenses Not Properly Documented	81
6. No Personal Needs Allowance Given	1
7. Unauthorized FFS Charged	1
8. Conserved Funds Not Returned	1
9. Failure to Report Changes	17
10. Payee Did Not Exercise Oversight of Benefits	36
11. Annual Accounting Forms Not Returned	4
12. Recordkeeping Problems	86
13. Misuse Suspected	3
14. Misuse Found	3

Problems and Corrective Action Taken (See Appendix for a detailed description of each of the problems noted below)

1. **Incorrect Titling of Bank Accounts:** At our direction, 28 payees re-titled accounts. The payee did not mishandle any beneficiaries' funds because of this error.

2. **Bank Account Not Interest-Bearing:** We directed all four payees to move beneficiary funds to interest-bearing accounts.

3. **Beneficiary Funds in Payee's Checking Account:** We directed the one payee to move beneficiary funds into a correctly titled account.

4. **Over SSI Resource Limit:** We reminded both payees of the resource limit and the requirement to tell us when they exceed the limit. 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.

5. **Beneficiary Expenses not Properly Documented**: We reminded 81 payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries. We also interviewed beneficiaries regarding their satisfaction with their payee's management of their benefits.

6. **No Personal Needs Allowance Given:** We advised the one payee 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.

7. **Unauthorized FFS Charged:** We instructed the payee to stop charging fees. We required the payee to refund incorrectly charged fees and to submit proof of compliance.

8. **Conserved Funds Not Returned:** The payee gave the funds to the beneficiary when the beneficiary left the payee's care. This payee agreed to comply with our policies in the future.

9. **Failure to Report Changes:** We reviewed reporting responsibilities with the 17 payees who did not report the changes and updated each beneficiary's record.

10. **Payee Did Not Exercise Oversight of Benefits:** We completed capability determinations for the beneficiaries who received their funds from the payees to determine if the beneficiaries could manage their own money. We also reminded the 36 payees to report whenever they believe a beneficiary in his or her care is capable of managing his or her money. For those beneficiaries we found to be capable, we took action to pay them directly.

11. **Annual Accounting Forms Not Returned:** We obtained outstanding accounting forms from all four payees.

12. **Recordkeeping Problems:** We instructed 86 payees on how to improve their recordkeeping and we worked diligently with the payees to make sure they made improvements.

13. **Misuse Suspected:** In all three cases, we determined the payees had poor recordkeeping practices, but did not find misuse of benefits. We instructed these payees on how to improve recordkeeping and worked with them to make sure they made improvements.

14. **Misuse Found:** We discuss these three cases in the section of this report with the heading, "Findings of Misuse," beginning on page 23.

Special Site Reviews of Organizational Payees

Our Partnership with State Protection and Advocacy (P&A) Organizations and the National Disability Rights Network (NDRN)

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

Generally, P&A organizations can advocate for individuals or groups with severe disabilities, refer individuals with disabilities for services, provide other assistance, including help with filing complaints with other Federal agencies, and help individuals with disabilities receive protection from agencies such as Adult Protective Services. The services that P&A programs provide put them in a good position to assist beneficiaries with problems that arise outside our purview and expertise. NDRN is the nonprofit membership organization for the federally mandated P&A systems. NDRN holds subcontracts with all 57 P&A agencies.

Our authority to offer PABSS grants to P&A organizations expired September 30, 2011. We funded the projects through September 29, 2012. Although the PABSS grant authority expired, we retained a contractual relationship with these organizations through our contract with NDRN.

Background on Organizational Payee Reviews by State P&A's

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

FY 2012 Reviews of Organizational Payees by State P&As

During FY 2012, the P&A staff conducted on-site reviews of organizational payees chosen by the model developed by OQP. The reviews required the P&As to review the financial records of the organization.

Procedures and Expectations for Beneficiary Reviews:

- We provided a list of payees to NDRN via encrypted files;
- NDRN released the names of payees for review via encrypted files to suitability-cleared staff at the subcontracting P&As;
- The P&As conducted the reviews according to the protocol and training provided by NDRN and our agency;
- If an apparent threat to the beneficiary's health and/or safety was discovered, the P&A reviewer made immediate referrals to appropriate authorities, while concurrently notifying NDRN;
- NDRN notified us if an urgent situation existed;
- The P&As also made appropriate referrals for follow-up to other agencies or to other federally funded programs within the P&A organization. We required the P&As to report to us the reasons for these referrals which are listed later in this report together with the number of referrals;
- The P&As submitted interim reports via NDRN's reporting system within 10 business days to alert us about any potential problems, followed by a more complete electronic report within 20-25 days of the review;
- NDRN reviewed reports, and requested additional information or clarification from the P&As when necessary;
- NDRN then submitted these reports to us for further action or, if no further action was recommended, for informational purposes; and
- The P&As house all records of the interviews they conducted with payees and beneficiaries in a secure location and must maintain these records for a minimum of three years to permit follow-up investigations.

Results of the P&A Reviews

By November 2, 2012, we received 557 final reports from the P&As under our contract with NDRN. The P&A's referred 56 payees and 21 beneficiaries to outside agencies. We referred 356 payees to the FO for additional action. We did not need to make referrals on the remaining 145 payees.

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

Type of Referral	Model Cases
1. Advocacy Services	35 payees
2. Assistance to Help Utilize Work Incentives	6 Beneficiaries
3. Housing Rights Education	7 Beneficiaries
4. Non Critical Health and Safety Issues	17 Payees
5. Possible Employment Law Violations	1 Payee
6. Request to Become Own Payee	1 Beneficiary
7. Vocational Rehabilitation	4 Beneficiaries
8. Other	6 (3 payees and 3 beneficiaries)
Total	77

Descriptions of Problems or Issues Leading to Referrals

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

   Referral Made: The 35 referrals encompassed a variety of services including monitoring of referrals made on the behalf of beneficiaries to other agencies for violations of personal rights, and health, safety, workplace accommodation and safety issues.

2. **Planning and Assistance to Help Utilize Work Incentives:** The 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 six beneficiaries to their local Work Incentives Planning and Assistance program for support and counseling about benefits.

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

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

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

   Referral Made: The P&As made 17 referrals to various State and Federal agencies with oversight in the areas of protective services, issues concerning mental retardation and developmental disabilities, fire and housing safety, and occupational health and safety.

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

   Referral Made: The P&As sent one report to the State and Federal Departments of Labor for investigation and appropriate action.

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

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

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

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

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

   Referral Made: The P&As referred three beneficiaries to the State Division of Health Service Regulation, and the Indian Independent Living Center. The P&As also made three referrals to the State Licensing Agency, a private law firm, and the State Department of Public Health.

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

We referred 356 cases stemming from P&A reviews to our FOs for additional action. Because of P&A reports, we are investigating 13 payees for suspected misuse. The table on page 20 shows additional issues referred to our field offices for action.

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

	Count
1. Incorrect Titling of Bank Accounts	114
2. Bank Accounts not Interest Bearing	2
3. Beneficiary Funds in Agency Operating Account	70
4. Over SSI Resource Limit	2
5. Beneficiary Expenses Not Properly Documented	27
6. No Allowance Given	1
7. Incorrect FFS Charged	3
8. Conserved Funds Not Returned	2
9. Failure to Report Changes	5
10. Payee Did Not Exercise Oversight of Benefits	16
11. Recordkeeping Problems	13
12. Payment After Death Not Returned	2
13. Payee Repaid Itself without Approval	2
14. Collective Account Not Approved	116

Problems and Corrective Action Taken (See Appendix for a detailed description of each of the problems noted below)

1. **Incorrect Titling of Bank Accounts:** At our direction, all 114 payees re-titled accounts.

2. **Bank Account Not Interest-Bearing:** We directed both payees to move beneficiary funds to interest-bearing accounts.

3. **Beneficiary Funds in Agency Operating Account:** We directed 70 payees to move beneficiary funds into correctly titled accounts.

4. **Over SSI Resource Limit:** We reminded two payees of the resource limit and the requirement to tell us when they exceed the limit. 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.

5. **Beneficiary Expenses Not Properly Documented:** We reminded all 27 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 payee's management of benefits.

6. **No Personal Needs Allowance Given:** We advised one payee 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.

7. **Incorrect FFS Charged:** We instructed three payees to stop charging incorrect fees. We required the payee to refund incorrectly charged fees and to submit proof of compliance

8. **Conserved Funds Not Returned:** Both payees returned funds to us to reissue to a new payee. Both payees agreed to comply with our rules in the future.

9. **Failure to Report Changes:** We reviewed reporting responsibilities with the five payees who did not report the changes and updated the beneficiary records.

10. **Payee Did Not Exercise Oversight of Benefits:** For all 16 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. **Recordkeeping Problems:** We instructed all 13 payees on how to improve recordkeeping and worked diligently with the payees to make sure they made improvements.

12. **Payment After Death Not Returned:** We required 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.

12. **Payee Repaid Itself Without Approval:** We reminded two payees of this requirement.

13. Collective Account Not Approved: We reviewed 116 accounts to ensure they meet our requirements.

Milestones: FY 2012 P&A Reviews

August 2011:

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

January 2012:

- We issued task order for 350 reviews to be completed by November 30, 2012. This raised the number of reviews deliverable in FY 2012 to around 600.

March 2012:

- We amended task order to reduce the number of deliverable reviews due by April 30. We did this because the distribution across States changed, increasing the costs of some reviews.

- We completed task order for 77 reviews issued in August to be completed by November 30, 2012.

April 2012:

- We completed amended task order for 176 reviews.

July 2012:

- We began to provide specific feedback and training for the P&A reviewers on reports. Using this feedback, NDRN developed additional guidance for the P&A reviewers to use to improve accuracy and consistency of referrals to SSA for follow-up. We subsequently used the approved documents in the revised protocol as a reference for future reviewers.

August 2012:

- We restructured the payee review protocol to simplify, streamline and clarify our directions to the P&A reviewers. We augmented the instructions with definitions drawn from guidance sent to the projects earlier in the year.
- We offered a training and Q&A session via teleconference for P&A reviewers so that they would have an opportunity to ask us about the financial portion of the organizational reviews.

September 2012:

- We issued a task order for 250 reviews with a performance period that ends March 31, 2013.

- We amended the task order to reduce the number of deliverable reviews due by November 30, 2012. We did this because the distribution across States changed, increasing the costs of some reviews.

- Due to the end of the PABSS grant authority, we separated the duties NDRN performed for PABSS training and technical support, from the tasks associated with the representative payee review project. We issued a stop-work order on September 28, 2012 for the PABSS grant authority. A revised and reduced scope of work will commence in January 2013.

Next Steps - FY 2012 P&A Reviews

In addition to the periodic site reviews of payees, which are required by law, and other reviews that we have conducted since 2000, we will continue to monitor organizational payees through our existing partnership with NDRN and the State P&A agencies in 2013. We anticipate that the P&As will complete an additional 600 reviews in FY 2013. We have already assigned 250 of these reviews to the P&As through NDRN. We will assign the remaining reviews for FY 2013. We are continuing to refine and improve the protocols and process that the P&As use to conduct reviews.

Change of Payee Situations

We removed 22 payees because of the site reviews, targeted reviews, and educational visits. We removed 3 payees for misuse and 14 payees for poor performance of duties.

While not a direct result of our reviews, 5 payees sold their businesses, and 19 other payees closed their businesses. The loss of a qualified payee can result in a large workload for the servicing FO. The FO must find new payees for the beneficiaries that the payee will no longer serve.

Findings of Misuse

In FY 2012, as a result of our site reviews and targeted reviews, we found 30 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 as 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.

FY 2012 Misuse Cases

B. Rogers (Wetland, MI): The payee misused approximately $13,029 of a beneficiary's money. We immediately removed this individual as payee for all five beneficiaries she was serving. We are currently investigating additional misuse for other affected beneficiaries. OIG decided not to pursue a criminal investigation in this case.

Capitol Payee Services (Concord, NH): This payee is an authorized fee-for-service payee. The payee collected a fee from four beneficiaries during months the beneficiaries were not

entitled to payments. The approximate amount of unauthorized fees is $621. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available.

Center for Disability Services (Albany, NY): A former employee stole $500 from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. The payee reported the theft to the local authorities.

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

Community Quest Inc. (Egg Harbor Township, NJ): A former employee stole $249.16 from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee.

Coastal Area Support Alternatives Inc. (Corpus Christi, TX): On March 16, 2012, an Adult Protective Services investigator reported an allegation of misuse and fraud by the payee owner. We have determined the payee misused $14,527.55 of beneficiaries' funds; in addition, the payee and has not returned $428 in conserved funds. We have removed this organization as payee because they were no longer fulfilling their representative payee duties satisfactorily.

Connections Plus (Albuquerque, NM): We received a report that the payee was potentially misusing beneficiaries' money. We have determined the payee misused $15,268.75 of beneficiaries' funds and possibly an additional $23,014.71 if the payee does not return conserved funds. We have removed this organization as payee because they were no longer fulfilling their representative payee duties satisfactorily. OIG is currently investigating this case. We will take action to reimburse beneficiaries once OIG completes their investigation.

Copper Country (Ontonagon, MI): A former employee stole approximately $59,066.38 from beneficiaries. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available. Local authorities have charged the former employee with multiple counts of felony embezzlement.

Developmental Disabilities Association of New Jersey (DDANJ) (Sewaren, NJ): A former employee stole $8,114.44 from beneficiaries. The payee has reimbursed $4,803.67 of the misused funds to beneficiaries for whom the organization is still payee. The organization is working closely with the local FO to repay the remaining $3,310.77 to beneficiaries for whom they are no longer payee. We are retaining this payee because the incident was isolated to one

former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. Local authorities are prosecuting the former employee.

Family Support Services at Glenwood (Glenwood, IA): A former employee stole $416.38 from a beneficiary. The payee reimbursed the beneficiary. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

G. Jones (Clinton, OK): This payee misused $19,373.99 of the beneficiary's money. We removed the payee because she was no longer fulfilling her representative payee duties satisfactorily. The local field office continues to complete all administrative actions with this case.

GCS Foundation Inc. (Salt Lake City, UT): The payee was collecting unauthorized fees from beneficiaries. The total amount of unauthorized fees is unknown at this time. We are in the process of making misuse determinations. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available. We will refer the case to OIG once we have completed all the administrative actions associated with the misuse determinations.

GMR Exceptional Care (Cincinnati, OH): The Cincinnati Enquirer wrote an article about an employee of this organization allegedly stealing money from clients. This article initiated a review of the organization. We determined the employee stole funds from nine beneficiaries. The organization repaid all affected beneficiaries. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. Local authorities charged the former employee with nine counts of Theft from Elderly or Disabled Adults. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Heritage Center (Buffalo, NY): A former employee stole $205 from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

J. Brown (Conover, NC): The payee was unable to account for $4,500 of a beneficiary's money during a review. The payee admitted to misusing $200 of the beneficiary's money. We immediately removed the individual as payee and referred the case to OIG.

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

Life Styles Inc. (Fayetteville, AR): A former employee stole $38,405.05 from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. We referred the case to OIG and the former employee pled guilty to Theft of Property on August 3, 2012. Our actions on this case are complete.

Little Flower Children Services (Wading River, NY): A former employee stole $9,570 from beneficiaries. The payee organization's bank reimbursed all the beneficiaries because the former payee employee did not have bank authorization to conduct transaction on behalf of the organization. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. The payee reported the incident to the local authorities. The local police investigation indicated the former employee might have left the country. The local police turned the incident over to the FBI.

Messner's Home, Inc. (Lexington, KY): During a P&A onsite review, the reviewer referred concerns about living conditions and questionable use of beneficiaries' funds to us and to appropriate State agencies. Based on this referral, we conducted a review and confirmed the findings of the P&A referral. The payee was unable to provide documentation on how they used or conserved $12,373.62 for one beneficiary. The beneficiary passed away in June 2012. We are in the process of locating a legal representative of the estate to reimburse the misused funds. The payee has refunded $3,373.62 of the misused funds. We are collecting the remaining $9,000 following our normal overpayment procedures. We are retaining the payee until we can locate successor payees for the remaining 22 beneficiaries. OIG decided not to pursue a criminal investigation in this case.

Mon-ARC of Monroe, Inc. (Monroe, MI): We received a report from the Board of Directors of this organization indicating employees of the organization may be misusing beneficiary funds. Based on this report, we initiated a review of the organization. The total amount of misused funds is unknown at this time. We are in the process of making misuse determinations. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available. We referred this case to OIG.

Moore Center Services (Manchester, NH): The payee was collecting unauthorized fees from beneficiaries. The approximate amount of unauthorized fees is $1,220. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available.

Morningstar Care Center (formerly Sunrise nursing Home) (Oswego, NY): A former employee stole approximately $44,300 from beneficiaries. The organization is in the process of reimbursing all the beneficiaries. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. The payee is in the process of reimbursing all the affected beneficiaries. Local authorities charged the former employee with Falsifying Business

Records in the 1st Degree and Grand Larceny on August 16, 2012. OIG decided not to pursue a criminal investigation in this case.

Park Manor (Brooklyn, NY): The payee failed to return $3,387 in conserved funds after a beneficiary left the payee's facility. We reimbursed the beneficiary. We are in the process of making a misuse determination. 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. OIG decided not to pursue a criminal investigation in this case.

Poweshiek County Mental Health Center (PCMHC) (Grinnell, IA): During a P&A review, the reviewer notified us that the payee terminated a former employee for embezzling beneficiary's money. Based on this referral, we conducted a review and confirmed the findings of the P&A referral. The former employee stole approximately $60,400 from beneficiaries. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available. We referred this case to OIG. The case is still pending with local law enforcement.

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

Systems Unlimited Incorporated (Iowa City, IA): The payee notified us that an employee of the payee organization stole two blank checks from a beneficiary's checkbook. We responded to this notification with a review of the payee organization. The approximate amount of stolen funds is $90.00. We have retained the payee pending completion of a misuse determination. We will make a final decision regarding the payees continued suitability once we receive the payee's response to our review findings. We will refer this allegation to OIG when we complete all the administrative actions associated with the misuse determinations.

The Center for Developmental Disabilities-Nassau Center (Woodbury, NY): The director of the payee organization reported that the organization might have poor recordkeeping due to a house manager not handling bank withdrawals appropriately. The total amount of misused funds was $15,696.82. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

The Living Center (Enid, OK): A local newspaper in Enid, OK published an article regarding the arraignment of two former employees of the payee. We have determined the payee misused approximately $30,332.50; in addition, the payee is unable to account for an additional $35,443.30. We are retaining this payee because the incident was isolated to two former employees. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG is currently investigating this case. We will take action to reimburse beneficiaries once OIG completes their investigation. One of the former employees

plead guilty to theft and was sentenced to 10 years' incarceration as a deferred sentence. OIG plans to bring additional changes against the second employee. The second former employee is currently facing charges for an unrelated crime.

Tom's Payee Services (Sheridan, WY): The payee was collecting unauthorized fees from beneficiaries. The total amount of unauthorized fees is unknown at this time. We are in the process of making misuse determinations. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available. We will refer an allegation to OIG after we complete all the administrative actions associated with the misuse determinations.

Village Northwest Unlimited (Sheldon, IA): In May 2012, we learned that an employee of the payee was charged by the State of Iowa with embezzlement. The State of Iowa conducted an internal audit and determined the amount of embezzled funds was $2796.63. Our misuse investigation is pending. The payee has reimbursed affected beneficiaries based on the State of Iowa internal audit. If we find additional misuse, the organization will remit the misused funds to us and we in turn will reimburse the beneficiaries. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available. We referred this allegation to OIG.

FY 2011 Misuse Cases

Arden Arcade Payee Services (Sacramento, CA): The payee was collecting unauthorized fees from beneficiaries. The local field office completed the misuse determinations. We have completed all systems actions regarding beneficiary reimbursement and the payee misuse overpayment. We have removed this organization as payee because they were no longer fulfilling their representative payee duties satisfactorily. We referred this allegation to OIG.

Aspire of Western NY (Getzville, NY): A former employee stole $2,449 from beneficiaries. We are retaining this payee because the incident was isolated to one former employee, the payee is in the process of reimbursing the beneficiaries, and the organization is an otherwise good payee. The payee was recently informed that they must reimburse the remaining $700 in misused funds. The payee has been extremely cooperative and we do not foresee any issues concerning the remaining unreimbursed monies. OIG decided not to pursue a criminal investigation in this case.

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

Benevolence Works (San Antonio, TX): We received a report that the payee was potentially misusing beneficiaries' money. We contacted the payee to set up a review; however, the CEO of the company stated she was dissolving the company. We removed the payee because they discontinued providing representative payee services. On October 15, 2012, OIG indicated they are actively working on this case with the U.S. Attorney's Office. We will take action to complete formal misuse determinations once OIG completes their investigation.

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

Cornerstone Advantage, Inc. (Stillwater, OK): We received a report that the payee was potentially misusing beneficiaries' monies. We determined the payee misused $16,916 of beneficiaries' funds. We have removed the organization as payee because they were no longer fulfilling their payee duties satisfactorily. We reimbursed all affected beneficiaries. On January 6, 2012, the U.S. District Court issued a default judgment ordering the payee to pay $50,749.29 in monetary damages, $16,916 of which includes the misuse amount.

Cuba Manor (Cuba, MO): A former employee embezzled $108,000 from beneficiaries. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG did not pursue a criminal investigation because the former employee is being prosecuted locally. The former employee pleaded guilty to one count of abuse of a Medicaid recipient, one count of forgery, and one count of stealing by deceit on February 1, 2012. Effective May 31, 2012 the former employee was placed under supervised probation for five years. Our actions on this case are complete.

Door of Opportunity, Inc. (Artesia, NM): We received a report from the State of New Mexico's Office of Internal Audit, regarding major accounting discrepancies found while conducting an audit of this payee. We have determined the payee misused $210,998 of beneficiaries' funds. We have removed this organization as payee because they were no longer fulfilling their representative payee duties satisfactorily. The beneficiaries have not been reimbursed yet because of the open investigation with OIG. As of October 1, 2012 OIG indicated they are actively working on this case with the U.S. Attorney's Office. When OIG concludes their investigation, we will take the necessary actions to reimburse the beneficiaries.

Family Assistance Management Services (Charleston, SC): The payee reported a former manager of the organization, who is now deceased, embezzled $20,694 from beneficiaries. We completed misuse determinations and found a total of $513,417.49 in misused funds involving 407 beneficiaries. We are in the process of making restitution to the beneficiaries. We are retaining this payee because the incident was isolated to one former employee. The organization has a repayment plan to repay the misused funds and the organization is an otherwise good payee.

Garab Community Center (San Jose, CA): The payee collected approximately $837 in unauthorized fees from beneficiaries. We have removed this organization as payee because they were no longer fulfilling their representative payee duties satisfactorily. All systems actions related to beneficiary reimbursement and the payee misuse overpayment are completed. OIG decided not to pursue a criminal investigation in this case.

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

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

Julie P (Arvada, CO): The payee was collecting unauthorized fees from beneficiaries. This individual payee was charging an hourly fee for her services to beneficiaries. The total amount of unauthorized fees is unknown at this time. We are in the process of making misuse determinations. We have removed this individual as payee because she was no longer fulfilling her representative payee duties satisfactorily. We are still investigating the total amount of misused funds. We have referred the case to OIG.

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

Macomb Family Services, Inc. (Clinton, MI): Two former employees stole $607 from beneficiaries. We are retaining this payee because the incident was isolated to two former employees. The payee has taken corrective action to prevent future misuse, and the organization is an otherwise good payee. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

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

Pastoral Counseling Center (Portsmouth, OH): The payee collected approximately $47,985 in unauthorized fees from beneficiaries. The payee went out of business because they were poorly funded and unable to return any of the unauthorized fees. We found successor payees for the beneficiaries. We have completed all misuse determinations and have repaid the beneficiaries. We referred this allegation to OIG.

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

SICCM/UCAN (Herrin, IL): A former employee embezzled money from beneficiaries. The total amount of money embezzled is unknown at this time. OIG is currently conducting an investigation and is subpoenaing records in order to perform a forensic audit. This audit will be used to determine the amount of funds misused, as the payee records are non-existent. The organization closed effective March 2012. We found new payees or initiated direct payment to all beneficiaries.

Trent Assisted Living Center (Trent, SD): We received a report that the payee was not paying for beneficiaries' prescriptions. A recent review from the State Department of Social Services revealed that the payee did not have a record of "personal needs" transactions and no individual ledgers were found. After an investigation by OIG and the local field office, the allegation of misuse was not substantiated because the Administrator of the agency was able to produce receipts for expenditures previously under question. This agency has closed and no longer serves as a payee. We found new payee for all the beneficiaries.

UCPA of Niagara County (Niagara Falls, NY): A former employee stole $680 from beneficiaries. We are retaining this payee because the incident was isolated to one former employee, who has since passed away. The beneficiaries have been reimbursed, and the organization is an otherwise good payee. The field office conducted a subsequent review of this payee and found an additional $400 in missing funds. The organization reimbursed a total of $1,080 to the affected beneficiaries. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Vermont Association for Retarded Citizens (Rutland, VT): A former employee stole approximately $15,000 from beneficiaries. We have retained the payee pending completion of the OIG investigation because this organization is an otherwise good payee and appears to be the best payee available. The former employee was sentenced to 24 months incarceration and ordered to pay restitution.

Vineland Developmental Center (Vineland, NJ): On August 11, 2011, a news article indicated a supervisor at the facility was arrested and charged with cashing a check for several thousand dollars belonging to clients. The amount stolen from Social Security beneficiaries was $18,097. We are retaining the payee because the misuse was isolated to one former employee. The payee made restitution to the beneficiaries and the payee has taken corrective action to prevent future misuse. The former employee was indicted by the Cumberland County grand jury in March 2012 on three counts of official misconduct and one count of theft.

Update on FY 2010 Misuse Cases

A and A Asset Management Inc. (Walterboro, SC): The payee collected $38,114 in unauthorized and excessive fees. We notified the payee of our misuse determination, but the payee did not make an effort to repay the misused funds. In March 2011, we removed the organization as payee and found new payees for the beneficiaries. We developed for additional misuse and determined the total amount of misused funds is $40,741.72. We are working with OIG to better develop this allegation before we attempt to recover the misused funds.

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 an otherwise good payee and appears to be the best payee available. The chief financial officer pled guilty to second-degree grand larceny in Erie County Court and was ordered to make full restitution. A second individual pled guilty to grand larceny for stealing $13,402 and was ordered to repay $223 per month for 16 months. OIG did not pursue a criminal investigation because the individuals were prosecuted locally. The organization has begun reimbursing the beneficiaries. The organization has reimbursed all the beneficiaries. The local field office continues to complete administrative actions with this case.

Albert C. (Riverdale, GA): OIG received an allegation of misuse. During our misuse investigation, we determined that the payee was unable to account for $47,954 in conserved funds. We removed the payee because the payee had not made an effort to make restitution. The misused amount is now an overpayment on the payees' record. OIG opened a criminal investigation and presented the case to the U.S. Attorney's Office. The U.S. Attorney's Office subsequently declined to pursue criminal prosecution. Our actions on this case are complete.

Anthony Wayne Rehabilitation Center (Rocky River, OH): An employee of this payee misused $96,391. The subject was sentenced to 12 years and 6 months incarceration and ordered to pay restitution. This organization is no longer serving as payee.

Arenac County Public Guardian (Standish, MI): Two former directors of this agency were charged with embezzlement. We determined $93,640.59 was misused. We received repayment of the misused funds from the payee and we repaid all affected beneficiaries. We are retaining this payee because the payee reimbursed the misused funds, has taken corrective action to prevent future misuse, and is an otherwise good payee. Our actions on this case are complete.

Community Missions Inc. (Niagara Falls, NY): Two employees stole beneficiary funds. In the first incident, $440 was stolen, and the payee has reimbursed the beneficiaries. We have retained the payee pending completion of misuse determinations for the second incident, because this organization is an otherwise good payee and appears to be the best payee available. On June 7, 2011, the field office sent a closeout letter to the organization outlining the findings. The organization responded and provided us with additional information. We evaluated all the information and found no misuse regarding the second incident. The P&A agency conducted a review in July 2012 and found no issues during the review. OIG decided not 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.

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

Glenwood Resource Center (Council Bluffs, IA): A former employee stole $1,000 from a beneficiary account. We are retaining the payee because the misuse was isolated to one former employee, the payee made restitution to the beneficiaries for the amount identified as taken from the account, and the payee has taken corrective action to prevent future misuse. The misuse determination is complete and we determined that the former employee embezzled $850. All misused funds have been repaid to the affected beneficiaries and we have been given proof of repayment. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

Laporte County Council on Aging Inc. (Laporte, IN): A former employee embezzled beneficiary funds. The court case of the employee is still pending with a trial date scheduled for January 2013. The payee has independently reimbursed the affected beneficiaries a total of $55,562. When a final judgment is made and the employee has been sentenced, we will use the court decision to prepare a misuse determination and take actions to make restitution. We will refer the case to OIG once we receive the criminal court decision.

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 since stopped collecting these fees. We determined the payee collected $9,986 in

unauthorized fees from beneficiaries. To date, the payee has returned $4,382.52. We completed administrative actions to post the overpayment on the payee's record and we made restitution to the affected beneficiaries. We are retaining the payee because he is making an effort to make restitution and we determined he poses no risk to the beneficiaries. Our actions on this case are complete.

S & S Payee Association (Wichita, Kansas): This payee kept poor records and has been removed. The misuse determinations are complete. The total amount of misuse is $22,470. The affected beneficiaries have been repaid the misused funds. Local authorities investigated and prosecuted this case. Our actions on this case are complete.

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

Update on FY 2009 Misuse Cases

Gateway Representative Payment Program (Birmingham, AL): This payee could not account for approximately $333,212 in beneficiary funds handled by an employee of a partner agency. We have removed the payee. OIG completed an audit and was unable to substantiate the amount of funds misused. We were able to identify $4,987 in undocumented disbursements as misused funds. We made restitution to the affected beneficiaries. The payee repaid $4,987 in misused funds. Our actions on this case are complete.

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

Help Group Services (Atlanta, GA): This payee could not account for $1,375,436 in beneficiary funds. We have removed the payee, completed misuse determinations, reimbursed the beneficiaries, and have recorded this overpayment to ensure collection efforts continue. The organization has not repaid any of the misused monies. OIG is currently investigating this case. The U.S. Attorney's Office has accepted the case for criminal prosecution.

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

Outreach Community Living Services (Wooster, OH): A former employee of the organization appears to have stolen beneficiary funds. A formal determination for $29,755 in undocumented expenses has been prepared and notification sent to the payee. The employee in question was tried and convicted of one count of misappropriation. On February 3, 2011, the payee repaid $26,809. The payee reimbursed the remaining funds and all the beneficiaries were repaid. Our actions on this case are complete.

Potter's Fund (Atlanta, GA): This payee charged $328,826.52 in unauthorized fees and has been removed as payee. OIG is currently investigating this case; however, they gave us clearance to proceed with administrative actions. We are currently pursuing collection efforts and repaying the beneficiaries. The U.S. Attorney's office is reviewing this case and a prosecution decision is pending.

Safe Harbor (Scottsbluff, NE): The payee reported a former director stole approximately $26,114. In FY 2010, OIG verified the local police department's work identifying the amount of the loss, and started an audit to help us determine if the payee had controls in place to prevent such theft in the future. The OIG investigation is now complete. The former employee was sentenced on one count of Federal program fraud with a five-year probation and ordered to make restitution to the insurance company and Safe Harbor in the amount of $19,113. The misuse determinations were completed and all affected beneficiaries have been repaid. In addition, the payee has implemented internal control procedures to deter future fraud. The payee continues to serve as payee because it is an otherwise good payee. Our actions on this case are 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. The payee stopped charging unauthorized fees. Since the payee made a plan to repay the misused funds and does not pose a risk to the beneficiaries, we will retain the payee. The payee is complying with the restitution plan. Our actions on this case are complete.

Update on FY 2008 Misuse Cases

Case Representative Payee Services (Cleveland, OH): This FFS organization was charging excess fees and using funds in the beneficiaries' collective account for its operating expenses. The amount of misused funds was $200,513. We have removed this payee and completed misuse determinations. Restitution has been made for the beneficiaries who are alive. There were three deceased beneficiaries and the misused funds were returned to the survivors or the estate. OIG opened an investigation and presented it to the U.S. Attorney's Office for prosecution. The U.S. Attorney's Office decided not to pursue criminal prosecution. Our actions on this case are complete.

Thomas L. (Topeka, KS): OIG conducted an audit of this payee and determined that the payee had charged fees of approximately $33,521 without our authorization. We completed the formal misuse determinations and notified the payee who filed an appeal on our findings. Our Office of Disability Adjudication and Review made a revised decision and determined misuse occurred for $21,271.40. The misuse overpayment was posted to Mr. L's record. The payee is no longer

serving as payee; new payees were found for all individuals he served. Our actions on 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. In August 2012, the former owner of the payee organization entered into a settlement agreement with the U.S. Attorney's Office to repay $15,159.12 in misused funds. We are in the process of ensuring repayment of the misused funds to the affected beneficiaries.

Update on FY 2005 Misuse Cases

Life First, Inc. (Illinois): We determined that the director of this organization misused beneficiary funds. We removed this payee and notified the director to refund $228,074, which he has not done. We have finished reimbursing beneficiaries. OIG has completed its investigation and the case was referred to the U.S. Attorney's Office for prosecution. In March 2010, the director was indicted on 11 counts of mail fraud and released on bond. The criminal trial has been rescheduled numerous times due to continuances and is currently set for a jury trial on February 13, 2013.

Other Case

Aid for Friends (Pocatello, ID): In FY 2012 the payee notified us that two former employees stole approximately $186,000 from beneficiaries. We are retaining this payee because the incident was isolated to two former employees and the payee is fully cooperating with our investigations. OIG has presented this case to the U.S. Attorney's Office for criminal prosecution.

Representative Payee Accomplishments in FY 2012

We take our monitoring responsibilities very seriously and continually make improvements to our monitoring procedures. The triennial/quadrennial site 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, as noted below:

- Created a training kit for organizational 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 payees to explain beneficiaries' rights and responsibilities;
- Provided our field personnel with updated program instructions that will help them conduct more thorough reviews and process cases of misuse correctly;
- Revised the annual accounting form used for FFS and organizational payees to detect those who incorrectly charge a fee for service;

- Contracted with accounting firms to assist us in some of our reviews of payees who serve large numbers of beneficiaries, have complex record systems, or whom we suspect of misuse;
- Produced training videos for 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 which have to do with Social Security fraud;
- Enhanced our 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;
- 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 and targeted reviews, to ensure that we capture all pertinent information about a payee's practices;
- Revised the "Guide for Organizational Representative Payees" to provide more information to payees about managing benefits, including a sample ledger the payee can use to record expenditures on behalf of the beneficiary;
- Made the Representative Payee Accounting forms available for completion and submission on the Internet; and
- Contracted with the National Disability Rights Network (NDRN) and State P&A agencies to conduct reviews of organizational payees.

We continue to take steps to address problems identified during our programmatic review activities and to address the findings in the National Research Council of the National Academy of Sciences' (NAS) report to Congress entitled, "Improving the Social Security Representative Payee Program: Serving Beneficiaries and Minimizing Misuse," published in July of 2007.

During FY 2012, we took the following actions:

October 2011

- We released the Electronic Representative Payee System (eRPS) Misuse system. This system provides the ability to document misuse development from initial allegation to the misuse determination. We updated our misuse policies and procedures to provide guidance on the new eRPS system.

- We began conducting reviews of individual payees who were identified by the OQP model and were serving 14 or fewer beneficiaries. We exclude parents with custody of minor children and spouses with custody from this review.

January 2012

- We released the second phase of the eRPS Misuse system. This release provided the ability to track the recovery and reimbursement of misused funds.

- Due to the second release of eRPS Misuse, we updated our misuse policies and procedures to provide guidance on the system changes.

February2012

- In response to a recommendation in the NAS report, we began the initial discussion on redesigning the Representative Payee System (RPS). The target date for the initial release is mid fiscal year 2014.

June 2012

- We began piloting a new payee selection policy in the Philadelphia region. Under the new policy, an individual convicted of committing or attempting to commit one of twelve crimes cannot serve as a payee. This pilot will continue into FY 2013.

- We hosted, along with a few advocacy groups, a webinar to inform members of those groups of our need for good representative payees in order to expand our applicant pool.

July 2012

- We provided feedback and developed training for the P&A reviewers. Using this feedback, NDRN developed additional guidance for the P&A reviewers to use to improve accuracy and consistency with their referrals to us. We subsequently used the documents in a revised protocol as a reference for future reviewers.

August 2012

- We restructured the payee review protocol to simplify, streamline, and clarify our directions to the P&A reviewers. We augmented the instructions with definitions drawn from guidance sent to the projects earlier in the year. In early October 2012, we sent the revised protocol to the contractor for comment, and we anticipate implementation early in FY 2013.
- We provided training and a Q&A session via teleconference for P&A reviewers, which gave them an opportunity to ask us about the financial portion of the organizational payee reviews.

Conclusion

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

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

Since we first began monitoring FFS and high-volume payees in 2000, we have gained expertise in reviewing the recordkeeping of payees. We now have a much better understanding of how to

conduct a thorough review and realize that some new payees may not be familiar with basic accounting principles. The reviews also have helped us to identify areas where we need to improve our message to payees about their responsibilities.

We continue to build our monitoring program and improve our oversight of payees. Since our last report, we have implemented new software to ensure proper development of misuse cases and to provide better management information. This new process ensures we properly document and investigate all allegations of misuse it also provides the ability to track the recovery and reimbursement of misused funds. Through our partnership with NDRN and the P&A agencies, we have increased and improved our oversight of organizational payees. Our partnership with NDRN and the P&As continues this year and allows us to use our field office resources for financial reviews of individual representative payees. We will continue to develop new training materials to improve employee understanding of the Representative Payee program, and improve our efforts to better support payees. In addition, we will pursue additional enhancements to our payee selection process so that we do not select applicants with serious crimes in their backgrounds to serve as payees for our beneficiaries.

We continue to strive to improve our payee program through procedural and technological changes. As mentioned earlier in this report, we are piloting a new payee selection policy in the Philadelphia region, and if successful, plan on full nationwide implementation next fiscal year. As stated earlier, beneficiaries who need a payee are of particular concern to us because of their vulnerability. We take our responsibility to them, and to the taxpayers as stewards of public funds, very seriously. We look forward to continuing to work with Congress on measures to improve our programs.

APPENDIX – Annual Representative Payee Report – Description of Payee Problems

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

Bank Account Not Interest-Bearing: Payees did not use interest-bearing accounts for beneficiaries' funds.

Beneficiary Expenses Not Properly Documented: Payees did not keep receipts to document how they used beneficiaries' funds.

Beneficiary Funds in Agency Operating Account: Payees deposited beneficiaries' funds in an operating account that did not reflect beneficiaries' ownership of funds.

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

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

Deposit to Beneficiary Accounts Not Timely: Payees receiving paper checks for beneficiaries did not deposit the checks immediately, thereby increasing the risk of loss or theft.

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

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

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

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

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

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

No Personal Needs Allowance Given: The payees applied all benefits toward the cost of care for institutionalized beneficiaries and did not provide any money to beneficiaries for their personal needs.

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

Payee Did Not Exercise Oversight of Benefits: Payees did not use the beneficiaries' benefits for their current needs, but rather gave the funds directly to the beneficiaries.

Payee Repaid Itself Without SSA Approval: Payees did not obtain our approval before reimbursing themselves for past debts. Our policy requires payees to seek approval from us before they take money from a beneficiary because of a past debt to ensure repayment is not detrimental to the beneficiary.

Payment After Death Not Returned: Payees failed to return payments after the death of a beneficiary.

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