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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**BENEFIT PAYMENTS MANAGED BY  
REPRESENTATIVE PAYEES OF CHILDREN IN  
PENNSYLVANIA'S STATE FOSTER CARE PROGRAMS**

December 2012

A-13-12-11245

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**EVALUATION  
REPORT**

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## **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.**

**MEMORANDUM**

**Date:** December 4, 2012

**Refer To:**

**To:** Terry Stradtman  
Regional Commissioner  
Philadelphia

**From:** Inspector General

**Subject:** Benefit Payments Managed by Representative Payees of Children in Pennsylvania's State Foster Care Programs (A-13-12-11245)

**OBJECTIVE**

Our objective was to identify children in Pennsylvania's State foster care programs who were served by representative payees who may not have been suitable.

**BACKGROUND**

Some beneficiaries are not able to manage or direct the management of their finances because of their youth or mental or physical impairment. For such beneficiaries, Congress provided for payment to be made through a representative payee who receives and manages payments on the beneficiary's behalf.<sup>1</sup> A representative payee may be an individual or an organization. The Social Security Administration (SSA) selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI)<sup>2</sup> and Supplemental Security Income (SSI)<sup>3</sup> beneficiaries<sup>4</sup> when representative payments would serve the individual's interests.

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

<sup>2</sup> The OASDI program provides retirement and disability benefits to qualified individuals and their dependents as well as to survivors of insured workers. *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

<sup>3</sup> 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.*

<sup>4</sup> We will use the term "beneficiaries" generically in this report to refer to both OASDI beneficiaries and SSI recipients.

According to SSA policy, cases involving foster care are among the 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 completely investigating 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.

SSA policy states, “Foster care agencies have traditionally been among SSA’s most dependable payees; however, their appointment as rep [representative] payee is not automatic . . . [w]hen 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 . . . .”<sup>5</sup> Sometimes, the foster care agency is also the child’s legal guardian. SSA policy states that a child’s court-appointed legal guardian has a higher standing on the payee preference list than an agency that has a custodial relationship.<sup>6</sup>

The State foster care agency may not always know whether the child is receiving SSA benefits. Therefore, States can use SSA’s State Verification Exchange System (SVES) to determine whether the child is receiving benefits. If the child is receiving benefits, the State foster care agency can apply to become the child’s representative payee. However, SSA determines who is best suited to be the child’s representative payee.

Pennsylvania’s child welfare system is county-administered and State-supervised. The Office of Children Youth and Families of the State of Pennsylvania’s Department of Public Welfare (DPW) oversees the State’s foster care programs by assisting individuals and licensing organizations that provide foster care homes for children. DPW staff reported that DPW uses the Agency’s SVES to determine whether a child is receiving Social Security benefits when that child enters foster care.

In April 2012, we conducted a computerized comparison of DPW foster care data with SSA’s beneficiary records. The State of Pennsylvania comprises 67 counties. We compared SSA’s records with foster care data for the six counties with the highest number of children in foster care as of March 31, 2011—Allegheny, Berks, Delaware, Lancaster, Luzerne, and Philadelphia. In 2011, about 57 percent of the children in Pennsylvania’s foster care programs was in these six counties. See Appendix B for our scope and methodology.

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<sup>5</sup> SSA, POMS, GN 00502.159 A and B.2 (effective June 25, 2007).

<sup>6</sup> SSA, POMS, GN 00502.159 B.1 (effective June 25, 2007).

## RESULTS OF REVIEW

Our April 2012 computerized data comparison of foster care data for 6 Pennsylvania counties and SSA records identified 130 children<sup>7</sup> served by representative payees who may not have been suitable. These children had representative payees who were not the county-based foster care program or the foster care parent. The representative payees serving these children managed about \$707,000 in benefit payments, annually.<sup>8</sup> Based on SSA's records, the payees included such individuals as the children's mothers, fathers, relatives, or other non-relatives.

In total, we identified 623 children in foster care programs receiving Social Security payments managed by representative payees. In addition to the 130 children described above, 431 children had county-based foster care programs as the representative payees, and the remaining 62 children had their foster care parents as the payee of record. See Table 1 for details.

<b>Table 1: Representative Payees for Children in Allegheny, Berks, Delaware, Lancaster, Luzerne, and Philadelphia County Foster Care Programs</b>				
<b>Type of SSA Benefit</b>	<b>Payees Are County-Based Foster Care Programs</b>	<b>Payees Are Foster Care Parents</b>	<b>Payees Not the County-Based Foster Care Programs or Foster Care Parent<sup>9</sup></b>	<b>Total Children</b>
OASDI	372	27	<b>68</b>	467
SSI	52	30	<b>60</b>	142
OASDI & SSI	7	5	<b>2</b>	14
<b>Total</b>	<b>431</b>	<b>62</b>	<b>130</b>	<b>623</b>

Of the 130 children we identified, 41 (32 percent) were under age 10 as of March 31, 2012, the last day of the last full month before we conducted our computerized data comparison. See Table 2 for details.

<sup>7</sup> On August 28, 2012, DPW staff indicated that after our April 4, 2012 computerized data comparison, the foster care program applied to serve as representative payee for 7 of these 130 children.

<sup>8</sup> We multiplied the April 2012 benefit payment amount for each child by 12 to compute annual benefit payments. Since benefit payment amounts and entitlement status can vary from month to month, this number represents an estimate of annual benefits managed.

<sup>9</sup> *Id.*

<b>Age Range</b>	<b>Number of Beneficiaries</b>
< 5 Years	17
5 to 9 Years	24
10 to 14 Years	27
15 to 17 Years	60
> 18 Years	2
<b>Grand Total</b>	<b>130</b>

We conducted similar comparisons using foster care data from four States.<sup>10</sup> For these reviews, we reported the results of SSA's assessments of selected payees who were not foster care programs or foster care parents. For each State, SSA reviewed a sample of the payees serving those children to determine whether they were appropriate.

Of the 189 children reviewed in the 4 states, SSA determined 54 had payees who misused about \$225,000 in benefits. At the time of our reviews, we estimated about 294 children in foster care in Florida, Michigan, and Indiana had payees who misused about \$1.3 million in benefit payments.<sup>11</sup> Additionally, if the Agency took no action to identify and replace payees who misused Social Security payments, we projected an additional \$1.4 million in benefit payments were at risk of misuse during the following 12 months in these three States.

## **CONCLUSION AND RECOMMENDATION**

Our review of Pennsylvania foster care records for 6 counties identified 130 children whose representative payees were neither the foster care parent nor a county-based foster care program and therefore may not have been suitable. We believe these children's benefits were at risk of misuse since these payees may not have been using the funds for the children's current and foreseeable needs. We recommend the Agency conduct assessments for the 130 representative payees identified to determine whether the payees are suitable, and if necessary, refer suspected misuse to our Office of Investigations.

<sup>10</sup> See the following reports for results of work completed pertaining to children in foster care in Maryland, Florida, Indiana, and Michigan: *Benefit Payments Managed by Representative Payees of Children in Foster Care* (A-13-07-17137), June 17, 2010; *Benefit Payments Managed by Representative Payees of Children in the Florida State Foster Care Program* (A-13-11-11173), March 19, 2012; and *Benefit Payments Managed by Representative Payees of Children in Foster Care in the Social Security Administration's Chicago Region* (A-13-11-21105), June 18, 2012.

<sup>11</sup> We intended to provide the Agency with 100 percent of the children we identified; therefore, we did not perform any sampling or projections for our review of children in foster care in Maryland: SSA OIG, *Benefit Payments Managed by Representative Payees of Children in Foster Care* (A-13-07-17137).

## AGENCY COMMENTS AND OIG RESPONSE

SSA disagreed with our recommendation. The Agency indicated the report did not contain sufficient analysis to support the recommendation. However, results of similar computer comparisons using foster care data from four other States are included in the report. Based on SSA's assessments of representative payees for Maryland, Florida, Michigan, and Indiana who served 189 children, Agency staff determined 54 had payees who misused about \$225,000 in benefits. Projecting the results to the population, we estimated about 294 children in foster care in Florida, Michigan, and Indiana had payees who misused about \$1.3 million in benefit payments. In response to our recommendations for children in these three States' foster care programs, SSA agreed to review the cases we identified. We estimated that if the Agency took no action to identify and replace payees who misused Social Security payments, an additional \$1.4 million in benefit payments were at risk of misuse during the following 12 months in those three States. SSA's assessments were conducted of payees who were not foster care programs or foster care parents. We conclude this information is sufficient to warrant our recommendation. See Appendix C for the Agency's comments.



Patrick P. O'Carroll, Jr.

# *Appendices*

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgment

## Acronyms

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

## Scope and Methodology

To accomplish our objective, we:

- Obtained and reviewed applicable Federal laws and sections of the Social Security Administration’s (SSA) regulations, policies, and procedures.
- Identified, obtained, and reviewed copies of prior relevant audit reports.
- Interviewed SSA and State of Pennsylvania Department of Public Welfare (DPW) officials.
- Reviewed foster care data for the State of Pennsylvania as of March 31, 2011.
  - Based on these data, we determined 57 percent of the children in foster care in the State of Pennsylvania resided in six counties. We selected the children in these foster care programs for review.
  - Requested and obtained from DPW an electronic data extract of children in the following six county-based foster care programs as of March 1, 2012.

<b>Children in Allegheny, Berks, Delaware, Lancaster, Luzerne, and Philadelphia County Foster Care Programs as of March 1, 2012</b>		
County	Records	Percent of Total
Allegheny	1,417	18
Berks	571	7
Delaware	490	6
Lancaster	464	6
Luzerne	422	5
Philadelphia	4,394	57
TOTAL	7,758	100 <sup>1</sup>

- Used SSA’s Enumeration Verification System to validate the Social Security numbers for the foster care data of the six counties.
- Conducted a computerized comparison of the children’s records provided by DPW with SSA's Master Beneficiary and Supplemental Security Records to determine the:

<sup>1</sup> This column does not add due to rounding.

- Number of children in the county-based foster care programs receiving Old-Age, Survivors and Disability Insurance and/or Supplemental Security Income payments from SSA managed by representative payees.
- Relationship between the child beneficiaries and their representative payees (that is, parent or foster care agency).
- Informed the Agency and DPW of the results of our computerized comparison of DPW and SSA information.

We performed our review at SSA's Headquarters in Baltimore, Maryland, from April to August 2012. We tested the data obtained for our review and determined it to be sufficiently reliable to meet our objective. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

# Agency Comments

November 06, 2012

**Subject:** Philadelphia Region Response - Signed Draft Report (A-13-12-11245)

Thank you for the opportunity to comment on the draft report of OIG Audit No. A-13-12-11245, "Benefit Payments Managed by Representative Payees of Children in Pennsylvania's State Foster Care Programs". We disagree with the only recommendation made (i.e., SSA conduct assessments for the 130 representative payees identified to determine whether the payees are suitable, and if necessary, refer suspected misuse to our Office of Investigations) as the report did not contain sufficient analysis to support this recommendation.

The draft report states that DPW staff reported that DPW uses the Agency's State Verification Exchange System to determine whether a child is receiving Social Security benefits when that child enters foster care. However, there are valid reasons that a parent or other relative would be a suitable payee for a child in the custody of a foster care (FC) agency. Some of them are:

- Short term placement – the goal is to reunite the child with the parent but the parent is not currently able to have physical custody (e.g., Short term psych hospitalization)
- Child under legal custody of FC Agency, but placed with parent under supervision – the goal is to keep child in the home
- Child placed with other relative (e.g., aunt or grandmother) by FC Agency – not official foster care parent
- Child returns to home on weekends – parent must maintain home and provide clothing etc.
- The Foster Care Agency wants parent to remain payee as parent is in frequent contact with child and uses funds for child's expenses. This is especially the case if the child is entitled to a small monthly benefit amount. (The report states that SSA should use the payee preference list. On this list a parent without custody, who shows strong concern, is placed higher than a custodial institution.)

Terry M Stradtman  
Regional Commissioner  
Philadelphia Region

## OIG Contacts and Staff Acknowledgment

### *OIG Contacts*

Shirley E. Todd, Director, Office of Audit, Evaluation Division

Randy Townsley, Audit Manager

### *Acknowledgment*

In addition to those named above:

Gregory Trenchard, Auditor

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-13-12-11245.

## **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.