



# SOCIAL SECURITY

The Commissioner

January 30, 2014

The Honorable Max Baucus  
Chairman, Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

This letter transmits our *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* for fiscal year 2013. 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,

//s//

Carolyn W. Colvin  
Acting Commissioner

Enclosure

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



**Social Security Administration**

**Fiscal Year 2013**

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

**October 1, 2012 through September 30, 2013**

The Social Security Act (Act), as amended by the Social Security Protection Act of 2004 (SSPA), requires the Social Security Administration (SSA) to report the results of site reviews of specific types of representative payees (payee) and any other reviews of payees conducted during the prior fiscal year (FY).<sup>1</sup> Our site reviews strengthen our oversight of payees and supplement the annual accounting process. This report provides the results of the reviews of payees who manage the benefits of Social Security, Special Veterans Benefits, and Supplemental Security Income (SSI) beneficiaries. This FY 2013 report is our 10th annual report.

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

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

## **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 are required to pay legally incompetent adult beneficiaries and children under age 15 through a payee. A payee is a third party who manages the benefits of a beneficiary to meet the beneficiary's needs for food, clothing, and shelter. After meeting the beneficiary's basic needs, the payee must conserve any remaining Social Security benefits for the beneficiary's future use. In all payee selections, our primary concern is the beneficiary's best interests.

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

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

<sup>2</sup> The law defines misuse of benefits by a payee as "any case in which the representative payee receives payment . . . for the use and benefit of another person and converts such payment, or any part thereof, to a use other than for the use and benefit of such other person." Section 807(j) of the Act.

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

We have approximately 5.9 million payees managing \$74 billion in annual benefits for 8.6 million beneficiaries. Fifty-one percent of the beneficiaries with payees are minor children. The payee program relies heavily upon family relationships. Family members, primarily parents or spouses, serve 79 percent of the beneficiaries who have payees. Of the 5.9 million payees, 37,800 (less than one percent) are organizational payees serving approximately 1.1 million beneficiaries. Among the 37,800 organizational payees, approximately 1,480 are fee-for-service (FFS) organizational payees we authorize to collect a fee as payment for providing payee services. FFS organizational payees serve approximately 224,000 beneficiaries. Generally, we will appoint an organizational payee only when a family member is unable, unavailable, unwilling, or not qualified to serve.

Our responsibility does not end when we appoint a payee. We monitor payees to ensure they continue to meet our qualifications and appropriately spend benefits on behalf of the beneficiary. Our monitoring activities help deter misuse. With the exception of certain State mental institutions, discussed on page 4 of this report, we require all payees to submit an annual report accounting for the use of beneficiaries' funds.

For the period October 2011 through September 2012, we mailed approximately 6.2 million accounting reports to our payees asking that they complete and return them as soon as possible. We mail the accounting reports throughout the FY; therefore, the data that we provide in this report only covers FY 2012. We will provide the details of the FY 2013 accounting reports in the FY 2014 annual report. During FY 2012, payees failed to return approximately 688,000 reports (about 11.1 percent of the total) in a timely manner. If a payee does not respond to our requests for an accounting report, the appropriate field office (FO) will make all reasonable attempts, including directing the payment checks to the FO in some cases, to personally contact the payee. Once we make contact, we advise the payee of the importance of this annual accounting, secure a completed accounting report, and determine if we should find a new payee or pay the beneficiary directly. We immediately investigate any indications of misuse of funds or poor performance by a payee and take all appropriate actions to protect the beneficiary's best interests.

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

## **New Payee Selection Policy to Prevent Misuse**

In response to a horrific payee abuse case, in FY 2012, we began piloting a new payee selection policy barring certain individuals convicted of specific violent or financial crimes from serving as payee. In February 2013, we published a *Federal Register* Notice to notify the public of this new policy. In April 2013, we published a System of Records Notice informing the public of our intent to collect and store applicants' criminal history information, which we obtain from third parties and contractors, in our payee system.

In June 2013, the Philadelphia Region began piloting a tool that obtains third-party criminal information on our payee applicants from Lexis/Nexis Accurint. We plan to implement the new payee selection policy nationally in 2014.

## **Types of Payees**

Below we define all of our payee types. We report the results of our payee reviews and discuss problems found during the reviews beginning on page 6.

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 every four years. See sections 205(j)(6)(A)(iii) and 1631(a)(2)(G)(i)(III) of the Act. Examples of payees included in this category are State and local social service agencies, private non-profit social service agencies, and nursing homes.
2. **State Mental Institutions:** A State operated psychiatric hospital providing care and treatment. As of September 2013, 234 State mental institutions participate in our onsite review program, established under sections 205(j)(3)(B) and 1631(a)(2)(C)(ii) of the Act. These sections of the statute specify that we do not require participating State mental institutions 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 they serve and are still subject to periodic site reviews if they serve more than 50 beneficiaries or are FFS. (See "State Onsite Reviews" in the section titled "Type of Payee Reviews" on page 5.)
3. **FFS Payee:** A State or local government agency or a certified community-based nonprofit social service organization that we have authorized to collect a fee for payee services. The agency or organization must regularly serve five or more beneficiaries. We review FFS payees every three years. FFS payees can be volume payees, and are reviewed as such, if they serve 50 or more beneficiaries. See sections 205(j)(4), 205(j)(6)(A)(ii), 1631(a)(2)(D), and 1631(a)(2)(G)(i)(II) of the Act.

4. **Individual Payee:** An individual who serves one or more beneficiaries. We review individuals serving 15 or more beneficiaries every four years. Examples of payees in this category are guardians, an organization without an employer identification number, or a room and board provider serving 15 or more beneficiaries. See sections 205(j)(6)(A)(i) and 1631(a)(2)(G)(i)(I) of the Act.
5. **Other Organizational Payees:** Governmental or private groups or agencies other than those described above in this section. Beyond the reviews we do for individual payees, we use a predictive model to select organizations for review by the State Protection and Advocacy (P&A) agencies. The model selects cases based on payee and beneficiary characteristics that indicate a higher likelihood of potential misuse. The P&A agencies review organizations serving 49 or fewer beneficiaries. The P&A agencies do not review any FFS organizational payees.

### **Types of Payee Reviews**

Below we define our payee reviews. We report the results of our reviews and discuss problems found during the reviews beginning on page 6.

1. **Periodic Site Review:** At least once every 3 or 4 years, we monitor the performance of individual payees who serve 15 or more beneficiaries, volume payees, and FFS payees through a face-to-face meeting with the payee and an examination of the payee's records. We assess the payee's recordkeeping and interview beneficiaries. These reviews are required under sections 205(j)(6)(A) and 1631(a)(2)(G)(i) of the Act.
2. **Targeted Review:** A targeted review is a site review conducted in response to an event that raises a question about the payee's performance or suitability. Examples of events that may trigger a targeted review include allegations of misuse or improper use of benefits from a beneficiary or third party, failure to pay a vendor, reports of employee theft, adverse media coverage, and investigation of the payee by another governmental agency.
3. **Educational Visit:** We visit all new FFS payees six months after appointment. The purpose of the educational visit is to ensure that these new payees fully understand their responsibilities and are on the right track with recordkeeping and reporting. We may also conduct educational visits to other types of payees. For example, we may make an educational visit to a volume payee if we learn the payee had changes in key personnel. 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 onsite reviews to evaluate the fiduciary performance of State mental institutions serving as payees for our beneficiaries every three years as required under 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 2013, we conducted onsite reviews at 46 of these institutions. All of the institutions reviewed were performing satisfactorily with no significant problems or corrective recommendations noted.

Therefore, we do not provide details for State onsite reviews under “Results of Our Reviews” below.

5. **Optional Reviews:** Since FY 2008, as resources allow, we conduct additional reviews of payees who may need more oversight due to weak recordkeeping skills.
6. **Special Site Reviews:** We review organizational payees we select using a predictive model. This model selects cases based on the organizational payee and beneficiary characteristics that indicate a higher likelihood of potential misuse. Prior to FY 2012, we did not conduct reviews other than the annual accounting reports on individual payees serving 14 or fewer beneficiaries. Beginning in FY 2012, we began reviewing individual payees serving 14 or fewer beneficiaries. We select these payees for review using a second predictive model. This model also selects cases based on the individual payee and beneficiary characteristics that indicate a higher likelihood of misuse.

**Results of Our Reviews**

We conducted 2,223 reviews in FY 2013. Table 1 below provides the types of reviews we performed by payee category.

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

	Site Reviews	Targeted Reviews	Educational Visits	State Onsite Reviews	Optional Reviews	Special Reviews	Total
<b>Volume Payees</b>	697	73	1	0	41	0	812
<b>State Mental Institutions</b>	0	0	0	46	0	0	46
<b>FFS Payees</b>	432	12	17	0	7	0	468
<b>Individual Payees</b>	103	1	0	0	8	263	375
<b>Other Organizational Payees</b>	0	0	0	0	0	522	522
<b>Totals</b>	1,232	86	18	46	56	785	2,223

We conducted all payee reviews, summarized in Table 1 above, through face-to face interviews. All reviews included the examination of the payee’s financial records and supporting documentation.

We identified 29 cases of misused funds during site, targeted, and special reviews. Twenty-five of these payees were volume payees, one was a non-volume organizational payee, and three were individual payees. A detailed narrative describing these 29 cases of misused funds is provided later in this report beginning on page 23 under the heading “FY 2013 Misuse Cases.”

In five cases, we removed the payee. We retained 14 payees because the payees reimbursed all of the beneficiaries subjected to unauthorized fees or 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. We retained one payee because the payee is in the process of repaying misused conserved funds. In cases involving employee theft and unauthorized fees, we retained seven payees pending formal notification to the payees of the amount of misused funds. We will remove any payee who fails to repay misused funds.

We removed an additional 19 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 8, we detail 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 2 below.

Although this report covers reviews conducted in FY 2013, we may not have completed all of the corrective actions in FY 2013. 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 (1,232 conducted)**

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

	<b>Volume Payees</b>	<b>FFS Payees</b>	<b>Individual Payees</b>	<b>Total</b>
<b>1. Incorrect Titling of Bank Accounts</b>	72	27	6	105
<b>2. Interest Not Posted Timely</b>	15	4	2	21
<b>3. Bank Account Not Interest Bearing</b>	13	27	8	48
<b>4. Deposit to Beneficiary Accounts Not Timely</b>	15	7	2	24
<b>5. Beneficiary Funds in Agency Operating Account</b>	28	8	0	36
<b>6. Over SSI Resource Limit</b>	79	60	13	152
<b>7. Beneficiary Expenses Not Properly Documented</b>	85	76	21	182
<b>8. No Personal Needs Allowance Given</b>	13	5	0	18
<b>9. Incorrect FFS Charged</b>	2	0	1	3
<b>10. Conserved Funds Not Returned</b>	60	17	4	81
<b>11. Failure to Report Changes</b>	86	51	18	155
<b>12. Payee Did Not Exercise Oversight of Benefits</b>	13	19	4	36

	<b>Volume Payees</b>	<b>FFS Payees</b>	<b>Individual Payees</b>	<b>Total</b>
<b>13. Annual Accounting Forms Not Returned</b>	24	7	0	31
<b>14. Recordkeeping Problems</b>	117	76	21	214
<b>15. Payment After Death Not Returned</b>	6	11	3	20
<b>16. Payee Repaid Itself Without SSA Approval</b>	35	4	1	40
<b>17. Collective Account Not Approved by SSA</b>	26	11	1	38
<b>18. Misuse Suspected</b>	5	2	2	9
<b>19. Misuse Found</b>	14	0	1	15

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

- 1. Incorrect Titling of Bank Accounts:** At our direction, the 105 payees re-titled their accounts. The payees did not misuse any beneficiary's funds because of this error.
- 2. Interest Not Posted Timely:** We directed the 21 payees to start posting interest timely.
- 3. Bank Account Not Interest-Bearing:** We directed the 48 payees to move beneficiaries' funds to interest-bearing accounts.
- 4. Deposit to Beneficiary Accounts Not Timely:** We educated the 24 payees about the risks of paper checks and encouraged them to switch to direct deposit. In March 2013, the Department of Treasury required payees to establish direct deposit for beneficiaries.
- 5. Beneficiary Funds in Agency Operating Account:** We directed the 36 payees to move beneficiaries' funds into correctly titled accounts.
- 6. Over SSI Resource Limit:** We reminded the 152 payees of the resource limit and the requirement to report when beneficiaries exceed the limit. We recommended that the payees put controls in place to flag accounts nearing this limit. In addition, we sent overpayment notices to begin the collection process.
- 7. Beneficiary Expenses Not Properly Documented:** We reminded the 182 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.
- 8. No Personal Needs Allowance Given:** We advised the 18 payees that current maintenance for institutionalized beneficiaries includes expenses for personal needs and directed them to set aside funds for personal needs and to repay any money incorrectly withheld.

- 9. Incorrect FFS Charged:** We instructed the three payees who were not FFS payees to stop charging fees. We discuss these three cases beginning on page 23 under “FY 2013 Misuse Cases.”
- 10. Conserved Funds Not Returned:** We advised the 81 payees of our policy regarding conserved funds. These payees agreed to comply with our policies in the future.
- 11. Failure to Report Changes:** We reviewed reporting responsibilities with the 155 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 benefits in full directly 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 their care is capable of managing his or her money. For those beneficiaries we found to be capable, we began paying them directly.
- 13. Annual Accounting Forms Not Returned:** We obtained outstanding accounting forms from the 31 payees.
- 14. Recordkeeping Problems:** We instructed the 214 payees on how to improve their recordkeeping, and we worked diligently with the payees to ensure they improved.
- 15. Payment After Death Not Returned:** We required 20 payees to refund the amounts received after the beneficiaries’ deaths and reminded the payees of their responsibility to promptly refund payments not due after a beneficiary’s death.
- 16. Payee Repaid Itself Without SSA Approval:** We reminded the 40 payees of our policy and reviewed each payee’s actions for conformity with our rules and regulations.
- 17. Collective Account Not Approved by SSA:** We reviewed the 38 accounts to ensure each met our requirements.
- 18. Misuse Suspected:** In all nine cases, we determined that the payees had poor recordkeeping practices but did not misuse benefits. We instructed these payees on how to improve recordkeeping and worked with them to ensure they improved.
- 19. Misuse Found:** We discuss these 15 cases beginning on page 23 under “FY 2013 Misuse Cases.”

## Targeted Reviews (86 conducted)

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

	Volume Payees	FFS Payees	Individual Payees	Total
<b>1. Incorrect Titling of Bank Accounts</b>	15	2	1	18
<b>2. Bank Account Not Interest Bearing</b>	1	2	1	4
<b>3. Beneficiary Funds in Agency Operating Account</b>	7	1	0	8
<b>4. Over SSI Resource Limit</b>	3	7	1	11
<b>5. Beneficiary Expenses Not Properly Documented</b>	7	6	2	15
<b>6. Conserved Funds Not Returned</b>	4	2	1	7
<b>7. Failure to Report Changes</b>	7	4	1	12
<b>8. Payee Did Not Exercise Oversight of Benefits</b>	3	1	0	4
<b>9. Annual Accounting Forms Not Returned</b>	2	3	1	6
<b>10. Recordkeeping Problems</b>	9	11	2	22
<b>11. Collective Account Not Approved by SSA</b>	5	0	0	5
<b>12. Misuse Suspected</b>	2	2	0	4
<b>13. Misuse Found</b>	11	0	0	11

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

- 1. Incorrect Titling of Bank Accounts:** At our direction, the 18 payees re-titled their accounts. The payees did not misuse any beneficiaries' funds because of this error.
- 2. Bank Account Not Interest-Bearing:** We directed the four payees to move beneficiaries' funds to interest-bearing accounts.

- 3. Beneficiary Funds in Agency Operating Account:** We directed the eight payees to move beneficiaries' funds into correctly titled accounts.
- 4. Over SSI Resource Limit:** We reminded the 11 payees of the resource limit and the requirement to report when beneficiaries exceed the limit. We recommended that the payees put controls in place to flag accounts nearing this limit. In addition, we sent overpayment notices to begin collection.
- 5. Beneficiary Expenses Not Properly Documented:** We reminded the 15 payees of their recordkeeping responsibilities and advised them to keep receipts for 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. Conserved Funds Not Returned:** We advised the seven payees of our policy regarding conserved funds. These payees agreed to comply with our policies in the future.
- 7. Failure to Report Changes:** We reviewed reporting responsibilities with the 12 payees who did not report the changes and updated each beneficiary's record.
- 8. Payee Did Not Exercise Oversight of Benefits:** We completed capability determinations for the beneficiaries who received their benefits in full directly from the payees to determine if the beneficiaries could manage their own money. We also reminded the four payees to report whenever they believe a beneficiary in their care is capable of managing his or her money. For those beneficiaries we found to be capable, we began paying them directly.
- 9. Annual Accounting Forms Not Returned:** We obtained outstanding accounting forms from the six payees.
- 10. Recordkeeping Problems:** We instructed the 22 payees on how to improve their recordkeeping and worked with them to ensure they improved.
- 11. Collective Account Not Approved by SSA:** We reviewed the five accounts to ensure they met our requirements.
- 12. Misuse Suspected:** In all four cases, we determined that the payees had poor recordkeeping practices but did not misuse benefits. We instructed these payees on how to improve recordkeeping and worked with them to ensure they improved.
- 13. Misuse Found:** We discuss these 11 cases beginning on page 23 under "FY 2013 Misuse Cases."

**Educational Visits for New FFS Payees and Other Payees (18 conducted)**

**Table 4: Numbers of Problems Identified While Conducting Educational Visits**

	<b>FFS Payees</b>	<b>Volume Payees</b>	<b>Total</b>
<b>1. Incorrect Titling of Bank Accounts</b>	1	0	1
<b>2. Bank Account not Interest Bearing</b>	1	0	1
<b>3. Beneficiary Expenses Not Properly Documented</b>	1	1	2
<b>4. Recordkeeping Problems</b>	32	1	33
<b>5. Misuse Found</b>	0	1	1

*Note: Some payees made multiple errors.*

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

- 1. Incorrect Titling of Bank Accounts:** At our direction, the one payee re-titled the account. The payee did not misuse any beneficiaries’ funds because of this error.
- 2. Bank Account Not Interest-Bearing:** We directed the one payee to move beneficiaries’ funds to interest-bearing accounts.
- 3. Beneficiary Expenses Not Properly Documented:** We reminded the two payees of their recordkeeping responsibilities and advised them to keep receipts for 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. Recordkeeping Problems:** We instructed the payees on how to improve their recordkeeping and worked with them to ensure they improved.
- 5. Misuse Found:** We discuss this one case on page 22 under “Findings of Misuse.”

**Optional Reviews (56 conducted)**

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

	<b>Volume Payees</b>	<b>FFS Payees</b>	<b>Volume Individual</b>	<b>Total</b>
<b>1. Incorrect Titling of Bank Accounts</b>	4	0	1	5
<b>2. Over SSI Resource Limit</b>	2	0	1	3
<b>3. Beneficiary Expenses Not Properly Documented</b>	6	0	2	8
<b>4. Conserved Funds Not Returned</b>	1	0	1	2
<b>5. Failure to Report Changes</b>	6	0	1	7
<b>6. Collective Account Not Approved by SSA</b>	1	0	0	1
<b>7. Annual Accounting Forms Not Returned</b>	2	0	1	2
<b>8. Recordkeeping Problems</b>	2	0	2	4

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

- 1. Incorrect Titling of Bank Accounts:** At our direction, the five payees re-titled their accounts. The payees did not misuse any beneficiaries’ funds because of this error.
- 2. Over SSI Resource Limit:** We reminded the three payees of the resource limit and the requirement to tell us when beneficiaries exceed the limit. We recommended that they put controls in place to flag accounts nearing this limit. In addition, we sent overpayment notices to begin the collection process.
- 3. Beneficiary Expenses not Properly Documented:** We reminded the eight payees of their recordkeeping responsibilities and advised them to keep receipts for 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. Conserved Funds Not Returned:** We advised both payees of our policy regarding conserved funds. Both payees agreed to comply with our policies in the future.
- 5. Failure to Report Changes:** We reviewed reporting responsibilities with the seven payees who did not report the changes and updated each beneficiary’s record.
- 6. Collective Account Not Approved by SSA:** We reviewed the one account to ensure it met our requirements.

7. **Annual Accounting Forms Not Returned:** We obtained outstanding accounting forms from the three payees.
8. **Recordkeeping Problems:** We instructed the four payees on how to improve their recordkeeping and worked with them to ensure they improved.

**Special Site Reviews of Individual Payees (263 conducted)**

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

	<b>Individual Payees</b>
<b>1. Incorrect Titling of Bank Accounts</b>	17
<b>2. Bank Account Not Interest Bearing</b>	7
<b>3. Over SSI Resource Limit</b>	2
<b>4. Beneficiary Expenses Not Properly Documented</b>	72
<b>5. No Personal Needs Allowance Given</b>	4
<b>6. Unauthorized FFS Charged</b>	1
<b>7. Conserved Funds Not Returned</b>	1
<b>8. Failure to Report Changes</b>	22
<b>9. Payee Did Not Exercise Oversight of Benefits</b>	17
<b>10. Annual Accounting Forms Not Returned</b>	3
<b>11. Recordkeeping Problems</b>	67
<b>12. Payee Repaid Itself Without SSA Approval</b>	7
<b>13. Misuse Found</b>	2

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

- 1. Incorrect Titling of Bank Accounts:** At our direction, the 17 payees re-titled their accounts. The payees did not misuse any beneficiaries' funds because of this error.
- 2. Bank Account Not Interest-Bearing:** We directed the seven payees to move beneficiaries' funds to interest-bearing accounts.
- 3. Over SSI Resource Limit:** We reminded both payees of the resource limit and the requirement to tell us when beneficiaries exceed the limit. We recommended that they put controls in place to flag accounts nearing this limit. In addition, we sent notices of the overpayments to begin collection.
- 4. Beneficiary Expenses not Properly Documented:** We reminded the 72 payees of their recordkeeping responsibilities and advised them to keep receipts for 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.
- 5. No Personal Needs Allowance Given:** We advised the four payees that current maintenance for institutionalized beneficiaries includes expenses for personal needs and directed them to set aside funds for personal needs and to repay any money incorrectly withheld.
- 6. Unauthorized FFS Charged:** We instructed the one payee to stop charging fees. We discuss the one payee beginning on page 23 under "FY 2013 Misuse Cases."
- 7. Conserved Funds Not Returned:** We advised the one payee of our policy regarding conserved funds. This payee agreed to comply with our policies in the future.
- 8. Failure to Report Changes:** We reviewed reporting responsibilities with the 22 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 benefits in full directly from the payees to determine if the beneficiaries could manage their own money. We also reminded the 17 payees to report whenever they believe a beneficiary in their care is capable of managing his or her money. For those beneficiaries we found to be capable, we began paying them directly.
- 10. Annual Accounting Forms Not Returned:** We obtained outstanding accounting forms from all three payees.
- 11. Recordkeeping Problems:** We instructed the 67 payees on how to improve their recordkeeping and worked with them to ensure they improved.

**12. Payee Repaid Itself Without SSA Approval:** We reminded the seven payees of our policy and reviewed each payee’s actions for conformity with our rules and regulations.

**13. Misuse Found:** We discuss these two cases beginning on page 23 under “FY 2013 Misuse Cases.”

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

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

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

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

Our authority to offer PABSS grants to P&A agencies 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 for payee reviews.

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

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

### **FY 2013 Reviews of Organizational Payees by P&A Agencies**

During FY 2013, the P&A agency staff conducted on-site reviews of organizational payees chosen by the predictive model we developed. The reviews required the P&A agencies to review the financial records of the organization.

#### **Procedures and Expectations for Beneficiary Reviews:**

- We provided a list of payees to NDRN through an encrypted file;
- NDRN released the names of payees for review through encrypted files to suitably-cleared staff at the subcontracting P&A agencies;
- The P&A agencies conducted the reviews according to the protocol and training provided by NDRN and our agency;
- If an apparent threat to the beneficiary's health or safety was discovered, the P&A agency reviewer made immediate referrals to appropriate authorities, while concurrently notifying NDRN;
- NDRN notified us if an urgent situation existed;
- The P&A agencies 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&A agencies to report to us numbers and reasons for these referrals, which are listed beginning on page 18;
- The P&A agencies 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 the reports and requested additional information or clarification from the P&A agencies 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&A agencies 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 Agency Reviews**

By November 25, 2013, we had received 522 final reports from the P&A agencies under our contract with NDRN. The P&A agencies referred 107 payees and 47 beneficiaries to outside agencies. We referred 344 payees to the FOs for additional action. We did not need to make referrals on the remaining 71 payees.

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

Type of Referral	Number of Cases
1. Advocacy Services	76 Beneficiaries
2. Assistance to Help Utilize Work Incentives	8 Beneficiaries
3. Housing Rights Education	22 Beneficiaries
4. Noncritical Health and Safety Issues	30 Payees
5. Possible Employment Law Violations	1 Payee
6. Request to Become Own Payee	4 Beneficiaries
7. Vocational Rehabilitation	6 Beneficiaries
8. Other	7 Beneficiaries
<b>Total</b>	154

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

1. **Advocacy Services:** The P&A agencies referred 76 beneficiaries to programs within the P&A agency when the reviewer believed a P&A-operated program could assist the beneficiary.

**Referral Made:** The 76 referrals encompassed a variety of services including monitoring of referrals made on the behalf of beneficiaries to other agencies for violations of personal rights or health, workplace 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 effect of work on their benefits.

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

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

**Referral Made:** The P&A agencies referred 22 beneficiaries for education about their housing rights and alternatives.

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

**Referral Made:** The P&A agencies made 30 referrals to various State and Federal agencies with oversight in the areas of protective services, issues concerning mental retardation and developmental disabilities, fire and housing safety, and occupational health and safety.

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

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

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

**Referral Made:** The P&A agencies referred four beneficiaries to the servicing FO to file for direct payment of benefits.

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

**Referral Made:** The P&A agencies referred six beneficiaries to State Vocational Rehabilitation Services to support beneficiaries' employment goals.

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

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

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

After receiving the reports from the P&A agencies, we referred 344 cases to our FOs for additional action. We referred eight payees to the FOs because the information provided by the P&A agencies indicated that the payees might be misusing benefits. We are still investigating

the eight payees. If we determine misuse in any of the cases, we will include the information in next year's report. Table 8 below shows additional issues referred to our FOs for action.

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

	<b>Count</b>
<b>1. Incorrect Titling of Bank Accounts</b>	36
<b>2. Beneficiary Funds in Agency Operating Account</b>	111
<b>3. Over SSI Resource Limit</b>	6
<b>4. Beneficiary Expenses Not Properly Documented</b>	24
<b>5. No Personal Needs Allowance Given</b>	5
<b>6. Conserved Funds Not Returned</b>	6
<b>7. Payee Did Not Exercise Oversight of Benefits</b>	26
<b>8. Recordkeeping Problems</b>	96
<b>9. Payee Repaid Itself Without Approval</b>	26
<b>10. Collective Account Not Approved by SSA</b>	151
<b>11. Misuse Found</b>	1

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

- 1. Incorrect Titling of Bank Accounts:** At our direction, the 36 payees re-titled their accounts. The payees did not misuse any beneficiaries' funds because of this error.
- 2. Beneficiary Funds in Agency Operating Account:** We directed the 111 payees to move beneficiaries' funds into correctly titled accounts.
- 3. Over SSI Resource Limit:** We reminded the six payees of the resource limit and the requirement to tell us when beneficiaries exceed the limit. We recommended that they put

controls in place to flag accounts nearing this limit. In addition, we sent overpayment notices to begin the collection process.

- 4. Beneficiary Expenses Not Properly Documented:** We reminded the 24 payees of their recordkeeping responsibilities and advised them to keep receipts for major purchases. In addition, we verified large expenditures with competent beneficiaries and interviewed them regarding their satisfaction with their payee's management of their benefits.
- 5. No Personal Needs Allowance Given:** We advised the five payees that current maintenance for institutionalized beneficiaries includes expenses for personal needs and directed them to set aside funds for personal needs and to repay any money incorrectly withheld.
- 6. Conserved Funds Not Returned:** The six payees returned funds to us to reissue to a new payee. The payees agreed to comply with our rules in the future.
- 7. Payee Did Not Exercise Oversight of Benefits:** We completed capability determinations for the beneficiaries who received their benefits in full directly from the payees to determine if the beneficiaries could manage their own money. We also reminded the 26 payees to report whenever they believe a beneficiary in their care is capable of managing his or her money. For those beneficiaries we found to be capable, we began paying them directly.
- 8. Recordkeeping Problems:** We instructed the 96 payees on how to improve their recordkeeping and worked with them to ensure they improved.
- 9. Payee Repaid Itself Without Approval:** We reminded the 26 payees of our policy and reviewed each payee's actions for conformity with our rules and regulations.
- 10. Collective Account Not Approved by SSA:** We reviewed 151 accounts to ensure they met our requirements.
- 11. Misuse Found:** We discuss the one case beginning on page 23 under "FY 2013 Misuse Cases."

#### **Milestones: FY 2013 P&A Reviews**

##### September 2012:

- We issued a task order for 250 reviews to be completed by March 31, 2013.

##### November 2012:

- We issued a task order for 350 reviews to be completed by September 29, 2013, bringing the total number of reviews deliverable in FY 2013 to 600.

##### January 2013:

- NDRN began using a revised protocol to conduct onsite reviews.

May 2013:

- NDRN began disseminating contract modifications to all the P&A agencies. The contract modifications state that all materials related to reviews assigned after December 31, 2012 must be destroyed six months after the associated reports are approved by NDRN.

June 2013:

- We completed the security clearances for 240 P&A agency employees.

September 2013:

- We amended the contract with NDRN to change the completion date of the onsite reviews and final reports to October 20, 2013 to accommodate two remaining reviews.

October 2013:

- We amended the contract with NDRN to change the completion date of the onsite reviews and the final reports to November 30, 2013 to accommodate two remaining reviews.

**Next Steps - FY 2014 P&A Agency 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 P&A agencies in FY 2014. The P&A agencies will complete an additional 315 reviews in FY 2014. We are continuing to refine and improve the procedures that the P&A agencies use to conduct reviews.

**Change of Payee Situations**

During the FY 2013 review period, we removed five payees because we found misuse. While not a direct result of our reviews, two payees sold their businesses, three payees withdrew from serving as payees, and 19 other payees closed their businesses. The loss of a payee can result in a large workload for the servicing FO. The FO must conduct capability determinations to determine if the beneficiaries still need a payee; find a new payee, if needed; or take steps to initiate direct payment to capable beneficiaries.

**Findings of Misuse**

Based on the FY 2013 reviews, we found that 29 payees misused beneficiaries' funds. The information provided below reflects all the information concerning actual misuse findings currently recorded on our internal misuse-tracking database. In some of the following cases, we have retained a payee who technically meets the definition of a "misuser" because an employee of the payee stole benefits or the payee charged a fee for payee services without our authorization. We retain a payee we label as a misuser only if we believe the payee continues to be the best payee for the beneficiary and makes restitution or has a definite plan to make restitution.

For misuse cases for years prior to FY 2013, which were pending as of our last annual report, we provide the details from our last report with the updates for actions taken in FY 2013.

### **FY 2013 Misuse Cases**

**Agave Guardianship Service (Albuquerque, NM):** The payee was collecting \$35 per month in unauthorized fees from beneficiaries. We estimate the payee misused \$40,706 of beneficiaries' funds. We have retained the payee pending completion of our misuse investigation. We will refer the case to our Office of the Inspector General (OIG) once we have completed the administrative actions associated with our misuse investigation.

**Anderson School (Staatsburg, NY):** The payee reported that a former employee stole \$2,833.12 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Angels Place Corporation (Southfield, MI):** The payee informed us at a site-review that a former employee was terminated after stealing \$900 from a beneficiary. We are currently investigating possible misuse for the other beneficiaries served by this payee. We have retained the payee pending completion of our misuse investigation because the payee reimbursed the affected beneficiary. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Assets, Inc. (Anchorage, AK):** We received a report indicating a former employee of the payee was arrested on theft charges. The former employee admitted to stealing \$90,983.89 from beneficiaries. The payee is in the process of reimbursing all affected beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee is in the process of reimbursing the affected beneficiary. The payee has taken corrective action to prevent future misuse. OIG decided not to pursue a criminal investigation in this case because local authorities are prosecuting the former employee.

**Brockton Area Multi-Services, Inc. – BAMS/STI (North Attleboro, MA):** During a P&A agency onsite review, the payee reported an employee theft of \$725. We conducted a full site-review of the payee and confirmed a former employee stole \$725 of beneficiaries' money. We did not uncover any additional misuse. The payee reimbursed the affected beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. We are completing a formal misuse determination. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Birch Family Services (Brooklyn, NY):** A former employee stole \$1,775.27 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The

payee has taken corrective action to prevent future misuse. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Claddagh Commission Inc. (Derby, NY):** During a site review, the payee indicated they filed a theft incident report involving three employees with the State and local police. The former employees stole \$7,823.06 in beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to three former employees and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Clinton County Association for Retarded Citizens (Plattsburgh, NY):** A former employee stole \$1,174.79 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. The payee reported the theft to the local authorities and the former employee was arrested. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Conard House, Inc. (San Francisco, CA):** The payee reported that a former employee stole \$62,221.20 of beneficiaries' funds. The payee has reimbursed \$60,253.20 to affected beneficiaries. Three of the affected beneficiaries have died, and we are in the process of locating legal representatives of the estates so the payee can reimburse the remaining \$1,968 in misused funds. We are retaining this payee because the incident was isolated to one former employee, and the payee is in the process of reimbursing the affected beneficiaries. The payee has taken corrective action to prevent future misuse. OIG decided not to pursue a criminal investigation in the case. This case was referred to the local authorities.

**Entrepreneurs in Action for Change (Springfield, MA):** The payee collected unauthorized fees from beneficiaries and falsified documents making it appear beneficiaries were incapable and in need of a payee. The total amount of unauthorized fees is unknown at this time. We have removed this organization as payee because they were misusing beneficiaries' funds and falsifying documents. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**F. Gutierrez III (Clearwater, FL):** During an individual payee review, we discovered the payee was charging \$3,000 per year in unauthorized fees from beneficiaries. The payee refused to cooperate with our review or provide requested documents on how funds were used for the beneficiaries; therefore, all funds paid to the payee are considered misused for a total of \$234,355.50. We immediately removed this individual as payee for all eight beneficiaries he was serving. We appointed a new payee or took steps to initiate direct payment to beneficiaries who were capable. The case is currently pending with OIG.

**Fulton County Chapter of NYSARC, doing business as Lexington Center (Gloversville, NY):** A former employee stole \$2,567.68 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former

employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. The payee reported the theft to the local authorities. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Hogan Regional Center/Northeast Region Department of Developmental Services (Danvers, MA):** A former employee stole approximately \$33,406.87 in beneficiaries' funds. The payee has reimbursed the affected beneficiaries \$30,406.87. We have retained the payee pending completion of our misuse investigation because the payee has taken corrective action to prevent future misuse and the payee is in the process of repaying the remaining amount to the affected beneficiaries. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Indigent Partial Hospitalization (Baton Rouge, LA):** On March 8, 2013, we received a report from a Baton Rouge Cooperative Disability Investigator, who investigates disability fraud cases, alleging potential misuse of benefits by the payee. We have determined the payee misused \$173,951.92 of beneficiaries' funds. We have removed this organization as payee because they misused beneficiaries' funds. OIG decided not to pursue a criminal investigation in this case. We continue to complete all administrative actions with this case.

**Integrated Life Choices (Lincoln, NE):** During an educational review, we found the payee had documentation problems, non-sufficient funds fees, and problems reporting changes. Immediately following the educational review, OIG's Office of Audit began auditing this payee. During the audit, the reviewers found that an employee had resigned after the payee discovered that the employee had mismanaged beneficiaries' funds. The payee conducted an internal investigation and determined that \$1,959.50 was misused affecting six beneficiaries. The payee has already refunded this amount to the beneficiaries. OIG completed the audit and did not find additional evidence of payee misuse. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. The payee reported the theft to the local authorities.

**J. Fialkowski (West Seneca, NY):** This payee was unable to account for approximately \$8,415 in retroactive benefits for a beneficiary. We removed the payee because he misused a beneficiary's funds. We have determined the beneficiary is now capable and have initiated direct payment. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**J. Marino (Concord, NH):** During a site review, we discovered the payee was charging questionable fees to a beneficiary as the court-appointed legal guardian. The alleged misuse amount is \$5,725. We have retained the payee pending completion of our misuse investigation. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Maryhaven Center for Hope (Jefferson Station, NY):** The payee reported that a former employee stole \$16,827.90 from beneficiaries' funds. The payee reimbursed the beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. The payee reported the theft to the local authorities, and the former employee was charged with third degree grand larceny. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Mid Step Service (Sioux City, IA):** A former employee stole an unknown amount from beneficiaries' funds. We have retained the payee pending completion of our misuse investigation. The payee has taken corrective action to prevent future misuse. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Options in Community Living (Madison, WI):** The payee reported that a former employee stole \$23,595 from beneficiaries' funds. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the affected beneficiaries. The payee has taken corrective action to prevent future misuse. OIG decided not to pursue a criminal investigation in this case because the former employee was successfully tried in court by local authorities. Our actions on this case are complete.

**Perry County Nursing Center (Perryville, AR):** A newspaper article reported that employees of the payee were embezzling funds from the patients' trust accounts for their personal use from September 2012 to November 2012. The theft was discovered during an investigation by the Arkansas Attorney General's Medicaid Fraud Control Unit. Prosecutors have charged both individuals with felony and misdemeanor charges for the theft. We estimate that the former employees stole \$5,800 in beneficiaries' funds. We have retained the payee pending completion of our misuse investigation. OIG is currently investigating this case.

**Schoharie ARC (Schoharie, NY):** During a site review, the payee indicated that two former employees were accused of stealing approximately \$800 of beneficiaries' funds. We have retained the payee pending completion our misuse investigation. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Skils'kin (Spokane, WA):** The Chief Executive Officer of the payee organization informed us that they were investigating a possible theft by a former employee. The former employee died in February 2013 from an apparent suicide leaving a note admitting he stole money from beneficiaries' accounts. The payee hired a forensic auditor and shared a copy of the audit report with us. The total amount the former employee stole was \$706,208, which the payee reimbursed to the affected beneficiaries. We are retaining this payee because the incident was isolated to one former employee and the payee reimbursed the beneficiaries. The payee has taken corrective action to prevent future misuse. OIG decided not to pursue a criminal investigation because the former employee died and the payee reimbursed the beneficiaries. Our actions on this case are complete.

**Southwest Connecticut Mental Health (Bridgeport, CT):** A former employee stole approximately \$28,000 from beneficiaries' funds. This case is currently under investigation by

the Connecticut State Attorney's Office. Once the State Attorney's Office returns the payee records, we will continue our review of the payee. We have retained the payee pending completion of our misuse investigation because the incident was isolated to one former employee. We are in the process of referring this case to OIG.

**The Hope Center (Lexington, KY):** In December 2012, the Kentucky P&A agency conducted a site review of Hope Center and did not discover any misuse. After the P&A agency review, the payee decided to conduct an internal review and discovered 104 unexplained debits that were the result of employee theft. In January 2013, we conducted a site review and determined the former employee stole \$14,456 of beneficiaries' funds. We are retaining this payee because the incident was isolated to one former employee. OIG is currently investigating this case. We will take action to reimburse beneficiaries and request restitution from the payee once OIG completes its investigation.

**The Resource Center (Jamestown, NY):** The payee reported that an employee stole \$130.63 from beneficiaries' funds. The payee is unable to determine which employee stole the funds; however, the payee has added additional safeguards to prevent future misuse. The payee reimbursed the beneficiaries. We retained the payee due to the isolated incident and because the payee reimbursed the affected beneficiaries. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

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

**Tri-County CAP (Whitefield, NH):** During a site review, we discovered that the payee authorized the transfer of \$375,000 from the payee bank account to the organization's operating account to pay its operating expenses. Based on their own determination, the payee estimates the amount of misuse at \$375,000, which they have reimbursed to the affected beneficiaries. We have retained the payee pending completion of our misuse investigation because the organization is cooperating with us and the payee reimbursed beneficiaries affected by the misuse. In addition, all of the individuals identified in the misuse have been removed and the court has suspended the authority of the entire board of directors who were in charge at the time of the misuse and placed the organization under the control of a special trustee. We will refer the case to OIG once we have completed the administrative actions associated with our misuse investigation.

**Webster County Public Administrator (Marshfield, MO):** During a site review, we discovered that the payee had very poor bookkeeping practices and did not return conserved funds to us or the beneficiaries' estates after the beneficiaries died. Based on our review we determined the former Webster County Public Administrator misused \$365 affecting six beneficiaries. Since the misuse occurred, a new County Public Administrator was elected, and we are allowing him to serve as payee. The payee has repaid \$335 and plans to repay the

additional \$30 by the end of January 2014. The former Public Administrator no longer has access to beneficiaries' funds. OIG decided not to pursue a criminal investigation in this case.

### **FY 2012 Misuse Cases**

**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.

**Update:** The two former employees have confessed to the charges, and the loss amount is \$193,567.31. The U.S. Attorney's Office is working with OIG to complete criminal prosecution of the former employees. On March 28, 2013, one of the former employees pled guilty to theft of \$103,511.76 in government property. One of the former employees was sentenced to 21 months in Federal prison with 36 months of supervised release and ordered to pay restitution of \$103,511.76. On August 28, 2013, the second former employee pled guilty to theft of \$83,000 in government property. A sentencing hearing was held on January 13, 2014 and B. Waters, was ordered to pay \$82,882 in restitution and an additional \$5,500 in audit and investigative expenses to Aid For Friends. Ms. Waters was sentenced to five months in prison and five months of home detention for embezzling nearly \$83,000 from clients of Aid for Friends. Once the actions related to this criminal case are complete, we will complete our misuse investigation and ensure the payee makes restitution to the affected beneficiaries.

**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.

**Update:** We are actively working on this case to formalize our misuse determination.

**Capitol Payee Services (Concord, NH):** This payee is an authorized FFS payee. The payee collected a fee from four beneficiaries during months the beneficiaries were not entitled to payments. The approximate amount of unauthorized fees is \$621. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available.

**Update:** We are still completing our misuse investigation for this payee. OIG decided not to pursue a criminal investigation in this case.

**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.

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

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

**Update:** In June 2012, the case was presented and accepted by the U.S Attorney's Office for criminal prosecution. Criminal charges are pending.

**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.

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

**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 has not returned \$428 in conserved funds. We have removed this organization as payee because they were no longer fulfilling their payee duties satisfactorily.

**Update:** We found new payees or initiated direct payment to all beneficiaries. We reissued the misused funds to all affected beneficiaries. We referred the case to OIG. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**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 payee duties satisfactorily. OIG is currently investigating this case. We will take action to reimburse beneficiaries once OIG completes their investigation.

**Update:** We determined the payee misused \$38,281.82 of benefits including conserved funds. We reimbursed all affected beneficiaries. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

**Copper Country (Ontonagon, MI):** A former payee employee stole approximately \$59,066.38 from beneficiaries. We have retained the payee pending completion of the misuse determination 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.

**Update:** The misuse investigation found a former payee employee stole \$72,283 from beneficiaries. We are in the process of making restitution to the beneficiaries and ensuring repayment by the payee. The former employee is facing 11 months in jail.

**Developmental Disabilities Association of New Jersey (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.

**Update:** The payee reimbursed all the affected beneficiaries. 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 payee duties satisfactorily. The local FO continues to complete administrative actions for this case.

**Update:** We completed the formal misuse determination and requested refund of the overpayment from the former payee. When the payee refunds the overpayment, we will reimburse the beneficiary. OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

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

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

**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.

**Update:** The total misuse amount is \$244.98. When the payee refunds the overpayment, we will reimburse the beneficiary. OIG decided not to pursue a criminal investigation in this case.

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

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

**Messner's Home, Inc. (Lexington, KY):** During a P&A agency 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 agency referral. The payee was unable to provide documentation on how they used or conserved \$12,373.62 for one beneficiary. The beneficiary died 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.

**Update:** We recovered \$12,373.62 from the “misuser” payee and remitted the funds to the deceased beneficiary’s legal representative. Mr. Messner serves as payee for 17 beneficiaries because he is the only one willing to serve as payee for these beneficiaries. Our actions on this case are complete.

**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 have misused 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 making misuse determinations, and we have retained the payee pending their completion because this organization is an otherwise good payee and appears to be the best payee available. We referred this case to OIG.

**Update:** Two former employees of the organization misused \$16,618 in beneficiary funds. To date, the payee has repaid a total of \$15,950.62 to the affected beneficiaries. Payment of the remaining funds is pending development of a deceased beneficiary’s estate. One of the two former employees was convicted in August 2013. The second employee is awaiting trial. We are retaining this payee because the incident was isolated to two former employees. The payee has taken corrective action to prevent future misuse.

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

**Update:** The total amount misused is \$1,220. The payee reimbursed the affected beneficiaries. We are in the process of referring this case to OIG.

**Morningstar Care Center (formerly Sunrise nursing Home) (Oswego, NY):** A former employee stole approximately \$44,300 from beneficiaries. The organization is 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 First Degree and Grand Larceny on August 16, 2012. OIG decided not to pursue a criminal investigation in this case.

**Update:** The payee has reimbursed all affected beneficiaries. Our actions on this case are complete.

**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 making a misuse determination, and we have retained the payee pending its completion because this organization is an otherwise good payee and appears to be the best payee available. OIG decided not to pursue a criminal investigation in this case.

**Update:** The payee has reimbursed all affected beneficiaries. Our actions on this case are complete.

**Poweshiek County Mental Health Center (PCMHC) (Grinnell, IA):** During a P&A review, the reviewer notified us that the payee terminated a former employee for embezzling

beneficiaries' money. Based on this referral, we conducted a review and confirmed the findings of the P&A referral. The former employee stole approximately \$60,400 from beneficiaries. We have retained the payee pending completion of misuse determinations because this organization is an otherwise good payee and appears to be the best payee available. We referred this case to OIG. The case is still pending with local law enforcement.

**Update:** As of April 13, 2013 PCMHC is no longer in business. OIG is still investigating this case.

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

**Update:** The payee's insurance company has reimbursed all affected beneficiaries. In March 2013, this case was presented to the U.S. Attorney's Office for criminal prosecution. The case was accepted and judicial actions are ongoing.

**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. We have retained the payee pending completion of a misuse determination. We will make a final decision regarding the payee's continued suitability once we receive the payee's response to our review findings. We will refer this allegation to OIG when we complete all the administrative actions associated with the misuse investigation.

**Update:** We estimate the total misuse to be approximately \$90. We will reimburse beneficiaries and request repayment from the payee once the misuse investigation is complete. We are retaining this payee because the incident was isolated to a former employee. The payee has taken corrective action to prevent future misuse. We will refer this case to OIG when we complete all the administrative actions associated with the misuse investigation.

**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 pled guilty to theft and was sentenced to 10 years of incarceration as a deferred sentence. OIG plans to bring additional charges against the second former employee, who is currently facing charges for an unrelated crime.

**Update:** We reimbursed all affected beneficiaries. We are in the process of pursuing repayment of the misused funds from the payee. OIG completed their investigation on this case. The second former employee pled guilty to an unrelated crime and was sentenced to 40 years of incarceration. In addition, the second former employee was ordered to pay restitution in this case.

**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 making a misuse determination, and we have retained the payee pending its completion because this organization is an otherwise good payee and appears to be the best payee available. We will refer an allegation to OIG after we complete all the administrative actions associated with the misuse determination.

**Update:** We have determined the payee misused \$4,411 in beneficiary funds. We are in the process of referring this case to OIG.

**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 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's internal audit. If we find additional misuse, the organization will remit the misused funds to us, and we 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.

**Update:** We did not find additional misuse during our investigation. We have completed all administrative actions associated with the misuse determinations. OIG decided not to pursue a criminal investigation in this case. All actions on this case are complete.

### **FY 2011 Misuse Cases**

**Arden Arcade Payee Services (Sacramento, CA):** The payee was collecting unauthorized fees from beneficiaries. The local FO 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 payee duties satisfactorily. We referred this allegation to OIG.

**Update:** OIG decided not to pursue a criminal investigation in this case because the former owner died.

**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 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.

**Update:** The payee has reimbursed the remaining \$700. Our actions on this case are complete.

**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 FO continues to complete all administrative actions with this case.

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

**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 Chief Executive Officer of the company stated that she was dissolving the company. We removed the payee because they had stopped providing payee services. On October 15, 2012, OIG indicated that 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.

**Update:** We appointed a new payee or initiated direct payment to capable beneficiaries. We determined the payee misused \$18,217.68, and we reimbursed the affected beneficiaries. After referral to OIG, the U.S. Attorney's Office decided not to pursue criminal charges against the payee. Our actions on this case are complete.

**Bethesda Lutheran Homes and Services (Shawnee Mission, KS):** The payee reported that 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 investigations, 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.

**Update:** We determined that the employee embezzled \$29,008.82. The payee has reimbursed all beneficiaries and provided us with proof of repayment. OIG decided not to pursue a criminal investigation in this case. All 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 in auditing this payee. We have determined that the payee misused \$210,998 of beneficiaries' funds. We have removed this organization as payee because they were no longer fulfilling their payee duties satisfactorily. The beneficiaries have not been reimbursed yet because of the open investigation with OIG. As of October 1, 2012, OIG indicated that 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.

**Update:** OIG is still actively working with the U.S. Attorney's Office on this case.

**Family Assistance Management Services (Charleston, SC):** The payee reported that 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 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.

**Update:** We made restitution to the beneficiaries. In January 2013, we terminated our payee relationship with this organization because they did not repay the misused funds. The insurance

policy naming us as an insured party was used to make restitution to the Veterans Administration. Our actions on this case are complete.

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

**Update:** We completed misuse determinations and made restitution to all affected beneficiaries. The payee organization owner died during criminal prosecution; therefore, the case is pending closure. Our Regional Chief Counsel is attempting to work with the payee's insurance company regarding reimbursement of the misused funds.

**Julie P (Arvada, CO):** The payee collected 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 making misuse determinations. We have removed this individual as payee because she was no longer fulfilling her payee duties satisfactorily. We are still investigating the total amount of misused funds and have referred the case to OIG.

**Update:** After further investigation by OIG, no misuse of benefits or criminal activity was found. This individual is still serving as payee. Our actions on this case are complete.

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

**Update:** The payee collected \$6,032 in unauthorized fees from beneficiaries. We terminated the payee due to non-compliance and poor service. We appointed a new payee or initiated direct payment to beneficiaries who are capable to receive direct payment. We are working on reissuing misused funds to the affected beneficiaries.

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

**Update:** The total amount of misused funds is \$48,610.90. The payee reimbursed the affected beneficiaries. We have retained the payee because the incident was isolated to one former employee, the payee reimbursed the affected beneficiaries, and the agency has taken corrective action to prevent future misuse. The former employee was sentenced to 13 months in Federal prison.

**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 repaid the beneficiaries. We referred this allegation to OIG.

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

**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 and 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 beneficiaries' funds. OIG decided not to pursue a criminal investigation in this case.

**Update:** We have completed our misuse investigation and determined that the payee misused \$8,368. We have reimbursed the affected beneficiaries. Our actions on this case are complete.

**SICCM/UCAN (Herrin, IL):** A former employee embezzled money from beneficiaries. The total amount of money embezzled is unknown at this time. 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.

**Update:** OIG determined that the employee misused \$498,000 in beneficiary funds. We have removed this organization as payee because the payee misused beneficiaries' funds. We are in the process of completing all the administrative actions associated with the misuse determinations. The former employee died during criminal prosecution. Our Regional Chief Counsel is attempting to work with the payee organization's insurance company regarding reimbursement of the misused funds.

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

**Update:** OIG completed their investigation, which resulted in the payee reimbursing \$23,335.50 to the affected beneficiaries. We are in the process of completing a misuse investigation of the organization and will determine if \$23,335.50 represents the total amount of misused funds or if there were additional misused monies. The payee has taken steps to tighten controls over

employee transactions involving beneficiary funds and is continuing to cooperate with our investigation. We have retained this payee pending completion of our misuse investigation, contingent upon the payee's continued cooperation with our investigation and making any further restitution required as a result of our investigation.

**Vineland Developmental Center (Vineland, NJ):** On August 11, 2011, a news article indicated that 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 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:** OIG decided not to pursue a criminal investigation in this case. Our actions on this case are complete.

### **FY 2010 Misuse Cases**

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

**Update:** We were unable to secure documentation to support the fraud allegation. OIG has given us clearance to proceed with completing our misuse administrative actions.

**Absolut Center for Nursing and Rehab (Orchard Park, NY):** The former Chief Financial Officer (CFO) and another former employee embezzled \$176,790 of beneficiaries' funds. We have retained this payee pending completion of misuse determinations because it has agreed to reimburse the beneficiaries and has started to do so. It is an otherwise good payee and appears to be the best payee available. The CFO pled guilty to Grand Larceny in the Second Degree in Erie County Court and was ordered to make full restitution. A second individual pled guilty to Grand Larceny 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 reimbursed all the beneficiaries. The local FO continues to complete administrative actions with this case.

**Update:** We are in the process of completing our administrative actions in this case. We plan to complete all actions in early FY 2014.

**Laporte County Council on Aging Inc. (Laporte, IN):** A former employee embezzled beneficiaries' funds. The court case against 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 make restitution. We will refer the case to OIG once we receive the criminal court decision.

**Update:** The former employee was found guilty of a class D felony for theft. We are retaining this payee because the incident was isolated to one former employee and the payee has taken corrective action to prevent future misuse. We are in the process of referring this case to OIG.

### **FY 2009 Misuse Cases**

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

**Update:** The Arc of Bristol County took over as the successor guardian. We are exploring the possibility of legal action for the remainder of the fees with our Office of the General Counsel.

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

**Update:** The U.S. Attorney's Office, Civil Division, is still reviewing this case for possible 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 misuse determinations and reimburse the beneficiaries. The principals of the organization have been notified that they are under criminal investigation.

**Update:** The case was presented to the U.S. Attorney's Office and accepted for criminal prosecution. Charges are pending.

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

**Update:** The U.S. Attorney's office declined the case for criminal and civil prosecution. We have reimbursed the affected beneficiaries but have not recovered any misused funds from the payee. We assessed a Civil Monetary Penalty of \$386,827 against the owner of the payee organization.

### **FY 2007 Misuse Cases**

**Community of Family and Friends Resource Center, Inc. (Dallas, TX):** We have completed all 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 ensuring repayment of the misused funds to the affected beneficiaries.

**Update:** In August 2013, we revised the formal misuse determination, finding the payee misused \$310,470.41. We reimbursed all affected beneficiaries. Our actions on this case are complete.

### **FY 2005 Misuse Case**

**Life First, Inc. (Illinois):** We determined that the director of this organization misused beneficiaries' funds. We removed this payee and notified the director to refund \$228,074, which he has not done. We have finished reimbursing beneficiaries. OIG has completed its investigation, and referred the case to the U.S. Attorney's Office for prosecution. In March 2010, the director was indicted on 11 counts of mail fraud 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.

**Update:** The criminal trial against the director of the organization was continued until February 2014.

### **Payee Accomplishments in FY 2013**

We take our monitoring responsibilities very seriously and continue to make improvements to our monitoring procedures. Our 3-year and 4-year site reviews, targeted reviews, and educational visits began in 2000. Since that time, we have improved the overall process as noted below:

- Created a training kit for organizational payees that includes a video, booklet ("[Guide for Organizational Representative Payees](#)"), beneficiary pamphlet, lesson plan, and PowerPoint presentation;
- Developed a pamphlet for adult beneficiaries served by payees to explain beneficiaries' rights and responsibilities;
- Provided our FO personnel updated program instructions to 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 payee 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 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 concern Social Security fraud;
- Enhanced our payee monitoring website to capture more data about the outcomes of reviews and misuse cases;
- Added information on our website about best recordkeeping practices for payees and protecting the personally identifiable information of beneficiaries;
- Implemented a new Electronic Representative Payee Accounting system to automate processing of exceptions for 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 NDRN and 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’ report to Congress, “Improving the Social Security Representative Payee Program: Serving Beneficiaries and Minimizing Misuse,” published in July of 2007.

During FY 2013, we took the following actions:

October 2012

- We developed technical enhancements to our Representative Payee System (RPS), including functionality to make it easier for our FO employees to document payee decisions.

February 2013

- We published a *Federal Register* Notice informing the public of our new payee selection policy.

May 2013

- The Government Accountability Office (GAO) conducted a comprehensive review of our payee program. In their report, GAO noted how we have taken actions to improve our payee administration by initiating programs such as the criminal bar pilot.

June 2013

- We testified before the Committee on Ways and Means about our payee program.
- In June 2013, the Philadelphia Region began piloting a tool that obtains third-party criminal information on our payee applicants from Lexis/Nexis Accurint. We plan to implement the new payee selection policy nationally in 2014.

**Conclusion**

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

- Deterring payee misconduct;
- Providing a strong oversight message to payees;
- Ensuring that FFS payees continue to be qualified under the law;

- Establishing open lines of communication between our agency and the payees; and
- Promoting good payee practices.

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

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

As mentioned earlier in this report, we plan to enhance our payee selection process so that we do not select applicants with serious criminal backgrounds to serve as payees for our beneficiaries. 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 the Social Security Administration (SSA):** Payees did not obtain our approval before they deposited a beneficiary's funds in a collective bank account. We require payees to ask for permission before depositing a beneficiary's funds to ensure the account is properly titled, account records are clear and up-to-date, and the payee has agreed to make account and supporting records available.

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

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

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

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

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

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

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

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

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

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

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

**Payee Repaid Itself Without SSA Approval:** 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 issued 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.