



SOCIAL SECURITY

The Commissioner

January 29, 2016

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

Dear Mr. Chairman:

This letter transmits our *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* for fiscal year 2015. This report is required by sections 205(j)(6)(B), 807(k)(2), and 1631(a)(2)(G)(ii) of the Social Security Act (amended by section 102(b) of the Social Security Protection Act of 2004).

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

I am also sending this report to Chairman Kevin Brady.

Sincerely,

Carolyn W. Colvin
Acting Commissioner

Enclosure

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



Social Security Administration

Fiscal Year 2015

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

October 1, 2014 through September 30, 2015

Background

The Social Security Act (Act), as amended by the Social Security Protection Act of 2004 (SSPA), requires the Social Security Administration (SSA) to report the results of site reviews of specific types of representative payees (payee) and any other reviews of payees conducted during the prior fiscal year (FY).¹ 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 2015 report is our 12th 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 misuse² of funds, failure to pay a vendor, or similar irregularities;
5. The number of cases of misuse of funds discovered;
6. How we dealt with cases of misuse of funds;
7. The final disposition of such misuse cases, including any criminal penalties imposed; and
8. Other information as deemed appropriate.

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

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

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

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

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

We have approximately 6.2 million payees managing \$70 billion in annual benefits for 8 million beneficiaries. Fifty-four percent of the beneficiaries with payees are minor children. The payee program relies heavily upon family relationships. Family members, primarily parents or spouses, serve 85 percent of the beneficiaries who have payees. Of the 6.2 million payees, 35,235 (less than one percent) are organizational payees serving approximately 1.2 million beneficiaries. Among the 35,235 organizational payees, approximately 1,515 are fee-for-service (FFS) organizational payees that we authorize to collect a fee as payment for providing payee services. FFS organizational payees serve approximately 238,000 beneficiaries. Generally, we will appoint an organizational payee only when a family member is unable, unavailable, unwilling, or unqualified to serve.

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

For the period October 2013 through September 2014, we mailed approximately 6.6 million accounting reports to our payees asking that they complete and return them as soon as possible. We mail the accounting reports throughout the fiscal year; therefore, the data that we provide in this report only covers FY 2014. We will provide the details of the FY 2015 accounting reports in the FY 2016 annual report. During FY 2014, payees failed to return approximately 946,404 reports (about 14 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) makes all reasonable attempts, including directing the payment checks to the FO, to personally contact the payee. Once we make contact, we advise the payee of the importance of this annual accounting, secure a completed accounting report, and determine if we should find a new payee or pay the beneficiary directly. We immediately investigate any indications of misuse of funds or poor performance by a payee and take all appropriate actions to protect the beneficiary's best interests.

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

Types of Payees

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

1. **Volume Payee:** An agency serving 50 or more beneficiaries. This category of payee does not include certified community-based nonprofit social service agencies (e.g., FFS payees) or certain State mental institutions. We review volume payees every four years. See sections 205(j)(6)(A)(iii) and 1631(a)(2)(G)(i)(III) of the Act. Examples of payees included in this category are State and local social service agencies, private non-profit social service agencies that are not FFS payees, and nursing homes.
2. **State Mental Institutions:** A State-operated psychiatric hospital providing care and treatment. As of September 2015, 221 State mental institutions participate in our onsite review program, established under sections 205(j)(3)(B) and 1631(a)(2)(C)(ii) of the Act. These sections of the statute do not require participating State mental institutions to provide an annual accounting form for each of the beneficiaries they serve. Instead, we conduct a site review of each of these institutions at least once every three years. Institutions deciding not to participate in this onsite review program must complete annual accounting forms for each beneficiary they serve and are still subject to periodic site reviews if they serve more than 50 beneficiaries or are FFS. (See “State Onsite Reviews” in the section titled “Type of Payee Reviews” on page 4.)
3. **FFS Payee:** A State or local government agency or a certified community-based nonprofit social service organization we authorize to collect a fee for payee services. The agency or organization must regularly serve five or more beneficiaries. We review FFS payees every three years. See sections 205(j)(4), 205(j)(6)(A)(ii), 1631(a)(2)(D), and 1631(a)(2)(G)(i)(II) of the Act.
4. **Individual Payee:** An individual who serves one or more beneficiaries. We review payees serving 15 or more beneficiaries every 4 years. Examples of payees in this category are guardians, an organization without an employer identification number, or a room and board provider serving 15 or more beneficiaries. See sections 205(j)(6)(A)(i) and 1631(a)(2)(G)(i)(I) of the Act.
5. **Other Organizational Payees:** Governmental or private groups or agencies other than those described above in this section. Beyond the reviews we do for individual payees, we use a predictive model to select organizations for review by the State Protection and Advocacy (P&A) agencies. The model selects cases based on payee and beneficiary characteristics that indicate a higher likelihood of potential misuse. The P&A agencies review organizations serving 49 or fewer beneficiaries. The P&A agencies do not review any FFS organizational payees.

Types of Payee Reviews

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

1. **Periodic Site Review:** At least once every 3 or 4 years, we monitor the performance of individual payees who serve 15 or more beneficiaries, volume payees, and FFS payees, through a face-to-face meeting with the payee and an examination of the payee's records. We assess the payee's recordkeeping and interview beneficiaries. These reviews are required under sections 205(j)(6)(A) and 1631(a)(2)(G)(i) of the Act.
2. **Targeted Review:** A targeted review is a site review conducted in response to an event that raises a question about the payee's performance or suitability. Examples of events that may trigger a targeted review include allegations of misuse or improper use of benefits from a beneficiary or third party, failure to pay a vendor, reports of employee theft, adverse media coverage, and an investigation of the payee by another governmental agency.
3. **Educational Visit:** We visit all new FFS payees six months after appointment. The purpose of the educational visit is to ensure that these new payees fully understand their responsibilities and are on the right track with recordkeeping and reporting. We may also conduct educational visits to other types of payees. For example, we may make an educational visit to a volume payee if we learn the payee had changes in key personnel.
4. **State Onsite Reviews:** We conduct onsite reviews to evaluate the fiduciary performance of State mental institutions serving as payees for our beneficiaries every three years, pursuant to sections 205(j)(3)(B) and 1631(a)(2)(C)(ii) of the Act. A team of agency personnel visits the institution to conduct financial accountings and to observe and interview the beneficiaries served by the institution.
5. **Optional Reviews:** Since FY 2008, as resources allow, we conduct additional reviews of payees who may need more oversight due to weak recordkeeping skills.
6. **Special Site Reviews:** We use a predictive model to select organizational payees serving between 5 to 49 beneficiaries and individual payees serving 14 or fewer beneficiaries for review. This model selects organizational and individual payees based on payee and beneficiary characteristics that indicate a higher likelihood of potential misuse.

Results of Our Reviews

We conducted 2,852 payee reviews in FY 2015, via face-to face interviews. All reviews included the examination of the payee's financial records and supporting documentation.

We conducted onsite reviews at 46 State institutions. All of the institutions reviewed were performing satisfactorily with no significant problems or corrective recommendations noted. Therefore, we do not provide details for State onsite reviews.

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

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

| | Periodic Site Reviews | Targeted Reviews | Educational Visits | State Onsite Reviews | Optional Reviews | Special Reviews | Total |
|------------------------------------|------------------------------|-------------------------|---------------------------|-----------------------------|-------------------------|------------------------|--------------|
| Volume Payees | 875 | 189 | 0 | 0 | 5 | 0 | 1069 |
| State Mental Institutions | 0 | 0 | 0 | 46 | 0 | 0 | 46 |
| FFS Payees | 368 | 32 | 19 | 0 | 7 | 0 | 426 |
| Individual Payees | 121 | 8 | 0 | 0 | 0 | 276 | 405 |
| Other Organizational Payees | 0 | 6 | 0 | 0 | 0 | 900 | 906 |
| Total | 1364 | 235 | 19 | 46 | 12 | 1176 | 2852 |

We identified 25 cases of misused funds during site, targeted, and special reviews. Twenty of these payees were volume payees, four were non-volume organizational payees, and one was an individual payee. A detailed narrative describing these 25 cases of misused funds is provided later in this report beginning on page 16 under the heading “FY 2015 Misuse Cases.”

In eight of the cases of misused funds identified in FY 2015, we removed the payee. In 15 cases, we decided to retain the payee because it reimbursed the beneficiaries for any funds taken through unauthorized fees or employee theft, took steps to prevent similar misuse in the future, and was otherwise a good payee. The two remaining cases of misuse identified in FY 2015 are still being investigated, so we have yet to make a decision. We will remove any payee who fails to repay misused funds.

We also removed 19 payees due to poor performance of duties. In these cases, we decided we could better serve our beneficiaries by appointing new payees.

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

Although this report covers reviews conducted in FY 2015, we may not have completed all of the corrective actions in FY 2015. 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 (1,364 conducted)

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

| | Volume Payees | FFS Payees | Individual Payees | Total |
|---|----------------------|-------------------|--------------------------|--------------|
| 1. Incorrect titling of bank accounts | 102 | 30 | 10 | 142 |
| 2. Interest not posted timely | 9 | 1 | 1 | 11 |
| 3. Bank account not interest bearing | 16 | 12 | 3 | 31 |
| 4. Deposit to beneficiary accounts not timely | 14 | 7 | 0 | 21 |
| 5. Beneficiary funds in agency operating account | 26 | 3 | 0 | 29 |
| 6. Over SSI resource limit | 112 | 54 | 7 | 173 |
| 7. Beneficiary expenses not properly documented | 99 | 78 | 14 | 191 |
| 8. No personal needs allowance given | 11 | 2 | 0 | 13 |
| 9. Incorrect FFS charged | 6 | 25 | 4 | 35 |
| 10. Conserved funds not returned | 63 | 13 | 5 | 81 |
| 11. Failure to report changes | 87 | 38 | 16 | 141 |
| 12. Payee did not exercise oversight of benefits | 23 | 19 | 9 | 51 |
| 13. Annual accounting forms not returned | 32 | 14 | 3 | 49 |
| 14. Recordkeeping problems | 136 | 76 | 25 | 237 |

| | Volume Payees | FFS Payees | Individual Payees | Total |
|---|----------------------|-------------------|--------------------------|--------------|
| 15. Payment after death not returned | 30 | 8 | 0 | 38 |
| 16. Payee repaid itself without SSA approval | 37 | 5 | 1 | 43 |
| 17. Collective account not approved by SSA | 53 | 5 | 2 | 60 |
| 18. Misuse suspected | 12 | 6 | 0 | 18 |
| 19. Misuse Found | 4 | 8 | 0 | 12 |

Targeted Reviews (235 conducted)

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

| | Volume Payees | FFS Payees | Individual Payees | Total |
|---|----------------------|-------------------|--------------------------|--------------|
| 1. Incorrect titling of bank accounts | 38 | 0 | 1 | 39 |
| 2. Bank account not interest bearing | 5 | 0 | 0 | 5 |
| 3. Beneficiary funds in agency operating account | 30 | 0 | 0 | 30 |
| 4. Over SSI resource limit | 10 | 2 | 0 | 12 |
| 5. Beneficiary expenses not properly documented | 48 | 2 | 1 | 51 |
| 6. Conserved funds not returned | 21 | 2 | 1 | 24 |
| 7. Failure to report changes | 37 | 3 | 0 | 40 |
| 8. Payee did not exercise oversight of benefits | 15 | 0 | 0 | 15 |
| 9. Annual accounting forms not returned | 11 | 0 | 0 | 11 |
| 10. Recordkeeping problems | 61 | 3 | 0 | 64 |
| 11. Collective account not approved by SSA | 25 | 0 | 0 | 25 |
| 12. Deposit to beneficiary account not timely | 8 | 0 | 0 | 8 |
| 13. No personal needs allowance given | 6 | 0 | 0 | 6 |

| | | | | |
|--|----|---|---|----|
| 14. Incorrect FFS charged | 4 | 1 | 0 | 5 |
| 15. Payment after death not returned | 2 | 1 | 0 | 3 |
| 16. Payees repaid itself without SSA approval | 9 | 0 | 0 | 9 |
| 17. Misuse suspected | 11 | 2 | 0 | 13 |
| 18. Misuse found | 6 | 1 | 0 | 7 |

Note: Some payees made multiple errors.

Educational Visits for New FFS Payees (7 conducted)

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

| | FFS Payees |
|--|-------------------|
| 1. Incorrect titling of bank accounts | 0 |
| 2. Bank account not interest bearing | 0 |
| 3. Beneficiary expenses not properly documented | 4 |
| 4. Deposit to Beneficiary Accounts nor Timely | 1 |
| 5. Recordkeeping problems | 3 |
| 6. Incorrect FFS charged | 1 |
| 7. Over SSI resource limit | 0 |
| 8. Payee did not exercise oversight of benefits | 0 |
| 9. Failure to report changes | 1 |
| 10. Payee Repaid Itself Without SSA Approval | 1 |

Note: Some payees made multiple errors.

Optional Reviews (12 conducted)

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

| | Volume Payees | FFS Payees | Total |
|---|--------------------------|-----------------------|--------------|
| 1. Incorrect titling of bank accounts | 2 | 0 | 2 |
| 2. Over SSI resource limit | 2 | 0 | 2 |
| 3. Beneficiary expenses not properly documented | 7 | 0 | 7 |
| 4. Conserved funds not returned | 2 | 0 | 2 |
| 5. Failure to report changes | 3 | 0 | 3 |
| 6. Unauthorized FFS Charged | 1 | 0 | 1 |
| 7. Annual accounting forms not returned | 4 | 0 | 4 |
| 8. Recordkeeping problems | 6 | 0 | 6 |
| 9. Beneficiary funds in agency operating account | 3 | 0 | 3 |
| 10. Payee did not exercise oversight of benefits | 1 | 0 | 1 |
| 11. Payee repaid itself without approval | 1 | 0 | 1 |
| 11. Misuse suspected | 2 | 0 | 2 |
| 12. Misuse found | 2 | 0 | 2 |

Note: Some payees made multiple errors.

Special Site Reviews of Individual Payees (276 conducted)

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

| | Individual Payees |
|---|--------------------------|
| 1. Incorrect titling of bank accounts | 20 |
| 2. Bank account not interest bearing | 6 |
| 3. Deposit to beneficiary accounts not timely | 0 |
| 4. Over SSI resource limit | 1 |
| 5. Beneficiary expenses not properly documented | 60 |
| 6. No personal needs allowance given | 2 |
| 7. Unauthorized FFS charged | 1 |
| 8. Conserved funds not returned | 2 |
| 9. Failure to report changes | 17 |
| 10. Payee did not exercise oversight of benefits | 18 |
| 11. Annual accounting forms not returned | 2 |
| 12. Recordkeeping problems | 72 |
| 13. Payee repaid itself without SSA approval | 1 |
| 14. Misuse suspected | 1 |
| 15. Misuse found | 2 |

Note: Some payees made multiple errors.

Special Site Reviews of Organizational Payees

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

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

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

Background on Organizational Payee Reviews by P&A Agencies

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

Organizational Payee Reviews by P&A Agencies

During FY 2015, the P&A agency staff conducted 900 on-site reviews of organizational payees either selected by the predictive model we developed or recommended by NDRN for review. We selected 783 payees for review using the predictive model we developed and we approved 117 NDRN-recommended payees for review. The reviews include an examination of the financial records of the organization.

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

| Type of Referral | Number of Cases |
|---|-------------------|
| 1. Advocacy services | 155 Beneficiaries |
| 2. Assistance to help utilize work incentives | 9 Beneficiaries |
| 3. Housing rights education | 25 Beneficiaries |
| 4. Noncritical health and safety issues | 80 Beneficiaries |
| 5. Possible employment law violations | 4 Payee |
| 6. Request to become own payee | 14 Beneficiaries |
| 7. Vocational rehabilitation | 14 Beneficiaries |
| 8. Other | 2 Payees |
| Total | 303 Cases |

Descriptions of Problems or Issues Leading to Referrals

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

Referral Made: The 155 referrals encompassed a variety of services including: monitoring of referrals made on the behalf of beneficiaries to other agencies for violations of personal rights, and health, personal safety, and workplace safety. Requests for the P&A’s contact information, advocacy assistance and other issues are also included in this category.

- 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&As referred nine beneficiaries to their local Work Incentives Planning and Assistance program for support and counseling about benefits.

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

Referral Made: The P&As referred 25 beneficiaries for education about housing rights and other housing alternatives.

- 4. Noncritical Health and Safety Issues:** P&As noted issues ranging from expired licenses and dirty facilities to a lack of assistive technology devices to facilitate communication that posed no immediate danger to beneficiaries.

Referral Made: The P&As made 80 referrals to various State and Federal agencies with oversight in the areas of protective services and fire and housing safety.

- 5. Possible Employment Law Violations:** P&As discovered possible violations of the Fair Labor Standards Act (FLSA) or State wage and hour issues. These infractions ranged from expired certificates authorizing payment of sub-minimum wages under the FLSA or State wage laws to failure to display required informational posters in the workplace.

Referral Made: The P&A sent two reports to the U.S. Department of Labor for investigation and appropriate action related to an expired 14(c) certificate authorizing payment of workers at a rate below the minimum wage, and other alleged wage and hour violations. The P&A sent two additional reports related to failure to display posters required in a workplace to the U.S. Department of Labor and the appropriate State department of labor.

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

Referral Made: The P&A referred 14 beneficiaries to the servicing SSA field office to file an application for direct payment of benefits.

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

Referral Made: The P&As referred 14 beneficiaries to State Vocational Rehabilitation Services to support beneficiaries' employment goals.

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

Referral Made: The P&A referred one payee to our agency's website for additional information on their duties as a representative payee. The P&A also referred one beneficiary to our agency for assistance obtaining a replacement Social Security card.

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

After receiving the reports from the P&A agencies, we referred 594 cases to our FOs for additional action. If we determine misuse in any of the cases, we will include our findings in next year's report. Table 8 below shows specific issues referred to our FOs for action. We include a detailed description of the problems discovered throughout the review process and the corrective actions taken in Appendix B.

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

| | Count |
|---|--------------|
| 1. Incorrect titling of bank accounts | 67 |
| 2. Beneficiary funds in agency operating account | 140 |
| 3. Over SSI resource limit | 7 |
| 4. Beneficiary expenses not properly documented | 12 |
| 5. No personal needs allowance given | 8 |
| 6. Conserved funds not returned | 7 |
| 7. Payee did not exercise oversight of benefits | 4 |
| 8. Recordkeeping problems | 177 |
| 9. Payee repaid itself without approval | 29 |
| 10. Collective account not approved by SSA | 275 |
| 11. Bank account not interest bearing | 4 |
| 12. Deposit to beneficiary accounts not timely | 6 |
| 13. Failure to report changes | 3 |
| 14. Payment After Death Not Returned | 1 |

Note: Some payees made multiple errors.

Milestones: FY 2015 P&A Reviews

September 2014

- We issued a task order for 900 reviews to be completed by September 28, 2015, at least 100 of the reviews are for organizations recommended for review by NDRN and the protection and advocacy agencies.
- NDRN started using the revised 2015 protocol including processes and procedures for the NDRN-recommended reviews.

December 2014

- NDRN submitted the first group of payees recommended for review.
- We issued a revised protocol clarifying the meaning of “immediate risk to the health and safety of the beneficiary” to include the imminent closure of the payee.

January 2015

- We sent the list of determinations for the first group of recommended reviews to NDRN; we approved four out of 17 recommendations for review.

February 2015

- NDRN submitted the second group of recommended payees for review.

March 2015

- We sent the determinations for the second group of recommended payees to NDRN; we approved 39 out of 82 recommendations for review;
- We issued a revised protocol specifying how NDRN should proceed if a recommended payee serves fewer than five beneficiaries.

April 2015

- NDRN submitted the third group of recommended payees for review

May 2015

- We sent the determinations for the third group of recommended payees to NDRN; we approved 50 out of 102 recommendations for review.

June 2015

- NDRN submitted the final group of recommendations for review.

July 2015

- We approved 35 out of 160 recommendations for review, but only authorized NDRN to perform 24 reviews so we would not exceed the number of authorized reviews in the task order.
- We issued a revised protocol that included an electronic version of the payee recommendation form.

Reviews for 2016

In FY 2016, we will assign 500 reviews following the predictive model during a six-month sole source contract with NDRN that begins at the start of the new fiscal year. In FY 2016, we will also award a new contract via full and open competition to assign additional reviews.

Change of Payee Situations

During the FY 2015 review period, we removed eight payees because we found misuse. While not a direct result of our reviews, 15 payees withdrew from serving as payees, and 20 other payees closed their businesses. The loss of a payee can result in a large workload for the servicing FO. The FO must conduct a capability determination to determine if the beneficiary still needs a payee; find a new payee, if needed; or take steps to initiate direct payment if the beneficiary is found to be capable.

Findings of Misuse

Based on the FY 2015 reviews, we found that 25 payees misused beneficiaries' funds. The information provided below reflects all the information concerning actual misuse findings currently recorded on our internal misuse-tracking database. In some of the following cases, we retained a payee even though it technically met the definition of a "misuser." We retain a payee we label as a misuser *only* if we believe the payee continues to be the best payee for the beneficiary *and* the payee makes restitution or has a definite plan to make restitution. For misuse cases for years prior to FY 2015, 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 2015.

FY 2015 Misuse Cases

ACLD Long Island, Bethpage, NY: We retained this organization since the determination of misuse was due to an isolated employee theft. The amount of misused funds was \$2,199.34, affecting nine beneficiaries. The organization has reimbursed all the affected beneficiaries. Our actions in this case are complete.

The Office of the Inspector General (OIG) declined further pursuit of this case.

Acts of Faith, Shelbyville, TN: The payee borrowed \$13,000 from one beneficiary's back payment. We are still developing the allegation of misuse. OIG referred this case to the FO for appropriate action.

OIG's investigation is ongoing.

AHRC, Newburgh, NY: We retained this organization because the misuse was due to isolated employee thefts. We found two cases of misuse involving two employees:

- Case #1, the amount of misused funds was \$2,100, affecting eight beneficiaries.

- Case #2, the amount of misused funds was \$6,000, affecting four beneficiaries.

The District Attorney (DA) is pursuing criminal charges against both employees. Our actions in this case are complete.

OIG declined further pursuit on each case.

Cape Counseling, Cape May Court House, NJ: We retained this organization because the misuse was due to an isolated employee theft. The amount of misused funds was \$24,914.77, affecting five beneficiaries. On April 8, 2014, the New Jersey State Police arrested the employee for theft. The organization has reimbursed all the affected beneficiaries. The organization put new policies in place to protect the funds.

OIG declined further pursuit of this case.

Catholic Charities-Stockton Diocese, Modesto, CA: We retained this organization as the representative payee since the misuse was due to an isolated employee theft. The case is under investigation.

OIG is pursuing an investigation against the individual employee involved.

Central NY Services, Syracuse, NY: We retained this organization since the misuse was due to an isolated employee theft. The amount of misused funds was \$17,932.94, affecting 115 beneficiaries. The organization has reimbursed all the affected beneficiaries.

OIG declined further pursuit of this case.

Community Resources for Justice, Shirley, MA: This is a volume organizational payee. During the period April 2014 through October 2014, a house manager for the organization stole \$3,845.57 in funds from three beneficiaries living in the house she managed. The payee discovered the theft during its own internal audit in October 2014. The payee made full restitution directly to all three affected beneficiaries on October 20, 2014. The employee who stole the funds pled guilty and was sentenced to probation and ordered to make restitution to the payee.

An OIG referral is pending. A misuse determination is not complete.

Community Services for the Developmentally Disabled, Buffalo, NY: We retained this organization since the misuse determination was due to an isolated employee theft. The organization reported the incident to the police. The employee pled guilty to grand larceny in the third degree. The organization has reimbursed all the affected beneficiaries. The amount of misused funds was \$1,614.97, affecting seven beneficiaries. Our actions in this case are complete.

OIG declined further pursuit of this case.

Consumer Protection Association, Cleveland, OH: This volume organizational payee was removed as a FFS payee due to improper use and mismanagement of Social Security benefits while serving as a representative payee. Approximately 507 of our beneficiaries transitioned to direct pay, to a new payee, or into suspense due to whereabouts unknown. The local office is conducting a Quick Response Site Review to determine the amount of beneficiary funds involved.

OIG's investigation is ongoing.

Developmental Services of Iowa Inc., Council Bluffs, IA: We are still developing this case. The organization stated they would repay funds upon request. The amount of misused funds was \$4,000.00, affecting ten beneficiaries. We are in the process of locating new payees for the beneficiaries.

First Mental Retardation, Dayton, OH: This volume fee for service payee was removed as payee due to poor financial recordkeeping, failure to return conserved funds from prior SSA beneficiaries, potential misuse of beneficiary funds, and allowance of excessive bank fees on established collective accounts. Our local FO has changed all 202 beneficiaries to direct pay, a new payee, or into suspense due to whereabouts unknown.

OIG's investigation is ongoing.

Genesis Development, Winterset, IA: We retained the organization due to the misuse being an isolated employee theft. The employee who caused the alleged misuse is no longer part of the payee organization. The amount of misused funds was \$63,000, affecting ten beneficiaries. The payee organization has been cooperative with us throughout the development process. In addition, they have made changes to their processes to ensure this does not occur in the future. We do not have concerns with the ongoing performance of the payee.

OIG's investigation is ongoing.

Indian River NH, Granville, NY: We retained this organization since the determination of misuse was due to an isolated employee theft. The employee pled guilty to fraud (felony) and grand larceny and received a sentence of 1-3 years of probation on July 6, 2015. The amount of misused funds was \$3,899.32, affecting 14 beneficiaries. The organization has reimbursed all the affected beneficiaries. Our actions in this case are complete.

OIG declined further pursuit of this case.

Kingston Center, Duffield, VA: The payee was borrowing funds from the collective account to cover expenditures from the operating account. The payee is delinquent to creditors and is under investigation by State of Virginia. The amount of misused funds is approximately \$130,000, affecting 70 beneficiaries.

OIG's investigation is ongoing.

Loretto Health and Rehabilitation Center, Syracuse, NY: We retained this organization since the misuse was due to an isolated employee theft. The amount of misused funds was \$20,876.05. The organization investigated this incident and then reimbursed the account with the missing funds. Our actions in this case are complete.

OIG declined further pursuit of this case.

Mental Health of America (MHA), SC: This case involves five different locations of this organizational payee. MHA's initial investigation indicated that the misuse amount was \$74,215.25 in personal expenditures and made by a former employee. However, when we started our own misuse investigation, we determined that additional locations were involved (Abbeville, SC and Columbia, SC) and additional funds had been misused. We believe the amount of misused funds was approximately \$500,000, affecting 300 beneficiaries. We are still developing the misuse investigation.

OIG's investigation is ongoing.

Moore Center Services, Manchester, NH: This is an approved fee for service payee. The payee collected improper fees for months during which the two beneficiaries in question did not have sufficient funds remaining from their monthly benefits to collect the fee when the payee deducted the fees from the collective account. The payee recognized the error when one of the beneficiary's funds balance was \$0. The payee self-corrected the error by reimbursing the beneficiary \$108. However, during our review, we discovered an additional \$132 in improperly collected fees resulting from the same error. Therefore, the total misuse was \$240. Recovery efforts will continue to collect the remaining \$132 following the expiration of the 45-day advance notice period.

OIG declined further pursuit of this case.

Northern Human Services – Mental Health Clinic, Center Conway, NH: This is an approved fee for service payee. The payee collected improper fees for months during which the three beneficiaries in question did not have sufficient funds remaining from their monthly benefit check. The total misuse was \$240. Recovery efforts will continue following the expiration of the 45-day advance notice period.

OIG declined further pursuit of this case.

Mendez Money Management, Alameda, CA: The payee was charging unauthorized fees. At this point, we believe the payee is still suitable, pending a complete investigation. The payee alleged that they were not aware that they could not charge a fee. The payee is no longer charging fees for payee services.

This case has not been referred to OIG, pending further FO development.

People Inc., Williamsville, NY: We retained the organization due to the misuse being an isolated employee theft. The amount of misused funds was \$277.00, affecting one beneficiary.

The organization terminated the employee and has reimbursed the funds to the affected beneficiary. Our actions in this case are complete.

OIG declined further pursuit of the case.

Individual Payee, Bakersfield, CA: This is an individual payee. The payee could not account for use of benefits. The amount of misuse funds was \$7,066.47, affecting one beneficiary.

OIG declined further pursuit of this case.

Safety Net of Oregon, Portland, OR: During an Expanded Monitoring Contractor-Assisted Review of Safety Net of Oregon (SNOR), we found multiple problems, including SSI beneficiaries with excess resources, recordkeeping deficiencies, and beneficiary ledgers that were not reconciled with bank balances. The amount of misused funds was \$1,445,629.83, affecting 306 beneficiaries. Our actions on this case are complete.

OIG's investigation is ongoing.

Schenectady County ARC, Schenectady, NY: We retained the organization since the misuse was an isolated employee theft. The amount of misused funds was \$16,855.09, affecting eight beneficiaries. The organization has reimbursed all the affected beneficiaries after conducting an internal investigation. The employee identified pled guilty to grand larceny in the fourth degree. Our actions in this case are complete.

OIG declined further pursuit of the case.

Support Services of South Central Iowa, Greenfield, IA: We are currently developing this case. The amount of misused funds was approximately \$14,000.00, affecting 12 beneficiaries. We scheduled a Quick Response Review to complete the misuse determination.

This case has not been referred to OIG pending further FO development.

Work Services, Newberry, SC: The New York Times published an article alleging that an SSA beneficiary was living and working in questionable conditions in a turkey plant. Law Enforcement, the Equal Employment Opportunity Commission, and the Department of Labor, served a search warrant of the business and resident location. The authorities removed four beneficiaries and placed them in the Department of Social Services' custody for suspicion of neglect and exploitation. We initiated a misuse investigation and found misuse. The amount of misused funds was \$318,524.56, affecting four beneficiaries.

An OIG investigation is ongoing.

Updates to FY 2014 Misuse Cases

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

Update: The OIG investigation is ongoing.

Camp Venture, Nanuet, NY: The payee contacted our agency to report the suspected theft of funds at one of their house locations. The payee is in the process of reviewing all financial records of the beneficiaries. The payee reported the theft to the police and to the advocates of the individuals involved and reimbursed all the affected beneficiaries.

Update: Our actions on this case are complete. OIG discussed the referral with the Clarkstown Police Department and declined to open an investigation since funds were reimbursed and there was no apparent loss to our beneficiaries. We closed this allegation in December 2014.

Eleanor Slater Hospital, Pascoag, RI: Our investigation confirmed that two employees of Eleanor Slater Hospital misused \$753.48 of beneficiary funds.

Update: The employees have reimbursed Eleanor Slater Hospital \$531.86. The FO is in the process of loading the data into our systems and will refer the case to OIG for review. The FO will initiate the recovery of the remaining misused funds after OIG completes its actions.

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

Update: After completing our investigation, we determined that the payee used the funds transferred to the operating account to meet the beneficiaries' needs and that no misuse occurred. The FO has closed the allegation as "unfounded." Our actions on this case are complete.

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

Update: Based on additional information recently obtained, we reopened the misuse allegation and included additional beneficiaries.

Folts Home, Herkimer, NY: The New York State Department of Health removed the Chief Executive Officer and the Chief Operating Officer for using resident funds to make the payroll. The organization is under new management and is repaying all the funds. The estimated amount of misused funds is \$20,000.

Update: We determined that \$53,712.79 was misused, affecting 43 beneficiaries. All affected beneficiaries were reimbursed. OIG declined further pursuit of this case. All other actions on this case are complete.

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

Update: Our local office updated the systems with the amount of discovered misuse for each involved SSA beneficiary. In February 2015, MAP's insurance company reimbursed MAP \$110,360.27 for the full amount of its loss due to misuse by one of MAP's former employees. All actions are complete on this case

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

Update: We are still developing the case for misuse. On June 12, 2015, we terminated the payee relationship for 88 beneficiaries with Mt. View Family Ministry. We determined the payee collected a total of \$174,622 in unauthorized fees.

Paradise 4 Living Services, Inc. Atlanta, GA: The collective account was missing approximately \$107,000, affecting approximately 130 beneficiaries. The director acknowledged the discrepancy prior to the start of the review. We determined it was in the best interest of the beneficiaries to terminate the payee relationship with Paradise 4 Living Services, Inc.

Update: We are still developing for misuse. The misuse is estimated to be \$414,115.44, involving 258 beneficiaries. An OIG investigation is ongoing.

THORMINC, Jacksonville, FL: The payee relationship was terminated on April 10, 2014. The payee continued to receive benefits while we located a successor payee or located the beneficiaries. The payee has not returned conserved funds or payments received after termination. The amount of misused funds is approximately \$247,799, affecting 443 beneficiaries.

Update: An OIG investigation is ongoing.

Updates to FY 2013 Misuse Cases

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

Update: We are currently preparing the misuse determination.

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

Update: Our misuse investigation determined that Entrepreneurs in Action for Change misused \$702 by collecting unauthorized fees. OIG did not pursue a criminal investigation in this case. Our FO is in the process of finalizing the misuse determination in our systems and initiating recovery.

Hogan Regional Center/Northeast Region Department of Developmental Services, Danvers, MA: Two former employees stole approximately \$33,406 in beneficiaries' funds. 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.

Update: OIG decided not to pursue a criminal investigation in this case. We have verified that the payee fully reimbursed the affected beneficiaries. Our actions in 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.

Update: The Connecticut State Attorney finalized its investigation and we are now pursuing our own misuse investigation and will refer the case to OIG for review. We will initiate recovery of the misused funds after OIG completes its actions.

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

Update: 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 cover operating expenses. Based on its own determination, the payee also estimated the amount of misuse to be \$375,000, which has been reimbursed to the affected beneficiaries. We have retained the payee pending completion of our misuse investigation because the organization has reimbursed the beneficiaries affected by the misuse.

Update: The FO continues to work on the administrative actions.

Updates to FY 2012 Misuse Cases

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

Update: The OIG investigation is ongoing.

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

Update: The misuse determination was completed. The FO is working with the organization to recover the full amount of unauthorized fees charged.

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 the misuse determination since this organization is an otherwise good payee and appears to be the best payee available.

Update: In June 2015, the U.S. Attorney's Office, District of Southern Iowa, declined prosecution. We completed all actions on 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 payee's continued suitability when OIG's investigation is complete. The organization is currently serving as payee.

Update: The court sentenced the employee in October 2013, in the U.S. District Court, District of South Dakota, to one-month incarceration and three years' supervised release. The court also ordered her to pay restitution for \$8,416 to South Dakota CARES and their insurance carrier. This investigation is closed.

The Living Center, Enid, OK: A local newspaper published an article regarding the arraignment of two former employees of the payee. We have determined the payee misused approximately \$30,332; in addition, the payee is unable to account for an additional \$35,443. We are retaining this payee because the incident was isolated to two former employees.

Update: The court sentenced one of the former employees in May 2013 in Garfield County, OK, District Court, to forty years imprisonment with the last fifteen years suspended. In addition, the court ordered the former employee to make full restitution for \$13,465.00 to the SSA. This investigation is closed.

Updates to FY 2011 Misuse Cases

Door of Opportunity, Inc. Artesia, NM: We received a report from the State of New Mexico's Office of Internal Audit regarding major accounting discrepancies found in auditing this payee. We have determined that the payee misused \$210,998 of beneficiaries' funds. We have removed this organization as payee because it was no longer fulfilling its payee duties satisfactorily.

Update: On March 4, 2014, the U.S. Attorney's office for the District of New Mexico declined prosecution of the case. We completed all actions on this case.

Updates to FY 2010 Misuse Cases

A and A Asset Management, Inc. Walterboro, SC: The payee collected \$38,114 in unauthorized and excessive fees. We notified the payee of our misuse determination, but the payee did not make an effort to repay the misused funds. In March 2011, we removed the organization as payee and found new payees for the beneficiaries.

Update: OIG declined further pursuit of this case. OIG completed all actions on this case.

Updates to FY 2009 Misuse Cases

Greater Boston Arc, Brighton, MA: We found that this organization charged \$62,918 in fees without our authorization. We have reimbursed the beneficiaries. In March 2011, this payee

returned \$90,000 in conserved funds, which we then returned to the proper beneficiaries. This organization is no longer serving as a payee.

Update: OIG declined further pursuit of this case. We completed all actions on this case.

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

Update: The U.S. Attorney's Office, District of Northern Georgia, declined criminal prosecution in June 2013, and declined civil prosecution in February 2014. We implemented Administrative Sanctions against the owner of Help Group Services for misuse of funds.

Monytek Human Services, Beaverton OR: We made misuse determinations and reimbursed the beneficiaries accordingly. We removed the payee.

Update: In November 2015, the U.S. District Court sentenced a former employee in to 21 months of home detention and 5 years of probation. In addition, the court ordered the former employee to pay restitution of \$92,928.

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

Update: In February 2015, \$382,827 in Civil Monetary Penalties was imposed against the owner of Potter's Fund. To date, we have collected \$4,403.60 from his retirement benefits. All administrative actions are complete.

Update to FY 2005 Misuse Case

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

Update: OIG's investigation is ongoing.

Conclusion

Our reviews found that the overwhelming majority of payees are properly using beneficiaries' funds. We found misuse of benefits in less than one percent of the cases reviewed. 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.

Beneficiaries who need a payee are of particular concern to us because of their vulnerability. As stewards of public funds, we take our responsibility to our beneficiaries and the taxpayers very seriously. We look forward to continuing to work with Congress on measures to improve our programs.

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

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

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

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

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

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

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

Deposit to beneficiary accounts not timely: Payees receiving paper checks for beneficiaries did not deposit the checks immediately, thereby increasing the risk of loss or theft.

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

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

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

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

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

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

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

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

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

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

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

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

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

| | Description of Payee Problems | Corrective Action Taken |
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| 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. | At our direction, payees re-titled their accounts. The payees did not misuse any beneficiary's funds because of this error. |
| Interest Not Posted Timely | The payees did not post the earned interest timely to each beneficiary's account, so the money was not available for the beneficiary's use. | We directed payees to start posting interest timely. |
| Bank Account Not Interest Bearing | Payees did not use interest-bearing accounts for beneficiaries' funds. | We directed the payees to move beneficiaries' funds to interest-bearing accounts. |
| 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. | We educated payees about the risks of paper checks and encouraged them to switch to direct deposit. In March 2013, the Department of Treasury required payees to establish direct deposit for beneficiaries. |
| Beneficiary Funds in Agency Operating Account | Payees deposited beneficiaries' funds in an operating account that did not reflect beneficiaries' ownership of funds. | We directed payees to move beneficiaries' funds into correctly titled accounts. |

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| <p>Beneficiary Expenses Not Properly Documented</p> | <p>Payees did not keep receipts to document how they used beneficiaries' funds.</p> | <p>We reminded payees of their recordkeeping responsibilities and advised them to keep receipts to document major purchases. In addition, we verified large expenditures with competent beneficiaries. We also interviewed beneficiaries regarding their satisfaction with their payee's management of their benefits.</p> |
| <p>No Personal Needs Allowance Given</p> | <p>The payees applied all benefits toward the cost of care for institutionalized beneficiaries and did not provide any money to beneficiaries for their personal needs.</p> | <p>We advised payees that current maintenance for institutionalized beneficiaries includes expenses for personal needs and directed them to set aside funds for personal needs and to repay any money incorrectly withheld.</p> |
| <p>Incorrect FFS Charged</p> | <p>In some cases, the payees charged a fee that we did not authorize. In other situations, we authorized the payees to charge a fee, but the payees charged fees in excess of the statutory limit.</p> | <p>We instructed payees who were not FFS payees to stop charging fees. We discuss these cases in depth in the "Findings of Misuse" section (beginning on page 16).</p> |
| <p>Conserved Funds Not Returned</p> | <p>Payees stopped serving as payee, but did not promptly return conserved benefits to us for re-issuance to the new payee or to a capable beneficiary.</p> | <p>We advised payees of our policy regarding conserved funds. These payees agreed to comply with our policies in the future.</p> |
| <p>Failure to Report Changes</p> | <p>Payees failed to comply with reporting responsibilities for both Social Security and SSI beneficiaries. The most common deficiencies in this area were a failure to report a change in a beneficiary's residence address or change in income.</p> | <p>We reviewed reporting responsibilities with payees who did not report the changes and updated each beneficiary's record.</p> |
| <p>Payee Did Not Exercise Oversight of Benefits</p> | <p>Payees did not use the beneficiaries' benefits for their current needs, but rather gave the funds directly to the beneficiaries.</p> | <p>We completed capability determinations for the beneficiaries who received their benefits in full directly from the payees to determine if the beneficiaries could manage their own money. We also reminded the payees to report whenever they believe a beneficiary in their care is capable of managing his or her money. For those beneficiaries we found to be capable, we began</p> |

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| | | paying them directly. |
| Annual Accounting Forms Not Returned | Payees did not complete annual accounting forms to account for how they used beneficiaries' funds. | We obtained outstanding accounting forms from payees. |
| Recordkeeping Problems | Payees had poor recordkeeping practices or made bookkeeping errors. | We instructed payees on how to improve their recordkeeping, and we worked diligently with payees to ensure they improved. |
| Payment After Death Not Returned | Payees failed to return payments after the death of a beneficiary. | We required payees to refund the amounts received after the beneficiaries' deaths and reminded the payees of their responsibility to promptly refund payments not due after a beneficiary's death. |
| 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. | We reminded payees of our policy and reviewed each payee's actions for conformity with our rules and regulations. |
| Collective Account Not Approved by SSA | Payees did not obtain our approval before they deposited a beneficiary's funds in a collective bank account. We require payees to ask for permission before depositing a beneficiary's funds to ensure the account is properly titled, account records are clear and up-to-date, and the payee has agreed to make account and supporting records available. | We reviewed the accounts to ensure each met our requirements. |
| Misuse Suspected | Payees kept such poor records that it suggested the possibility of misuse of benefits. | We determined that the payees had poor recordkeeping practices, but did not misuse benefits. We instructed these payees on how to improve recordkeeping and worked with them to ensure they improved. |
| Misuse Found | Payees received beneficiaries' benefits, but did not use the money for the beneficiaries. | We discuss cases of misuse beginning on page 16 under "Findings of Misuse." |