
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**BENEFIT PAYMENTS MANAGED BY REPRESENTATIVE
PAYEES OF CHILDREN IN FOSTER CARE IN
THE SOCIAL SECURITY ADMINISTRATION'S
CHICAGO REGION**

June 2012

A-13-11-21105

EVALUATION REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: June 18, 2012

Refer To:

To: Nancy A. Berryhill
Regional Commissioner
Chicago

From: Inspector General

Subject: Benefit Payments Managed by Representative Payees of Children in Foster Care in the Social Security Administration's Chicago Region (A-13-11-21105)

OBJECTIVE

Our objective was to determine whether children in foster care programs in the Social Security Administration's (SSA) Chicago Region had appropriate representative payees. Specifically, we reviewed payees of children in the State of Michigan Department of Human Services (MDHS) and the State of Indiana Department of Child Services' (IDCS) foster care programs.

BACKGROUND

Some individuals are not able to manage or direct the management of their finances because of their youth or a mental and/or physical impairment. For such beneficiaries, Congress provided that payment could be made through a representative payee who receives and manages the payments on the beneficiary's behalf.¹ A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI)² and Supplemental Security Income (SSI)³ beneficiaries⁴ when representative payments would serve the individual's interests.

¹ The *Social Security Act* §§ 205(j) and 1631(a)(2)(A)(ii); 42 U.S.C. §§ 405(j) and 1383(a)(2)(A)(ii).

² The OASDI program provides benefits to qualified retirement eligible and disabled workers and their dependents as well as to survivors of insured workers (*Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*).

³ The SSI program provides payments to individuals who have limited income and resources; and who are age 65 or older, blind, or disabled (*Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*).

⁴ We use the term "beneficiaries" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

According to SSA, cases involving foster care are among its most sensitive. It is essential that SSA protect the rights of children who may not be able to rely on their parents to do so. Therefore, it is important that SSA follow its policy, including a complete investigation of the individual or organization applying to be a representative payee and using the payee preference list appropriately to ensure children in foster care have the appropriate representative payee.⁵

SSA policy states, “Foster care agencies have traditionally been among SSA’s most dependable payees; however, their appointment as rep [representative] payee is not automaticWhen a child is removed from parental custody and the court places the child in custody of a foster care agency, the agency has legal custody of the child”⁶ Sometimes, the foster care agency is also the child’s legal guardian. To choose the best payee, SSA policy⁷ identifies payee selection preferences.⁸

The State foster care agency may not always know whether the child is receiving SSA benefits. State agencies can use SSA’s State Verification Exchange System (SVES) to determine whether the child is receiving benefits.⁹ If the child is receiving benefits, the State foster care agency can apply to SSA to become the child’s representative payee. However, SSA determines who is best suited to be the child’s representative payee. An MDHS official reported, and SSA staff confirmed, the Michigan foster care program did not have an SVES agreement. SSA staff reported the State of Indiana signed an agreement for data exchange with SSA in October 2009. We confirmed this with IDCS; however, an IDCS official stated it did not use SVES.

We selected Michigan and Indiana for our review because each State had a large foster care population, and they were willing to share their foster care data with us. MDHS administers the State of Michigan’s foster care program and partners with private, non-profit, and licensed child-placing agencies to provide care services. Child-placing agencies place children in private homes for foster care or adoption. IDCS administers the State of Indiana’s foster care program. In January 2005, Governor Mitch Daniels issued Executive Order 05-15 establishing the IDCS. An IDCS official stated, in late 2008, IDCS centralized many of the foster care services previously performed at the county level.

In May and June 2011, we conducted a computerized comparison of MDHS and IDCS foster care data with SSA’s beneficiary records. We identified 697 children—192 in

⁵ SSA, POMS, GN 00502.159 A. (effective June 25, 2007).

⁶ SSA, POMS, GN 00502.159 A and B.2 (effective June 25, 2007).

⁷ SSA, POMS, GN 00502.105 (effective July 14, 2008 – updated August 02, 2011 – no material changes).

⁸ See Appendix E.

⁹ SSA’s SVES provides authorized State government agencies with a standardized method of verifying Social Security numbers and OASDI and SSI benefit information.

Michigan and 505 in Indiana—who were being served by representative payees that were not the foster care agency or the foster care parents. We believed these children’s benefits were at a higher risk of misuse because they may not have had a suitable payee since these payees may not have had contact with the children. The payees included the children’s mothers, fathers, and relatives or others who received and managed about \$3.6 million in benefits payments, annually.

We randomly selected 100 children—50 in Michigan’s foster care program and 50 in Indiana’s foster care program—to determine whether they were being served by suitable representative payees. For these 100 children, we requested SSA perform suitability assessments to determine whether the children had the appropriate representative payees. Since these children had payees who were not the foster care agency or the foster care parent, we were concerned they may not have had suitable payees to manage their benefit payments. Therefore, we requested SSA review the representative payees we identified. See Appendix B for our scope and methodology. See Appendices C and D for our sampling methodology and results for Michigan and Indiana, respectively.

RESULTS OF REVIEW

SSA reported 17 (34 percent) of the 50 children in Michigan’s foster care program had suitable representative payees. For the remaining 33 children, SSA determined (a) 31 had unsuitable payees—19 of whom misused children’s benefits, 7 did not have misuse determinations completed, and 5 did not misuse benefits, and (b) 2 had suitable payees, but SSA changed the payees in accordance with Agency policy.

The Agency reported 24 (48 percent) of the 50 children in Indiana’s foster care program had suitable representative payees. For the remaining 26, the Agency determined (a) 24 children were being served by unsuitable payees—16 of whom misused the children’s benefits, and (b) 2 children had suitable payees, but SSA changed the payees in accordance with Agency policy.

Based on the results of SSA’s assessments, we estimate unsuitable payees served 119¹⁰ and 242¹¹ children in the Michigan and Indiana state foster care programs,

¹⁰ For the unsuitable payees serving in Michigan, we are 90-percent confident the number of unsuitable payees ranged from 98 to 138. (See Appendix C for more information.)

¹¹ For the unsuitable payees serving in Indiana, we are 90-percent confident the number of unsuitable payees ranged from 184 to 302. (See Appendix D for more information.)

respectively. Of these, 73 children in Michigan had an estimated \$265,037¹² in benefits misused, and 162 children in Indiana had an estimated \$688,699¹³ in benefits misused.

Unsuitable Payees and Selection of Payees in Accordance with Agency Policy

Of the 100 children in our samples, SSA reported that payees serving 59 children were either unsuitable; payees' assessments of misuse were pending; or payees were suitable payees, but SSA selected payees better suited according to Agency policy.

Michigan

SSA's assessments of representative payees for 33 children in Michigan's foster care system determined:

- 31 had unsuitable payees (19 misused about \$69,000 in the children's benefits payments, 7 did not have misuse determinations completed, and 5 did not misuse benefits), and
- 2 had suitable payees, but SSA changed payees per Agency policy.¹⁴

Of the 31 children who had unsuitable payees, SSA determined 19 had payees who misused about \$69,000 in benefits belonging to the children they served. Of these 19 children, SSA changed payees for 13, suspended benefits for 4, terminated benefits for 1, and put 1 in non-pay status. For example, in January 2009, MDHS removed a child from the care of his mother, who was also his payee. In August 2011, the mother completed the Form SSA – L732, *Request for Information*, for the period January through December 2010, stating that the child lived with her during the entire period. She did not have any conserved money for the child. SSA determined the mother made a false statement regarding the child's living arrangement and misused \$7,470 of the child's benefits. SSA selected MDHS as the child's new representative payee.

See Table 1 for more details about the 19 payees SSA determined misused Social Security benefits of children in Michigan.

¹² For the 73 children with misuse, we are 90-percent confident the number of children with benefit misuse ranged from 54 to 94 and the amount of misuse ranged from \$158,413 to \$371,661. (See Appendix C for more information.)

¹³ For the 162 children, we are 90-percent confident the number of children with benefit misuse ranged from 110 to 221 and the amount of misuse ranged from \$369,578 to \$1,007,820. (See Appendix D for more information.)

¹⁴ See Appendix E for more information.

Table 1: Representative Payee Benefit Misused – Michigan		
Child Beneficiary	Benefit Misuse Period	Misuse Amount
1	June 2010 - September 2011	\$1,207
2	June 2010 - September 2011	\$1,207
3	March 2011 - September 2011	\$3,145
4	February 2009 - September 2011	\$7,470
5	June 2011 - July 2011	\$256
6	August 2009 - August 2011	\$10,478
7	February 2011 - May 2011	\$2,696
8	July 2010 - August 2011	\$9,436
9	November 2010 - July 2011	\$5,998
10	October 2009 - August 2011	\$851
11	March 2011 - August 2011	\$574
12	March 2010 - May 2011	\$1,965
13	September 2009 - September 2011	\$2,355
14	January 2011 - October 2011	\$6,220
15	September 2002 - August 2011	\$2,026
16	December 2010 – June 2011	\$364
17	February 2010 – March 2011	\$9,436
18	July 2010 – July 2011	\$1,668
19	July 2010 – July 2011	\$1,668
Total		\$69,020

SSA determined the payees for seven children were unsuitable; however, it did not make formal misuse determinations. SSA reported it unsuccessfully attempted to contact the payees serving four children. SSA suspended benefits for the four children. SSA's policy states, if the Agency cannot locate the payee but believes misuse has occurred, the case should be referred to the Office of the Inspector General. The Agency had limited contact with another child's payee; however, the payee did not provide SSA the information it requested. SSA changed the child's payee to the foster care agency. Policy states a payee's refusal to provide requested information can be considered as evidence that misuse may have occurred. For the two remaining children, SSA contacted the foster care agency to determine the appropriate payee but did not contact the payee in question to determine what happened to these children's benefits. SSA changed the payee for one child and suspended the benefits of the other.

SSA determined payees serving the remaining five children were unsuitable; however, it found no misuse occurred. For one child, the mother (payee) stated she continued participating with the child even after MDHS removed the child and used the benefits to maintain the house as required for home reunification. The foster care workers stated she expected the child to return in a few months. SSA contacted MDHS, determined MDHS would be the suitable payee, and notified MDHS that they should apply to be the payee. However, as of January 2012, the mother remained the payee.

For the remaining four children, MDHS removed the children from the mother's (payee) home and placed the children in the care of their grandparents or another relative. For

two children, the payees stated they provided for the child, and SSA determined misuse had not occurred. SSA made MDHS the payee for one child and the grandparent payee for the other. MDHS placed another child with his aunt while his mother was incarcerated. SSA determined misuse had not occurred and appointed the aunt as his new payee. For the remaining child, SSA determined based on the evidence obtained, the payee had not committed misuse. SSA suspended the child's benefits until it could locate a suitable payee.

Finally, SSA concluded two children did have suitable payees, but per SSA policy, it replaced the payees with others SSA decided were better suited to be the children's payees.¹⁵ SSA selected MDHS as the new payee for one child and appointed the foster care parent as the new payee for the other.

We estimate unsuitable payees served 119 children in Michigan's foster care program. Of these, 73 children had an estimated \$265,037 in benefits misused. If SSA does not identify and replace the payees who misused Social Security payments, we estimate an additional \$308,031¹⁶ may be misused during the next 12 months.

Indiana

SSA's assessments of representative payees for 26 children in Indiana's foster care system determined:

- 24 were served by unsuitable payees (16 of those payees misused about \$68,000 in the children's benefits payments), and
- 2 had suitable payees, but SSA changed payees per Agency policy.

SSA determined 24 children had unsuitable payees. Of the 24 children, SSA determined 16 had payees who misused about \$68,000 in benefits that belonged to the children they served. For example, IDCS removed a child from her mother's (payee) home in November 2009. The mother did not report the change of custody to SSA. SSA contacted IDCS to determine whether the mother was helping the State with the child's care. SSA determined the mother did not use any of the child's benefits for the child while she was out of her custody. Therefore, SSA determined the mother misused \$13,692 of the child's benefits received from December 2009 to August 2011. In August 2011, IDCF became child's new payee.

See Table 2 for more details about the 16 payees SSA determined misused Social Security benefits of children in Indiana's foster care system.

¹⁵ *Id.*

¹⁶ For children with future misuse in the State of Michigan, we are 90-percent confident the amount of future misuse ranges from \$187,431 to \$428,751. (See Appendix C for more information.)

Table 2: Representative Payee Benefit Misused – Indiana		
Child Beneficiary	Benefit Misuse Period	Misuse Amount
1	June 2010 - August 2011	\$4,956
2	February 2011 - August 2011	\$4,718
3	December 2009 - August 2011	\$13,692
4	October 2010 - August 2011	\$7,414
5	February 2011 - July 2011	\$1,164
6	October 2010 - June 2011	\$3,843
7	October 2009 - August 2011	\$6,286
8	December 2010 - August 2011	\$640
9	November 2010 - August 2011	\$7,312
10	April 2010 - July 2011	\$2,568
11	July 2010 - September 2011	\$156
12	February 2011 - June 2011	\$3,370
13	April 2010 - July 2010	\$1,116
14	April 2011 - June 2011	\$207
15	April 2011 - September 2011	\$4,044
16	December 2010 - August 2011	\$6,702
Total		\$68,188

For the remaining eight children with unsuitable payees, SSA found no misuse. However, SSA changed payees for the eight children. For three children, SSA confirmed with the foster care parent that the payee had provided for the child's care. SSA determined no misuse had occurred. SSA appointed the foster care parent as the new payee for two children and appointed IDCS as payee for the remaining child. Payees for three other children saved the benefit payments on behalf of the children and returned the funds to SSA. SSA appointed the foster care parent as payee for one child and selected IDCS as the payee for the other two children. Lastly, for the two remaining children, SSA determined there was no evidence of misuse. SSA selected IDCF to be the children's new payee.

SSA determined suitable payees served two beneficiaries, but the Agency replaced the payees with others SSA determined best suited to serve as payees for these children.¹⁷ For these two children, SSA selected IDCS as the new payee. For example, IDCS removed a child from his grandmother's (payee) household. However, the child was able to return to his grandmother on the weekend. SSA determined the payee spent the money on the child. However, SSA determined even though the payee was suitable, she was not the proper payee at that time. SSA changed the payee to IDCS.

We estimate unsuitable payees served 242 children in Indiana's foster care program. Of these, 162 children had an estimated \$688,699 in benefits misused. If SSA does not identify and replace the payees who misused these Social Security payments, we estimate an additional \$764,893¹⁸ may be misused during the next 12 months.

¹⁷ *Id.*

¹⁸ For children with future misuse in the State of Indiana, we are 90-percent confident the amount of future misuse ranges from \$437,439 to \$1,092,347. (See Appendix D for more information.)

Suitable Representative Payees

SSA determined 41 of the 100 children in our samples—17 in MDHS' foster care program and 24 in IDCS' foster care program—had suitable payees. We reviewed documentation SSA provided to support its assessment of the payees. For payees serving 12 children, SSA provided various documents to support its assessment, such as Forms SSA-5002, *Reports of Contact*; SSA-795, *Statement of Claimant or Other Person*, and SSA-553; *Special Determination*. In addition, we reviewed information recorded in the Electronic Representative Payee System and Representative Payee System. We found this information sufficient and reliable, and it adequately supported SSA's suitability assessments. SSA policy¹⁹ directs staff to use Form SSA-5002 to document assessment of the payee's suitability. However, for the remaining 29 children, SSA did not provide such documentation. For these children, the Agency provided, and we relied on, detailed explanations of the assessments.

During SSA's review of the children selected from Michigan's foster care program, it determined 17 children had suitable payees managing their benefit payments. SSA determined the payees either had custody or guardianship of the child or maintained a close relationship with the children while they were not in their care. Therefore, SSA determined the payees were suitable. For example, SSA reported DHS removed a child from her mother's home and placed her with her grandmother. The mother was also the child's payee. The child returned home after a few months. While the child was away from her mother's home, the mother provided for the child's needs. SSA confirmed this with the child. Since the child had returned to her care and she provided for the child accordingly when the child was out of her care, SSA determined the mother to be a suitable payee.

Of the children selected from Indiana's foster care program, SSA determined 24 had suitable payees managing their benefits payments. SSA determined the representative payees to be suitable because the payee had guardianship or custody of the child and maintained a relationship and showed concern for the children. For example, IDCS removed a child from their home and placed the child in the care of a relative. The relative managed the child's Social Security benefits. During SSA's assessment of the relative (payee), the child was still residing with her and she plans to adopt the child. IDCS closely monitors the relative as well. SSA determined the payee is suitable.

CONCLUSION AND RECOMMENDATIONS

Our comparison of data from MDHS and IDCS with SSA's records identified 697 children served by representative payees who were not the foster care agency or the foster care parent. We found MDHS did not have an SVES agreement, and IDCS did not use SVES, although it had an agreement. As a result, we believe MDHS and IDCS may not have always been aware when children in their foster care programs received Social Security benefits. SSA's SVES allows States to determine whether a

¹⁹ SSA, POMS, SI 02305.123 C (effective January 22, 2003)

child is receiving benefits. With this information, the foster care agencies can determine whether they should apply to be a child's representative payee.

Of the children we identified, SSA conducted suitability assessments for payees serving 50 children in Michigan's foster care program and 50 children in Indiana's foster care program. The Agency determined 31 children in Michigan's foster care program had unsuitable payees, 19 of whom misused about \$69,000. For Indiana, SSA determined, 24 children in foster care had unsuitable payees, and 16 payees misused about \$68,000 in benefits payments.

We estimate unsuitable payees served 119 and 242 children in the Michigan and Indiana state foster care programs, respectively. Of these, 73 and 162 children, respectively, had an estimated \$265,037 and \$688,699 in benefits misused by their payees. If SSA does not identify and replace the payees who misused Social Security payments, we estimate an additional \$308,031 and \$764,893 may be misused during the next 12 months in Michigan and Indiana, respectively.

We recommend SSA:

1. Partner with the State of Michigan to increase opportunities to share information, such as establishing an agreement to use SVES, and discuss with the State of Indiana the existing SVES agreement to maximize the potential to identify unsuitable representative payees and decrease instances of benefit payment misuse.
2. Conduct suitability assessments for the representative payees associated with the remaining 67 children in Michigan and 253 children in Indiana in pay status as of February 2012 with payees who were not the foster care agency or the foster care parents.
3. Consider (a) referring to the Office of the Inspector General for further review the four payees it could not locate; (b) making a formal misuse determination for the one payee who did not provide SSA with the requested information; and (c) contacting the two payees who SSA had not contacted to determine how benefits were used for the children while they were in foster care.

AGENCY COMMENTS

SSA agreed with our recommendations. See Appendix F for the Agency's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology - Michigan

APPENDIX D – Sampling Methodology - Indiana

APPENDIX E – Payee Selection Preferences

APPENDIX F – Agency Comments

APPENDIX G – OIG Contacts and Staff Acknowledgments

Acronyms

IDCS	Indiana Department of Child Services
MDHS	Michigan Department of Human Services
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Programs Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SVES	State Verification Exchange System
U.S.C.	United States Code

Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable Federal laws and sections of the Social Security Administration’s (SSA) regulations, policies, and procedures.
- Identified and reviewed prior relevant audits.
- Interviewed SSA officials and officials from Michigan’s Department of Human Services (MDHS) and Indiana’s Department of Child Services (IDCS).
- Obtained from MDHS and IDCS electronic data extracts of children in their foster care systems as of February 11, 2011 for MDHS and April 1, 2011 for IDCS.
- Used SSA’s Enumeration Verification System to validate the Social Security numbers for MDHS’ February 11, 2011 and IDCS’ April 1, 2011 foster care data.
- Performed computerized comparisons of foster care data provided by MDHS and IDCS with SSA’s Master Beneficiary and Supplemental Security Records.
 - Based on this comparison of SSA and MDHS data, we identified 1,113 children in Michigan’s foster care program receiving Old-Age, Survivors and Disability Insurance (OASDI)¹ and/or Supplemental Security Income (SSI)² payments from SSA managed by representative payees. See Table B-1 for details.

Table B-1: Representative Payees for Children in Michigan’s Foster Care Program				
Representative Payee	Receiving OASDI Payments	Receiving SSI Payments	Receiving OASDI and SSI Payments	Total Children
MDHS	227	221	20	468
Foster Care Parents	293	146	14	453
Not MDHS or Foster Care Parents	152	36	4	192
Total	672	403	38	1,113

¹ The OASDI program provides benefits to qualified retirement eligible and disabled workers and their dependents as well as to survivors of insured workers (*Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*).

² The SSI program provides payments to individuals who have limited income and resources; and who are age 65 or older, blind, or disabled (*Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*).

- Based on this comparison of SSA and IDCS data, we identified 1,561 children in Indiana’s foster care program receiving OASDI and SSI payments from managed by representative payees. See Table B-2 for details.

Table B-2: Representative Payees for Children in Indiana’s Foster Care Program				
Representative Payee	Receiving OASDI Payments	Receiving SSI Payments	Receiving OASDI and SSI Payments	Total Children
IDCS	362	332	41	735
Foster Care Parents	209	107	5	321
Not IDCS or Foster Care Parents	311	174	20	505
Total	882	613	66	1,561

- Identified 697 children—192 in Michigan and 505 in Indiana—where the representative payee was someone other than the foster care agency or the child’s foster care parent.
- Selected 50 children each from MDHS and IDCS’ foster care programs and requested SSA determine whether the children had the appropriate representative payees. See Appendices C and D for our sampling methodologies and estimates for Michigan and Indiana, respectively.
- Requested information from SSA regarding the suitability assessments it completed and the basis for those determinations.
- Reviewed such documents as Forms SSA-5002, *Report of Contact*, SSA-795, *Statement of Claimant or Other Person*; SSA-553, *Special Determination*; Electronic Representative Payee System notes; and Representative Payee System notes that supported the Agency’s decision on the suitability assessments of the representative payees. In addition, we considered the Agency’s detailed explanations about its payee assessments.

We performed our review at SSA’s Headquarters in Baltimore, Maryland, from May 2011 to March 2012. We tested the data obtained for our review and determined them to be sufficiently reliable to meet our objective. The entities reviewed were field offices in SSA’s Chicago Region. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation*.

Sampling Methodology – Michigan

We obtained from the Michigan Department of Human Services (MDHS) a list of children under its care as of February 11, 2011. In May 2011, we conducted a computerized comparison of MDHS foster care data with SSA’s Master Beneficiary and Supplemental Security Records. Based on this comparison, we identified 1,113 children with representative payees in MDHS’ foster care program who were receiving SSA payments. Of these, we determined 192 had representative payees who were not the foster care agency or the foster care parent. We randomly selected 50 children for the Agency to assess the suitability of their payees.

Of the 50 children in our sample, SSA determined the payees for 31 to be unsuitable. The following tables provide details of our sample results, statistical projections, and estimates.

Table C-1: Number of Children with Unsuitable Payees	
Number of Children with Unsuitable Payees	31
Point Estimate	119
Projection Lower Limit	98
Projection Upper Limit	138

Note: All projections are at the 90-percent confidence level.

Of the 31 unsuitable payees, SSA confirmed 19 misused benefits totaling \$69,020. Projecting these results to our population of 192 children, we estimate 73 children had \$265,037 in benefits misused by their payees.

Table C-2: Number of Children with Benefit Misuse	
Number of Cases with Benefit Misuse	19
Point Estimate	73
Projection Lower Limit	54
Projection Upper Limit	94

Note: All projections are at the 90-percent confidence level.

Table C-3: Amount of Benefit Misuse	
Amount of Benefit Misuse	\$69,020
Point Estimate	\$265,037
Projection Lower Limit	\$158,413
Projection Upper Limit	\$371,661

Note: All projections are at the 90-percent confidence level.

SSA confirmed 19 representative payees misused benefit payments. If the Agency does not identify and replace these unsuitable payees, additional Social Security payments may be misused. Projecting these results to our population of 192 children, we estimate these payees may misuse an additional \$308,091 of benefits for the next 12 months.

Table C-4: Additional Benefits Misused (for a 12-Month Period) if SSA Did Not Take Action to Correct Beneficiaries with Misuse	
Amount of Future Benefit Misuse (12-month period)	\$80,232 ¹
Point Estimate	\$308,091
Projection Lower Limit	\$187,431
Projection Upper Limit	\$428,751

Note: All projections are at the 90-percent confidence level.

¹ To calculate the amount of potential future benefits misuse for a 12-month period, we multiplied the last monthly benefit payment by 12 months for the 16 beneficiaries whose benefits were misused.

Sampling Methodology – Indiana

We obtained from the Indiana Department of Child Services (IDCS) a list of children under its care as of April 1, 2011. In June 2011, we conducted a computerized comparison of IDCS foster care data with SSA’s Master Beneficiary and Supplemental Security Records. Based on this comparison, we identified 1,561 children with representative payees in IDCS’ foster care programs who were receiving SSA payments. Of these, we determined 505 had representative payees who were not the foster care agency or the foster care parent. We randomly selected 50 children for the Agency to assess the suitability of their payees.

Of the 50 children in our sample, SSA determined 24 payees to be unsuitable. The following tables provide details of our sample results, statistical projections, and estimates.

Table D-1: Number of Children with Unsuitable Payees	
Number of Children with Unsuitable Payees	24
Point Estimate	242
Projection Lower Limit	184
Projection Upper Limit	302

Note: All projections are at the 90-percent confidence level.

Of the 24 unsuitable payees, SSA confirmed 16 misused benefits totaling \$68,382. Projecting these results to our population of 505 children, we estimate 162 children had \$688,699 in benefits misused by their payees.

Table D-2: Number of Children with Benefit Misuse	
Number of Cases with Benefit Misuse	16
Point Estimate	162
Projection Lower Limit	110
Projection Upper Limit	221

Note: All projections are at the 90-percent confidence level.

Table D-3: Amount of Benefit Misuse	
Amount of Benefit Misuse	\$68,188
Point Estimate	\$688,699
Projection Lower Limit	\$369,578
Projection Upper Limit	\$1,007,820

Note: All projections are at the 90-percent confidence level.

SSA confirmed 16 representative payees misused benefit payments. If the Agency does not identify and replace these unsuitable payees, additional Social Security payments may be misused. Projecting these results to our population of 505 children, we estimate these payees may misuse an additional \$764,893 of benefits for the next 12 months.

Table D-4: Additional Benefits Misused (for a 12-Month Period) if SSA Did Not Take Action to Correct Beneficiaries with Misuse	
Amount of Future Benefit Misuse (12-month period)	\$75,732 ¹
Point Estimate	\$764,893
Projection Lower Limit	\$437,439
Projection Upper Limit	\$1,092,347

Note: All projections are at the 90-percent confidence level.

¹ To calculate the amount of potential future benefits misused for a 12-month period, we multiplied the last monthly benefit payment by 12 months for the 16 beneficiaries whose benefits were misused.

Payee Selection Preferences

The Social Security Administration's (SSA) policy directs its staff to choose the applicant best suited to serve as representative payee.¹ In determining the best payee choice, SSA staff is instructed to “. . . consider all factors, including the applicant's relationship to the beneficiary, the applicant's interest in the beneficiary's well being and whether or not the applicant has custody of the beneficiary.” In addition, policy indicates representative payee preference lists are provided as guides to help in the selection of a payee. As stated in policy, the lists below are generally shown in the preferred order of selection for minor children and adults.

Payee Preference Lists for Minor Children

Agency policy states “When the beneficiary is a minor child, select the best payee available from this list of preferred applicants:

1. A natural or adoptive parent with custody;
2. A legal guardian;
3. A natural or adoptive parent without custody, but who shows strong concern;
4. A relative or stepparent with custody;
5. A close friend with custody and provides for the child's needs;
6. A relative or close friend without custody, but who shows strong concern;
7. An authorized social agency or custodial institution; or
8. Anyone not listed above who shows strong concern for the child, is qualified, and able to act as payee, and who is willing to do so.”

Payee Preference List for Adults

SSA policy states “When you determine that the beneficiary needs a representative payee, select the best payee available from this list of preferred applicants:

1. A spouse, parent or other relative with custody or who shows strong concern;
2. A legal guardian/conservator with custody or who shows strong concern;
3. A friend with custody;
4. A public or nonprofit agency or institution;

¹ SSA, POMS, GN 00502.105 (effective July 14, 2008 – August 2, 2011; updated August 2, 2011 – no material changes).

5. A Federal or State institution;
6. A statutory guardian;
7. A voluntary conservator;
8. A private, for-profit institution with custody and is licensed under State law;
9. A friend without custody, but who shows strong concern for the beneficiary's well-being, including persons with power of attorney;
10. Anyone not listed above who is qualified and able to act as payee, and who is willing to do so;
11. An organization that charges a fee for its service."

Agency Comments

May 23, 2012

REPLY: Signed Draft Report (A-13-11-21105)

Thank you for the opportunity to review the recommendations proposed by the Office of the Inspector General regarding this audit. We agree with each of the three recommendations, and have begun taking steps to implement them.

If you or your staff have any questions, please contact Grant Vreuls, Program Expert of the Center for RSI/SSI Policy via [email](#) or by calling 312-575-4232.

/s/

Nancy A. Berryhill

OIG Contacts and Staff Acknowledgments

OIG Contacts

Shirley E. Todd, Director, Evaluation Division

Randy Townsley, Audit Manager

Acknowledgments

In addition to those named above:

Upeksha van der Merwe, Auditor

Brennan Kraje, Statistician

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-13-11-21105.

DISTRIBUTION SCHEDULE

Commissioner of Social Security

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.