United States Government Accountability Office

Report to the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

September 2019

SOCIAL SECURITY BENEFITS

SSA Needs to Improve Oversight of Organizations that Manage Money for Vulnerable Beneficiaries

GAO-19-688

September 2019

GAO
Highlights

Highlights of GAO-19-688, a report to the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

SOCIAL SECURITY BENEFITS

SSA Needs to Improve Oversight of Organizations that Manage Money for Vulnerable Beneficiaries

Why GAO Did This Study

Nearly a million individuals relied on organizational payees to manage their Social Security benefits in 2018. Due to an aging population more beneficiaries may need organizational payees in the future. These beneficiaries are among the most vulnerable because, in addition to being deemed incapable of managing their own benefits, they lack family or another responsible party to assume this responsibility. SSA reports that misuse of benefits by payees is rare, but its Office of Inspector General has identified cases of misuse that have harmed vulnerable beneficiaries. GAO was asked to review SSA's organizational payee program.

This review examines, among other things SSA's process for approving payees and its monitoring efforts. GAO reviewed relevant federal laws, regulations, policies, and guidance; analyzed SSA data from fiscal year 2018; analyzed the predictive statistical model SSA uses to select low-volume payees for on-site reviews; and interviewed SSA central office staff and regional, area, and field office staff in four regions selected for geographic diversity.

What GAO Recommends

GAO is making nine recommendations in this report, including that SSA: clarify how to assess complex suitability factors; assess requiring background checks for organizational payees; establish a timeframe for reviewing the predictive model and document design decisions resulting from that review; and establish timeframes for, and conduct revisions of the accounting form. SSA agreed with all nine recommendations and provided technical comments that GAO incorporated as appropriate.

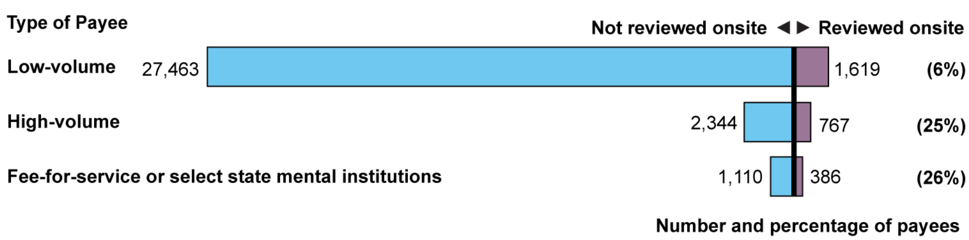
View GAO-19-688. For more information, contact Elizabeth Curda at (202) 512-4040 or curdae@gao.gov.

What GAO Found

The Social Security Administration (SSA) approves organizational payees—such as nursing homes or non-profits that manage the Social Security benefits of individuals unable to do so on their own—by assessing a range of suitability factors, such as whether the organizations have adequate staff to manage benefits for multiple individuals. However, GAO found that SSA's policy does not specify how to assess more complex suitability factors, such as whether an organization demonstrates sound financial management. Without clearer guidance, unqualified or ill-prepared organizational payees could be approved to manage benefits. Also, SSA does not currently require background checks for key employees of an organizational payee. In contrast, SSA requires background checks for individual payees—such as a relative or friend of the beneficiary. A comprehensive evaluation could help SSA determine whether and how to expand their use of background checks to organizational payees.

To ensure organizational payees are managing funds appropriately, SSA uses several monitoring tools, including resource-intensive onsite reviews. Certain organizational payees, such as those that charge fees for their services or have 50 or more beneficiaries (high-volume), receive onsite reviews every 3 to 4-years. In contrast, payees that serve fewer than 50 beneficiaries (low-volume)—the vast majority—are selected for review based on their estimated likelihood of misusing beneficiary funds, and a relatively low percent of them receive onsite reviews (see figure). SSA uses a predictive statistical model to identify higher risk low-volume payees, but the model's effectiveness cannot be fully assessed by GAO or others due to missing documentation on how it was designed. SSA officials said they will update the model in the future, but do not have a time frame for doing so. Establishing such a time frame and documenting design decisions are key steps toward assessing the model's effectiveness.

Number and Percentage of SSA Organizational Payees, by Payee Type, Reviewed Onsite in Fiscal Year 2018.



Source: GAO analysis of fiscal year 2018 data from the Social Security Administration (SSA). | GAO-19-688

Another way SSA oversees organizational payees is by reviewing their annual accounting forms, but shortcomings exist in SSA's review of the form and in the form's content and design. For example, SSA lacks timeframes for following up on missing or problematic forms. Also, the accounting form does not capture complete information on whether payees co-mingle beneficiaries' funds in collective accounts, which can limit SSA's ability to monitor those risk-prone accounts. Establishing timeframes and revising the form could enhance the effectiveness of the annual accounting form as an oversight tool.

Contents

Figures

Abbreviations

CMS	Centers for Medicare & Medicaid Services
eRPA	Electronic Representative Payee Accounting
eRPS	Electronic Representative Payee System
NAS	National Academy of Sciences
NDRN	National Disability Rights Network
OIG	Office of Inspector General
OMB	Office of Management and Budget
POMS	Program Operations Manual System
SSA	Social Security Administration

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

September 26, 2019

The Honorable John Larson
Chairman
The Honorable Tom Reed
Ranking Member
Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

In fiscal year 2018, the Social Security Administration (SSA) paid over $1 trillion in retirement and disability benefits to over 67 million individuals. Due to age or disability, some of these individuals are unable to manage their benefits on their own or to direct someone else to manage them, so SSA may assign a representative payee to do this for them. Generally, when a family member or friend is not available to serve as the representative payee, SSA allows certain organizations—such as community-based non-profit social service agencies; nursing homes; or government agencies—to serve this role. In 2018, SSA reported that 33,197 organizational representative payees served approximately 952,000 beneficiaries.[1] The number of beneficiaries needing organizational payees—who are particularly vulnerable among represented beneficiaries because they lack family or friends to manage their benefits in order to meet their most basic needs—could swell in the coming years as the large generation of baby boomers retires and people live longer.[2] SSA generally relies on its network of field offices throughout the country to approve and communicate with representative payees.

[1]In this report we refer to organizational representative payees as “organizational payees,” individual representative payees as “individual payees,” and organizational and individual payees together as “representative payees.” Because this report focuses on organizational payees, when discussing SSA policy we sometimes refer specifically to organizational payees even though the policy or process may also apply to individual payees. We specify differences between policies and procedures for organizational and individual payees only when directly relevant to our findings. Finally, for readability, we sometimes use the shorter term “payee” to refer to the type of payee being discussed—generally organizational payees.

[2]By 2030, the Census Bureau projects that 21 percent of Americans will be aged 65 and older—compared to 15 percent in 2016—and that by 2035, the number of people aged 85 and older will nearly double the number in 2017—11.8 million compared to 6.4 million.

Although SSA reporting shows that misuse of benefits by organizational payees is rare, SSA's Office of Inspector General (OIG) has reported that some cases of misuse and ill treatment by these organizations have resulted in significant harm to the vulnerable beneficiaries they are supposed to protect. For example, SSA's OIG testified in 2017 that the owner of an organizational payee had used beneficiary funds to purchase properties and for the business' use, while at the same time many beneficiaries the organizational payee served were living in poor conditions or homeless. In light of the important role organizational payees play in ensuring that basic needs of vulnerable SSA beneficiaries are met, you asked us to review SSA's organizational payee program. This report examines how SSA: (1) approves organizations to be representative payees, (2) communicates with organizational payees, and (3) oversees these organizations.

To address all three objectives, we reviewed relevant federal laws and regulations and SSA policies and guidance. We also interviewed SSA officials in its central office and staff in four regional offices that we selected to reflect a range in the number of states and organizational payees they collectively oversee, and to represent a range of geographic locations.[3] Within those regions, we interviewed staff at four area offices and a total of eight field offices (in seven states) that were selected to include both metropolitan and non-metropolitan areas. These interviews with regional, area, and field office staff are intended to obtain perspectives from SSA officials in different parts of the country and are not intended to be representative of all SSA field offices or field office staff. We also analyzed program data, including the number and type of organizational payees and the number of beneficiaries they serve. We assessed the reliability of these data by reviewing relevant documentation and interviewing SSA staff knowledgeable about the systems used to collect and maintain the data, and we determined the data were sufficiently reliable for our use.

To obtain overall perspectives on the program, we interviewed staff of the Social Security Advisory Board, representatives of an SSA managers' association, and an organizational payee association. In addition, we interviewed representatives of advocacy groups for the aged, persons

[3]The four regions we selected—Atlanta, Boston, Chicago, and San Francisco—cover 24 states and represented 55 percent of the organizations and 52 percent of the beneficiaries in SSA's organizational payee program in 2018.

with physical disabilities, and persons with mental illness regarding their constituents' experiences with SSA's organizational payee program.

To determine how organizations are approved to be representative payees, in addition to interviewing officials at each field office we visited about their role in the application process, we reviewed information SSA maintained for up to six organizational payees at each visited field office, where available. Specifically, at each visited field office we reviewed up to two applications that SSA approved and up to two that SSA denied within the last 5 years. At each visited field office we also reviewed files for up to two organizational payees that closed or were terminated within the last 5 years. We selected the most recent approval, denial, and termination files that were available.

To understand how SSA communicates with organizational payees, we reviewed program guidance and visited eight organizational payees—one in the local area of each field office we visited.[4] We also interviewed SSA officials at the central office and at the four regional and area offices.

To review SSA's oversight of organizational payees—including onsite reviews and other monitoring tools—we reviewed program guidance and interviewed SSA officials at its central office and the four regional and area offices.[5] The onsite review process changed in 2018, when legislation was enacted requiring SSA to award annual grants to state protection and advocacy systems to conduct onsite reviews of representative payees.[6] To understand SSA's new onsite review process, we reviewed agency documents that describe the roles and responsibilities of key players in the new process and interviewed SSA

[4]The organizational payees we visited had various characteristics. The number of beneficiaries represented by the organizational payees ranged from seven to approximately 4,000. Four organizations represented more than 50 beneficiaries (high-volume), four represented fewer than 50 beneficiaries (low-volume), and four of the eight charged a fee for services. Three organizations were residential facilities, three were organizations that also provided case management services, and two provided only financial management services in their role as organizational payees.

[5]In this report, we use the term "onsite review" to refer to what SSA generally calls site reviews.

[6]Pub. L. No. 115-165, 132 Stat. 1257. Prior to 2018, SSA conducted many reviews itself and used a contractor to conduct a subset of reviews for low-volume payees. The state protection and advocacy systems that now conduct these reviews were already required by federal law to protect the rights of persons with developmental disabilities and to advocate on their behalf. See 42 U.S.C. § 15043(a).

officials and representatives of the National Disability Rights Network about the status of its implementation. However, we did not assess the efficacy of the new onsite review process because we determined it was too early in its implementation. We analyzed the predictive model SSA uses to select low-volume organizational payees for onsite reviews by reviewing available documentation on its development and interviewing SSA officials.

To determine the extent to which organizational payees are reviewed and the outcomes of those reviews, we analyzed fiscal year 2018 program data from SSA and reviewed SSA's annual reports to Congress. To learn how frequently organizational payees closed or were terminated, we obtained data from SSA. We determined SSA data used in this report—including the extent of onsite reviews conducted by organizational payee type, the number of organizational payee terminations, and outcomes reported to Congress—were sufficiently reliable for our purposes. See appendix I for more details on our scope and methodology.

We conducted this performance audit from April 2018 to September 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Organizational Payees

Types of Organizations

Different types of organizations can serve as representative payees, from residential facilities where beneficiaries live, to organizations that only manage individuals' Social Security retirement, disability, or other benefits. SSA's organizational payees include social service agencies, mental institutions (federal, state or local, non-profit, private), non-mental institutions (federal, state or local, non-profit, private), financial organizations, and entities represented by public officials (such as public guardians, officers of the court, and other similar positions).

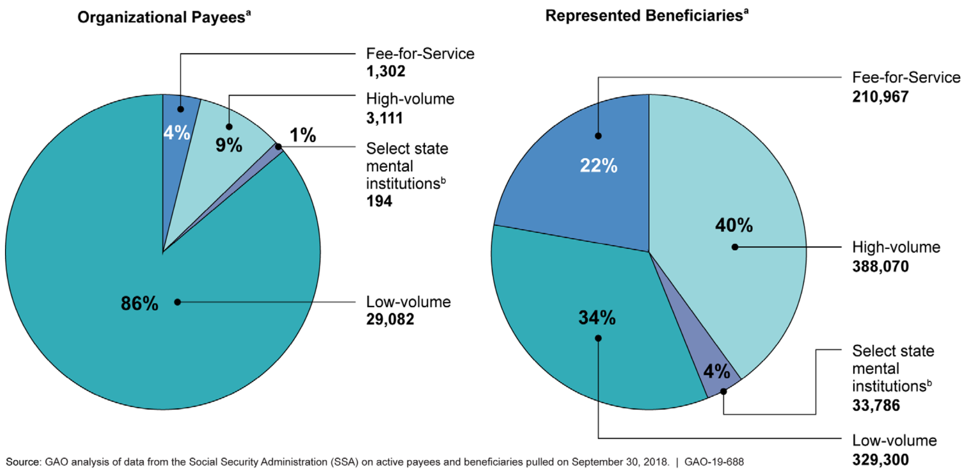
For certain oversight purposes, such as periodic reviews, SSA categorizes organizational payees into several groups, including: (1) fee-for-service organizations, which charge beneficiaries a monthly fee for expenses incurred in providing services;[7] (2) organizations that serve 50 or more beneficiaries and do not charge a fee for their services, referred to in this report as “high-volume”; (3) organizations that serve fewer than 50 beneficiaries and do not charge a fee for their services, referred to in this report as “low-volume”, and (4) state mental institutions participating in the State Onsite review program.[8]

SSA data from fiscal year 2018 indicate that the vast majority (86 percent) of organizational payees are low-volume payees, which serve 34 percent of beneficiaries (see fig. 1).

[7]In 2019, fee-for-service organizations were allowed to charge the lesser of $43 a month or 10 percent of the monthly benefit. Organizations approved to charge fees may charge a higher amount (the lesser of $82 a month or 10 percent of the monthly benefit) in any case in which the Commissioner has determined that a beneficiary has a drug addiction or alcoholic condition.

[8]Certain state mental institutions can elect to receive State Onsite reviews, which are specific to state mental institutions and do not require beneficiary interviews. Those mental institutions are also not required to submit annual accounting forms. State mental institutions can alternatively opt out of receiving the State Onsite review. State mental institutions that opt out—as well as federal, local, non-profit, and private mental institutions that serve as organizational payees—would receive standard onsite reviews. How frequently these institutions are reviewed onsite generally depends on whether they are low-volume, high-volume, or fee-for-service organizations.

Figure 1: Number and Percent of SSA Organizational Payees and Represented Beneficiaries, by Payee Type, for Fiscal Year 2018



Source: GAO analysis of data from the Social Security Administration (SSA) on active payees and beneficiaries pulled on September 30, 2018. | GAO-19-688

[a]We do not include in these counts two payees and 422 beneficiaries that we could not categorize based on the information SSA provided to us.

[b]We include in these counts state mental institutions that opted for a triennial review and the beneficiaries they serve.

Roles and Responsibilities

Organizational payees decide how to spend beneficiaries' funds, but must do so for the beneficiary's use and benefit in a manner the payee determines to be in the beneficiary's best interest. SSA considers it acceptable if the funds are used for the beneficiary's current maintenance, which includes the costs of food, shelter, clothing, and medical care. After the representative payee has used the funds consistent with these guidelines, any remaining amounts must be conserved or invested on behalf of the beneficiary.

Organizational payees are responsible for keeping records of SSA payments made to them on behalf of each beneficiary and the expenditures for each beneficiary. All organizational payees participate in onsite reviews and—except for state mental institutions participating in State Onsite reviews—are also required to file an annual accounting form to show how benefit payments were used and any amounts that were saved. Organizational payees also are required to notify SSA of certain changes or situations, including:

- changes that may affect the beneficiary's eligibility for benefits or the benefit amounts, such as when the beneficiary, or the beneficiary's spouse, dies; and when the beneficiary moves or is unable to be contacted or located, starts or stops working, or no longer needs a payee;

- when organizational payees learn that one or more of their employees has stolen a beneficiary's funds or determines they can no longer serve as the payee for any reason; and
- when payees establish an account that mingles funds from multiple beneficiaries in one account—referred to as collective accounts—because these accounts must be approved before use.[9]

SSA

The process for administering the representative payee program is guided largely by requirements in statute and SSA regulations, which SSA communicates through its Program Operations Manual System (POMS).[10] Recent changes to the program—including the new onsite review process—reflect requirements established by the Strengthening Protections for Social Security Beneficiaries Act of 2018.[11] For example, the Commissioner of SSA must now: (1) reassess representative payee selection and replacement policies, (2) award annual grants (totaling at least $25 million nationwide) to each state's protection and advocacy system to conduct onsite reviews of representative payees,[12] and (3) award annual grants to a national association that can provide state protection and advocacy systems with training, technical assistance, and

[9]Collective accounts typically only contain Social Security disability or retirement benefits belonging to beneficiaries or recipients of a representative payee, but there are some exceptions.

[10]We use the term "representative payee program" to refer to SSA's overall payee program, which includes both individual and organizational payees, and define the "organizational representative payee program" as the portion of this broader program relevant only to organizational payees.

[11]Pub. L. No. 115-165, 132 Stat. 1257.

[12]Protection and advocacy systems advocate to protect the basic rights of individuals with a wide range of disabilities including cognitive, mental, sensory, and physical disabilities. Protection and advocacy systems also work to ensure accountability in health care, employment, education, housing, and other service systems for individuals with disabilities, assisting individuals to pursue legal, administrative, and other appropriate remedies or approaches to ensure their protection. The National Disability Rights Network (NDRN) is the national association of protection and advocacy systems.

administrative oversight.[13] In addition, the Act requires SSA to present the results of reviews—including information on representative payees' misuse of benefits—in an annual report to Congress.

SSA administers and manages the representative payee program through three dedicated data systems:

- The Electronic Representative Payee System (eRPS) is the system used to process payee applications; record poor payee performance; process changes (such as new addresses); and document misuse allegations, significant information about the payee, and why applications were approved or denied.
- The Electronic Representative Payee Accounting (eRPA) system is used to capture and review annual accounting forms that all organizational payees except state mental institutions participating in SSA's State Onsite review program, are required to submit for each beneficiary they represent. Field office staff also use this system to track progress in resolving problems identified during reviews of the form, such as representative payees failing to submit complete information.
- The newly created Representative Payee Monitoring Tool, which is used to track and oversee the updated onsite review process.

SSA operates the representative payee program primarily through its network of field offices. Field offices review and approve organizations' applications to become representative payees, serve as the point of contact when organizations report changes to beneficiary or organization information, and play a role in monitoring and overseeing representative payees.

SSA policy describes the required process for designating a representative payee for a beneficiary whom SSA staff have determined

[13]SSA has awarded 57 grants to protection and advocacy agencies ("grantees") to conduct all onsite reviews and a grant to NDRN to provide grantees with training and assistance. These grants cover the 50 states, District of Columbia, Puerto Rico, American Samoa, Commonwealth of the Northern Mariana Islands, Guam, U.S. Virgin Islands, and the American Indian consortium.

to be incapable of managing his or her benefits.[14] First, organizations apply to serve as a payee for specific individuals. Second, SSA staff review applications to assess if the organization is qualified to serve as a payee and is the most suitable payee for the individual beneficiary. Additional qualifications are assessed when organizations apply to collect fees for their payee services. For example, SSA requires that all fee-for-service applicants have already served at least five beneficiaries for a full calendar month or more, and that non-governmental agencies be licensed and bonded.

Once approved, organizational payees are subject to ongoing SSA oversight. SSA reviews annual accounting forms from organizational payees on each of the beneficiaries they represent.[15] The accounting forms are used to monitor how the payee spent or saved benefits on behalf of the beneficiary; identify situations where payment to a payee may no longer be appropriate; or determine if the payee is no longer suitable. In addition to reviewing accounting forms annually, every 3 years SSA must review collective accounts established by organizational payees.

Whether or not additional oversight in the form of an onsite review is provided, and the frequency of that oversight, generally depends on the organizations' characteristics (see table 1). Certain types of organizational payees—such as high-volume, fee-for-service, and some state mental institutions—receive onsite reviews every 3 or 4 years. Low-volume organizational payees do not receive periodic reviews; rather SSA selects some of these payees for onsite reviews based on their likelihood of misusing beneficiaries' funds and may target additional organizational payees because of an event that raises a question about the payee's performance or suitability or because a protection and advocacy grantee thinks that a review is warranted.[16] SSA's purpose in conducting onsite reviews is to: (1) ensure organizational payees perform their duties

[14]SSA may make a determination about a beneficiary's capability when an individual or organization applies to serve as payee, when SSA staff interact with the beneficiary, or when other information suggests the need to evaluate a beneficiary's capability. However, the process for making this determination was outside the scope of this review. In addition, our review focuses on the process for designating organizational payees rather than individual payees, as these processes vary.

[15]SSA is required by law to establish a system of accountability whereby payees must report at least annually. 42 U.S.C. § 405(j)(3).

[16]We refer to such reviews as grantee-generated reviews.

satisfactorily, (2) deter misuse, (3) keep lines of communication open between the organizational payee and the servicing field office, (4) reinforce to the organizational payee their duties and responsibilities, and (5) proactively address the needs of organizational payees.

Table 1: Frequency of Onsite and Other Reviews of SSA Organizational Payees, by Type of Payee

Type of organizational payee	Frequency of onsite and other reviews
High-volume[a]	• Onsite review every 4 years • Annual review of accounting form
Fee-for-Service	• Onsite review every 3 years • Onsite educational review 6 months after organization is approved as fee-for-service • Annual review to confirm organization remains bonded and licensed, actively serves as payee for at least five beneficiaries, and continues to be community based • Annual review of accounting form
State mental institutions	Either • State Onsite review every 3 years[b] Or: • Onsite reviews based on volume or fee-for-service • Annual review of accounting form[c]
Low-volume[d]	• Onsite review if targeted by SSA's predictive model • Annual review of accounting form

Source: GAO analysis of Social Security Administration (SSA) policy | GAO-19-688

Note: Each type of payee listed in this table is also subject to quick response checks, as well as reviews initiated by state protection and advocacy systems.

[a]High-volume organizations serve 50 or more beneficiaries and do not charge a fee for their services.

[b]State mental institutions can elect to receive State Onsite reviews. These mental institutions are not required to submit annual accounting forms.

[c]State mental institutions that opt out of receiving State Onsite reviews—as well as federal, local, non-profit, and private mental institutions that serve as organizational payees—are instead subject to onsite reviews generally based on whether they are low-volume, high-volume, or fee-for-service organizations.

[d]Low-volume organizations serve fewer than 50 beneficiaries and do not charge a fee for their services.

Gaps in the Organizational Payee Approval Process Introduce Risks

We identified several gaps in SSA's process for approving organizational payees, including insufficient detail in SSA's policies, insufficient documentation of suitability decisions, and absence of background or credit checks on most organizational payees—gaps that may increase the risk of approving an unsuitable payee. We also identified challenges that field offices may face when approving replacement representative payees, such as a lack of local organizational payees and difficulty locating some beneficiaries.

Some SSA Policies for Approving Organizational Payees Lack Detail, and SSA Lacks a Process to Ensure that Supplemental Guidance Is Compliant with Policy

When an organization applies to serve as a payee, SSA's policy stipulates that field office staff evaluate whether the organization is suitable. All payee applicants—individuals and organizations—are subject to the same general suitability factors,[17] and organizations are evaluated on an additional set of suitability factors. Organizations are generally evaluated on the same suitability factors, whether they are a first-time applicant, or applying to serve an additional beneficiary.[18] Additional requirements apply to organizations applying to collect fees (see appendix II).[19]

Two factors used to determine the suitability of organizations that are applying to be representative payees are straight-forward: (1) whether the payee agrees to receive benefits via direct deposit and (2) whether the payee uses protected accounts for beneficiary funds. However, other suitability factors are more complex, such as whether the applicant:

- demonstrates sound financial management policies (i.e., has a history of being current in its own financial obligations),
- demonstrates effective internal communication (i.e., good communication between case management and financial management components),
- has adequate recordkeeping systems to ensure that the client's needs are met and benefits are properly administered.

We found that SSA's policies on how to evaluate more complex issues do not provide sufficient detail to ensure staff can fully assess an organization's suitability. Staff at one of the eight field offices we visited

[17]For all individual and organizations applying to serve as a beneficiary's payee, SSA policy states that staff should consider a range of factors, such as whether the payee applicant shows concern for the beneficiary's well-being, is knowledgeable about the beneficiary's current and foreseeable needs, the payee's relationship to the beneficiary, any relevant criminal history, custodial information, and the payee's past performance. See appendix II for a full list of factors.

[18]SSA staff are also instructed to consider an organizational payee's past payee performance.

[19]One of these additional requirements is that an organization must regularly serve as a payee for at least five beneficiaries for a full calendar month before being approved to collect fees.

told us the policies can leave room for interpretation,[20] and staff at three field offices use additional guidance developed by field and regional offices that elaborates on how to assess some of the more complex issues in SSA's policies. For example, SSA's policy on what constitutes sound financial management states that an organization should have a history of being current in its own financial obligations. However, it generally does not provide direction on how to verify that an organization meets that requirement. Moreover, the policy lacks details on what staff should do to conduct a deeper assessment of an organization's financial management practices if they think further assessment is warranted.

Similarly, SSA policy directs staff to consider whether an organization has effective internal communication, which it defines as good communication between the organization's case management and financial management components. However, SSA's policy does not specify what actions constitute effective communication, such as the frequency and method of communication, type of information to be shared, and time frames for transmitting information. According to federal internal control standards, agencies should establish policies to document responsibilities for a process's objectives and related risks and communicate these policies to personnel so they can fulfill their assigned responsibilities.[21] Although SSA officials were able to point us to sections of agency policy that went into more detail about some of these complex topics, these policies pertain only to the few organizations that are applying to collect fees. In the absence of specific guidance on how to consider factors when assessing the suitability of all organizational payee applicants, SSA staff may be approving some of them without a complete picture of their financial health and ability to be good stewards of vulnerable beneficiaries' money.

According to central office officials, regions are generally given leeway to create their own supplemental guidance documents based on SSA policy to assist with training—documents that may also serve as resources to

[20]Officials from SSA's central office told us that some policies grant SSA staff flexibility due to unique payee/beneficiary situations. However, they stated that not all policy is open to interpretation.

[21]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C. September 2014).

help staff interpret SSA policy.[22] Officials in field and area offices told us this supplemental guidance is generally made available to staff on internal websites maintained by area or regional offices. Staff in three field offices told us they use supplemental guidance to evaluate organizations. For example, staff in one field office told us they use a supplemental list of questions to interview organizational payee applicants. These supplemental interview questions address some suitability factors in greater detail than SSA policy. For example:

- SSA policy directs staff to consider whether the organization "has adequate staff and resources to serve its clients." The supplemental guidance from a regional office includes five questions on the number, type, relationships, and responsibilities of the staff; training and skills of staff dealing with finances; and documentation.
- SSA policy directs staff to consider whether the organization "has adequate recordkeeping systems to ensure that the client's needs are met and benefits are properly administered." The supplemental guidance from a regional office includes nine questions on the systems, records, procedures, and safeguards related to recordkeeping.

Staff in another field office told us they created a desk guide on a range of topics related to individual and organizational payees that includes supplemental guidance documents and excerpts from SSA policy. The desk guide is a reference for all employees that work on payee issues and is also used to train new employees.

However, SSA lacks a process to ensure that supplemental guidance is reviewed for compliance at the national level and that such guidance is updated by the regional office in a timely manner. Officials told us that because all regions are expected to follow SSA policy, central office staff only review supplemental guidance when the regions request it.[23] Furthermore, SSA central office officials told us that although there is a protocol for communicating policy updates to regional, area, and field

[22]"Supplemental guidance" is a term GAO uses to describe guidance developed at regional or local offices that is based on SSA policy but not part of that official policy. According to SSA officials, there are some policy sections that apply only to certain states or local areas; these local policies are not included in what we refer to as supplemental guidance.

[23]According to SSA officials, local policy, which is separate from supplemental guidance, is subject to a preclearance review at the national level.

office staff, it is up to regions to refresh their own guidance. These officials did not know how long it takes regions to incorporate policy changes into regional guidance documents. As a result, field offices may be using supplemental guidance that has not been updated to reflect policy changes. For example, in a desk guide we reviewed, we identified a policy excerpt that was not the most recent version of that policy.[24] Federal internal control standards stipulate that management should periodically review policies and procedures for continued relevance and effectiveness.[25] Without processes to ensure that supplemental guidance documents are reviewed for compliance or updated in a timely manner when policy changes, decisions to approve organizational payees may be made inconsistently across different regions and field offices.

SSA officials told us in May 2019 that they are currently reevaluating the agency's representative payee approval policies and procedures based on feedback gathered through a forum hosted in September 2018 by the Social Security Advisory Board and in response to a Federal Register notice published in December 2018.[26] However, SSA did not provide additional information on the nature, scope, or timeframes of this effort.

Field Offices Do Not Always Fully Document Their Decisions to Approve Organizational Payees

SSA policy requires field office staff to document their assessment of an applicant's suitability as a payee and the rationale for deciding to approve or deny an application. In addition, before approving a payee in eRPS, the system SSA uses to manage representative payee information, field office staff are to enter notes in accordance with the eRPS user guide. Specifically, staff are directed to document their determination regarding the beneficiary's capability to manage their own finances and the organization's suitability as a payee for the beneficiary. In certain situations, SSA policy directs staff to enter an additional note to document the relationship between the beneficiary and the payee.

However, we found that staff in field offices we visited did not always fully document their decisions before approving organizational payees for the

[24]The national policy excerpt in the desk guide was accurate as of 2016, but the policy was updated in 2017. We obtained the desk guide in 2018.

[25]GAO-14-704G.

[26]*See* Review and Reassessment of the Social Security Administration's (SSA) Representative Payee Selection and Replacement Policies, 83 Fed. Reg. 64,422 (Dec. 14, 2018).

first time. Specifically, of the 21 first-time application files we reviewed, 16 did not contain a note about the organization's suitability.[27] Of the five files that did contain such notes, three provided limited detail. For example, two of the approved applications contained a note documenting that the beneficiary currently lived in the facility applying to serve as payee. However, notes in these two approved applications did not include any details regarding the prospective payee's suitability, such as information about the facility or organization itself. Moreover, in two cases where the payee was a creditor for the beneficiary, we found that SSA staff had not documented why they approved these payees even though they were creditors for the beneficiary.[28] Applicants who are creditors for beneficiaries are generally prohibited from serving as payees. Although exceptions are allowed in certain situations—such as when the organization is a care facility licensed or certified by the state, poses no risk to the beneficiary, and whose financial relationship with the beneficiary presents no substantial conflict of interest—staff are required to document why a creditor was selected as the payee. Although being a creditor could affect a payee's suitability, we found that field office staff had not recorded information about why they selected these two creditors as the beneficiaries' payees.

We found that SSA staff might not fully document their decisions to approve organizational payees in part because eRPS, the system SSA uses to process payee applications, lacks safeguards for certain information entered into the system.[29] As previously noted, staff use eRPS notes to document their assessment of: the beneficiary's capability,

[27]In each application, an organization applies to serve as the payee for a single beneficiary, whether it is the organization's first or repeat application. At each of the eight field offices we visited, we asked to review four first-time organizational payee applications (to serve as payee or to collect fees)—two that were approved and two that were denied. However, due to some irregularities with data we obtained from SSA to select files for review, 11 of the 32 applications were deemed out-of-scope. See appendix I for more information on our scope and methodology.

[28]Creditor organizations—organizations that provide a beneficiary with services and goods for consideration—are only allowed to serve as payee to these beneficiaries under certain circumstances (as long as the payee poses no risk to the beneficiary and the financial relationship presents no substantial conflict of interest), including being a care facility licensed or certified by the State; being a qualified organization authorized to collect fees from the beneficiary for expenses incurred in providing payee services; and being the administrator or owner of a facility where the beneficiary lives if SSA is unable to locate an alternative payee.

[29]eRPS also does not capture this information for individuals applying to serve as an individual payee.

the payee applicant's suitability, and, in some cases, the beneficiary-payee relationship. However, while eRPS prevents field office staff from approving a payee without first documenting their assessment of a beneficiary's capability in a note, this automated safeguard does not extend to the other note type. According to federal internal control standards, agencies should clearly document significant events so that that they are available for examination, and design their information systems to obtain and process information that responds to the agency's objectives and risks.[30] Because eRPS allows SSA staff to approve a payee without fully documenting the decision, SSA staff may not be able to reference that information to inform future decisions about the organizational payee. Specifically, SSA staff will not be as well-prepared to make fully informed decisions about an organizational payee's continuing eligibility, or whether the organizational payee should be approved to manage benefits for additional vulnerable beneficiaries. This creates a risk that SSA staff may unwittingly approve an inappropriate organizational payee to serve other beneficiaries.

Without Screening Checks, SSA Lacks Additional Insight into the Suitability of Most Organizational Payee Applicants

SSA uses two types of external screening—background and credit checks—to identify potential concerns regarding the suitability of certain payee applicants. Whether such checks are required depends on the type of applicant, but most organizational payees do not receive either check.

- **Background checks for individual representative payee applicants:** According to law and SSA policy, staff should conduct background checks on individual payee applicants to determine if they have a criminal history that would disqualify them from serving as a payee.[31] As part of the background check, policy directs staff to use applicant interviews and tools embedded in eRPS to gather information about the individual payee applicant's criminal history, including prison time or unsatisfied felony warrants. Unless the payee is exempted by SSA policy, SSA staff will request the payee's

[30] GAO-14-704G.

[31] The Strengthening Protections for Social Security Beneficiaries Act of 2018 legally codified SSA's existing policy of prohibiting individuals convicted of certain felonies from serving as representative payees. The law also requires SSA to (1) conduct background checks on all individual payees by January 1, 2024; and (2) re-checking individual payees every 5 years.

permission to conduct a background check and, if permission is granted, will then obtain a criminal report from eRPS.[32, 33]

- **Credit checks for some fee-for-service applicants:** According to SSA policy, staff are directed to obtain and review a credit report from Dun & Bradstreet for all non-governmental organizational payees that are applying to collect fees for payee services.[34] These credit reports include information on bankruptcies, pending or completed legal judgments, liens, payment history and risk, credit use, and how the applicant compares to other organizations in its industry.

These two types of external screening checks provide SSA with additional information about payee applicants that can help staff assess applicants' suitability and identify potential risks. Specifically, SSA policy states that staff should generally conduct background checks on individuals applying to serve as payees to identify whether they had been convicted of a felony that would automatically bar them from doing so.[35] SSA policy requires field office staff to ask individual payee applicants about other convictions that might make a payee applicant a questionable choice.[36] SSA policy notes that credit checks (1) provide a better understanding of

[32]According to POMS GN 00502.113, certain family members with custody of the beneficiary are exempt from the background check.

[33]For non-exempt individual representative payee applicants, field office staff must obtain the applicant's permission before conducting part of the background check. SSA policy provides additional detail about the specific steps staff are directed to take to obtain information on individual representative payee applicants' past criminal history. If the applicant does not give permission for a background check, their application to serve as payee will be denied. For more information, see POMS GN 00502.113, "Interviewing the Payee Applicant."

[34]According to POMS GN 00506.600, "Credit Reporting for New Fee-for-Service Applicants," SSA does not require credit checks for state or local government agencies applying to collect fees for payee services.

[35]Federal law generally states that persons may not serve as payees in SSA's representative payee program if they have been convicted of certain crimes, including human trafficking, false imprisonment, kidnapping, rape and sexual assault, first-degree homicide, robbery, fraud to obtain access to government assistance, fraud by scheme, theft of government funds or property, abuse or neglect, forgery, and identity theft or fraud. In addition, POMS GN 00502.132 identifies additional considerations—such as having been convicted of felonies other than those that automatically bar individuals from serving under the law—that make an applicant a questionable payee choice.

[36]POMS GN 00502.113 includes a series of sample questions that field office staff can ask about criminal history identified through the background check that does not include barred crimes, such as the sentence, whether anyone was injured because of the offense, early release from prison due to "good behavior," and certain additional arrests.

potential risk factors that create payee business losses due to fraud, failure, or severe delinquency, and (2) may provide an indication of any risk involved in the organization's current or future performance as a payee.[37]

However, SSA does not assess these risk factors for most organizational applicants because SSA policy generally does not require staff to conduct background checks for organizational payees, and SSA only conducts credit checks for organizational payees that apply to collect fees.[38] According to SSA data, as of July 2018, only 4 percent of organizational payees were authorized to collect fees and, therefore, may have undergone a credit check. Moreover, those credit checks that are conducted for organizations occur after their initial approval—when they are already serving beneficiaries—because organizations can not apply to collect fees until they have regularly served as payee for at least five beneficiaries for 1 calendar month or more.

SSA officials told us the agency does not conduct background checks on organizations, in part because the process is more complicated than for individuals.[39] SSA recommends that organizational payees screen employees who deal with beneficiary funds—identifying this as a best practice—but officials told us this is not required. However, in addition to employees who handle beneficiary funds, the criminal history of an organization's principals (e.g., chief executive and operating officers, director, president, etc.) may also help inform SSA's assessment of an organizational payee's suitability, as these individuals may exert great influence over the tone and structure of the organization.

Without conducting credit or background checks, SSA risks unknowingly approving questionable organizational applicants, therefore increasing the

[37]Per SSA policy, staff are expected to conduct a full review of suitability on each application to serve as a beneficiary's payee, even if the individual or organization is already serving as a payee for other beneficiaries.

[38]Some regulatory language indicates that SSA conducts criminal background checks on organizational payees when they apply and every 5 years thereafter (e.g., 20 C.F.R. §§ 404.2024, 404.2026). However, SSA officials informed us that such language was a drafting error and that the agency was in the process of correcting it.

[39]In addition, although SSA collects Social Security numbers of individual representative payee applicants, which is a key piece of information used in criminal background checks, it does not collect this information for principals or staff of organizational payee applicants. See appendix I for more information.

risk that beneficiary funds may be misused. In May 2019, SSA officials informed us that, while the agency has been focused on implementing criminal background checks on non-exempt individual representative payees, it is also exploring whether to conduct background checks on organizational payees' employees or require organizational payee applicants to conduct background checks on their employees. In addition, they told us that SSA has also been considering whether to conduct credit checks on additional organizational payees, but has yet to make a decision on this matter. However, SSA did not provide information on the expected timeframes for this decision-making process. Further, SSA lacks a comprehensive plan for evaluating if and how to expand background and credit checks to organizational payees.

SSA Also Faces Challenges Approving Replacement Organizational Payees

When an organizational payee closes or is terminated,[40] SSA must ensure that all affected beneficiaries can continue to access their benefits, either by finding a replacement payee or—when a beneficiary is deemed capable of managing their own finances—paying the individual directly. SSA officials told us they strive to avoid temporarily suspending benefits. However, temporarily suspending benefits may be necessary to avoid sending beneficiary funds to a former payee that is no longer able or willing to manage them. SSA's policies delineate when temporarily suspending benefits may be necessary, such as when a beneficiary's whereabouts are unknown. In 2017, according to SSA data, 427 organizational payees closed or were terminated by SSA.[41] According to SSA data, SSA suspended benefits for more than 13,000 beneficiaries affected by payee closures and terminations in fiscal year 2017; their benefits were suspended for an average of 2.28 months.

SSA policy describes the steps that SSA staff must take when dealing with the closure or termination of an organizational payee serving multiple beneficiaries, but SSA's level of involvement in finding replacement

[40]An organizational payee may not be able to continue as payee for a variety of reasons, such as financial failure or change of business ownership. In addition, SSA may take action to terminate an organizational payee when the payee is not performing its duties satisfactorily, including when a payee has misused funds.

[41]These terminations include organizational payees that went out of business or had a change of ownership. According to the same SSA data, in 2017 an additional 192 organizational payees were marked as "terminated" for administrative reasons, such as merging into another existing payee or to remove duplicate organizations in SSA's system.

payees varies depending on the situation. Staff at one field office said that, for the only organizational payee that closed in the last several years, they were involved in finding replacement payees for affected beneficiaries before they terminated the organizational payee. However, staff from two field offices told us that SSA is not always involved in finding new payees. For example, staff at one of these field offices said that when the state closed a nursing home in their jurisdiction, it was state officials and not SSA who found new facilities for affected beneficiaries. When these new facilities applied to serve as payee for their new residents, SSA processed the applications (see sidebar). Staff at another field office told us that before closing, some organizational payees identified prospective payees for affected beneficiaries. In those cases, payee staff submitted proposed payee changes to SSA, and SSA told these prospective payees they must file an application to become the approved payee. Officials in SSA's central office told us that staff determine if the applicant is the most suitable payee before approving them.

Payee Reassignment of Beneficiaries Affected by a Nursing Home Closure

SSA staff told us that when a nursing home serving as a payee was closed for violations of the state code, 71 beneficiaries were affected. According to SSA, 60 of the beneficiaries were reassigned to other organizational payees, four were reassigned to individual payees, and seven were deemed capable of managing their own funds.

Most of the beneficiaries were reassigned within 1 month of the nursing home closing, but in a few cases it took 2 to 7 months to assign a replacement

Source: Social Security Administration (SSA). | GAO-19-688.

According to SSA officials, in 2015, SSA enhanced its policy on what to do when beneficiaries are affected by an organizational payee's closure or termination. Specifically, national officials told us SSA added new procedures for appointing a new payee in cases of immediate payee termination and emphasized the narrow circumstances when it is appropriate to temporarily suspend benefits. Officials told us these changes were in response to a challenging experience terminating a large organizational payee in 2014 that served nearly 1,000 beneficiaries.

Despite this change to agency policy on replacing organizational payees that are terminated or closed, SSA continues to face some challenges in approving replacement payees. Specifically, SSA staff we interviewed cited a number of challenges they had encountered, such as shortages of local organizational payees and difficulties obtaining information from terminated organizational payees. While these challenges may not apply to all field offices, they provide examples of circumstances that can complicate the process of reassigning beneficiaries.

- **Lack of local organizational payees.** Officials in some field and regional offices said they lack sufficient organizational payees in their local area. For example, staff in three field offices said many organizational payees in their area only serve certain types of beneficiaries, such as the elderly or individuals with developmental disabilities or specific medical conditions. Staff in two field offices told us they had unsuccessfully tried to recruit additional organizational payees in their jurisdiction. Similarly, a member of an SSA managers association noted that it has been several years since a new organizational payee was approved in her state.

- **Difficulty ensuring community presence for fee-for-service organizational payees.** Officials from SSA's regional, area, and field offices told us that it can be challenging to meet the agency's requirement that non-governmental fee-for-service organizational payees be community based.[42] For example, staff at an SSA area office told us that finding payees within the community is challenging in sparsely populated and remote areas, such as along Maine's border with Canada, where beneficiaries may not live near any approved organizational payees. In March 2019, SSA updated the policy on community presence for non-governmental fee-for-service organizational payees to better specify what is required for a payee to establish community presence, but it is not yet clear the extent to which this update resolves field office concerns about remote areas.[43]
- **Difficulty locating beneficiaries.** Officials in some field and regional offices noted that they sometimes struggle to locate beneficiaries, which hinders reassignment. Homeless beneficiaries, in particular, can be difficult to find, according to staff in one regional office.
- **Difficulty obtaining information from terminated organizational payees.** Officials in some SSA offices told us that they may lack information necessary to complete the transfer of an affected beneficiary to another payee. For example, staff in a regional office said that terminated organizational payees may not always be forthcoming about unspent beneficiary funds.[44] Staff in another field office told us that because a terminated organizational payee had not maintained adequate records of beneficiaries' guardians, SSA staff

[42]According to SSA policy, non-governmental fee-for-service organizations are required to have a physical business office located in the same field office service area as each beneficiary it serves that is accessible to the public, is staffed by at least one person who handles payee responsibilities, and is open for the entire length of its service as a fee-collecting payee.

[43]The March update changed the geographic unit that qualifies a non-governmental organization as having community presence from being located in the same neighborhood, city, or county to having a physical business office in beneficiaries' field office service area or within 75 miles of the field office.

[44]Officials at SSA's central office told us that SSA policy directs staff to determine if it is necessary to conduct additional checks on the financial records of organizational payees that are being terminated.

had to go to court to identify them before approving replacement payees.[45]

SSA's Communication with Organizational Payees Varies and Payee Feedback Is Not Systematically Collected

SSA Has Various Opportunities to Communicate with Organizational Payees

SSA staff communicate with organizational payees at various points. According to SSA policy, field offices should communicate with organizational payees when they initially apply, and field office staff may communicate with payees as part of periodic oversight activities—such as through record change reporting requirements or following up on annual accounting forms. During the application process, SSA field office staff should explain the responsibilities and duties of a payee. For example, they should explain that payees must submit an annual accounting form and that payees must keep detailed records of how benefits are used in order to provide an accurate report to SSA when requested. Field office staff also should explain when payees must contact SSA, such as when a payee's address changes. Monitoring and oversight activities, such as reviews of annual accounting forms, also provide opportunities for SSA field staff to communicate with organizational payees. Similarly, SSA's ongoing reporting requirements—such as to update certain beneficiary or payee information—provide another opportunity to interact.[46] According to field staff we interviewed, staff frequently communicate with organizational payees regarding changes to a beneficiary's address. Finally, according to SSA officials, SSA also communicates with

[45]Per POMS GN 00502.130, a beneficiary's legal guardian must receive notice of any change regarding a beneficiary.

[46]The physical copies of the SSA annual accounting form that are mailed to organizational payees reiterates other representative payee responsibilities, such as notifying SSA if a beneficiary moves, gets married, or is imprisoned. The annual accounting form, which organizational payees are required to submit annually for each beneficiary, is one of SSA's oversight mechanisms.

organizational payees by providing information online and providing guidance documents when payees are approved.

While all field offices communicate with their organizational payees, how field offices communicate with payees can vary. Four of the eight field offices we visited had designated specific staff either to work with each organizational payee or with high-volume payees. In the other four field offices, payees talk to whichever staff member is available. SSA officials told us that the different workforce arrangements stem from varying workflows and staffing resources at individual offices. Similarly, we found variation across field offices regarding whether SSA staff reach out to organizational payees even if changes do not need to be made or problems addressed. For example, staff at four of eight field offices also said that they have held training sessions for groups of organizational payees. Further, staff at three field offices told us that SSA provides training to specific organizational payees at their request, such as when an organization experiences staff turnover.

Selected Organizational Payees Expressed Frustrations with SSA Communications

Seven of the eight organizational payees we spoke with expressed frustration either with SSA's follow-through on communications or with its processes for receiving information from payees.

- **Application status updates**. Three payees said that SSA staff did not tell them how long it would take to review their application. They also said SSA staff had not provided updates during the process, which took 2 to 3 months or longer to complete.
- **Follow-up calls.** These three payees also said that they were not told how long it would take for SSA staff to return their calls, and two said that sometimes they never received a call back.
- **Wait times.** Two payees said that it takes too long to provide information in person at SSA field offices. For example, after signing in at a kiosk, a payee may have to wait for hours until their number is called. This payee said that they often bring beneficiaries to the SSA office and that long wait times can be very difficult for them, particularly those with mental illness. In some cases, beneficiaries have walked out or passed out while waiting in the SSA office, according to the payee. The payee also said that long wait times are sometimes compounded when field office staff require them to return to the queue for each successive case rather than handling all the payee's cases at once. However, because field offices are allowed to

establish their own workflow processes, this issue may not apply to other field offices.

- **Faxing documents versus sending them electronically.** Three payees said that having to fax documentation to SSA rather than send this information electronically creates additional work. SSA officials said that the agency has a plan to allow individual payees to securely transmit personally identifiable information electronically, but has not established a timeframe for allowing organizational payees to do so.[47]

At the field offices we visited, managers had different expectations regarding time frames for responding to payee requests. Three managers we interviewed said that staff should respond to payees as soon as possible, three managers said that staff should respond within 24-48 hours, and two managers said staff should respond within 7-14 days. SSA officials told us that SSA has not set timeliness standards for field offices because doing so could affect other workloads in unanticipated ways and it is the agency's goal to provide service and support to all payees on an ongoing basis.

Organizational Payees May Provide Feedback to SSA but SSA Lacks Systematic or Formal Feedback Mechanisms for Collecting and Analyzing Feedback

SSA may receive feedback from organizational payees through various mechanisms. Officials from SSA's central office told us that organizational payees can provide feedback either by contacting their local field office or calling SSA's national customer service number. Some field office staff also said that they provide informal opportunities for payees to offer feedback. For example, one field office manager told us that he spends time building relationships with organizational payees, solicits feedback by asking how things are going, and sometimes visits organizational payees when he is nearby. Another manager emphasized the importance of gathering and responding to organizational payee feedback. This manager said that she established quarterly calls with multiple payees to discuss issues and solicit feedback. Managers of two field offices told us that they provide standardized SSA customer comment cards in their waiting areas, although the cards do not ask respondents to identify whether they are organizational payees.

[47]SSA's 2017 Annual Performance Report Fiscal Year 2017-2019 indicated that SSA planned to expand online services to representative payees within "my Social Security" in fiscal years 2018 and 2019, which would allow payees to make changes on behalf of beneficiaries and reduce the burden on field offices. In May 2019, SSA officials told us that they plan to complete this option for individual payees in fiscal year 2020.

However, SSA does not have a mechanism for payee feedback to be systematically collected, compiled, and analyzed across field offices to determine if programmatic changes are warranted. SSA officials said they do not have or plan to develop a formal mechanism for collecting and analyzing organizational payee feedback because the current process allows field offices to respond to all public contacts in a consistent and timely manner. However, federal internal control standards state that management should establish reporting lines that allow the agency to receive quality information from external stakeholders and specify that quality information, among other things, should be complete, current, and provided on a timely basis. Without a formal mechanism to systematically collect and analyze payees' feedback and ideas for program improvement, SSA cannot be sure that it is receiving complete or current impressions from organizational payees on how efficient its processes are or how timely it responds to their needs. Being aware of and responding to payees' concerns might help the agency retain and attract organizations to serve as payees and ensure it is well-positioned to meet future challenges.

SSA Offices Use Several Methods to Oversee Organizational Payees, but the Methods Have Shortcomings

SSA uses several methods to oversee organizational payees, including conducting onsite reviews, and reviewing annual accounting forms and collective accounts. However, each of these methods has shortcomings in its design and implementation, weakening SSA's ability to effectively oversee payees and prevent fraud. SSA officials said they plan to conduct an over-arching assessment of fraud risks to the representative payee program in 2019, but the robustness of such a plan is yet to be determined.

SSA is Transitioning to a New Onsite Review Process but its Process for Targeting Low-Volume Payees for Review is Poorly Documented

Transition to SSA's New Onsite Review Process

State protection and advocacy agencies ("state grantees"), the national association grantee (which is currently the National Disability Rights Network, or NDRN), and SSA regional offices play key roles in the new onsite review process for organizational payees.[48] Given the extent to which onsite reviews uncover misuse and other problems, the onsite review is a crucial control for the representative payee program. Under the new process, state grantees generally interview selected payees, beneficiaries, and legal guardians or third parties; review financial records for selected beneficiaries over a 12-month period; transmit findings from their reviews to SSA; and, in some cases, follow up on deficiencies they identify.[49] State grantees also suggest additional payees to review (beyond those targeted by SSA) if they think such a review is warranted.[50] According to SSA, the national association grantee's responsibilities include: (1) training state grantees; (2) ensuring the quality of onsite reviews; (3) serving as the first point of contact for state grantee communication and questions; and (4) providing state grantees with technical assistance, administrative support, and data collection services. According to SSA, the regional offices are responsible for compiling information to facilitate grantees' onsite reviews that is not automatically provided through SSA's system and for clarifying procedural and

[48]As discussed previously, the onsite review process changed in 2018, when legislation was enacted requiring SSA to award annual grants to state protection and advocacy systems to conduct onsite reviews of representative payees. SSA was also required to award annual grants to a national association to provide state protection and advocacy systems with training, technical assistance, and administrative oversight; from 2018 to 2023, the national association grantee is the NDRN. State grantees now conduct all types of onsite reviews, including those for fee-for-service, state mental institutions, high-volume, and low-volume payees, if selected. State grantees also conduct educational visits, grantee-generated reviews, and quick response checks, which are onsite reviews that were initiated because of an event that raises a question about the payee's performance or suitability. SSA officials told us that the processes for onsite reviews for fee-for-service, high-volume, and low-volume payees, and for quick response checks and grantee-generated reviews, are the same. Onsite reviews for state mental institutions participating in the State Onsite review program and educational visits follow different procedures.

[49]There are four possible types of outcomes a state grantee can identify at an onsite review. One type of outcome is a (1) deficiency related to representative payee fiduciary responsibilities, such as an unreturned annual accounting form, poor recordkeeping, or incorrect titling of bank accounts. The state grantee communicates these kinds of findings to the payee through a corrective action plan. Other possible outcomes include (2) a deficiency related to representative payee performance that requires possible immediate SSA action, such as potential misuse; (3) a deficiency on the part of the payee to comply with reporting responsibilities, such as reporting a change of beneficiary's address; and (4) no deficiencies found. In addition to identifying these outcomes, grantees can also make referrals for beneficiary-identified needs, such as employment services; and referrals for an immediate health or safety threat to the beneficiary, such as possible financial exploitation by someone other than the payee.

[50]In this report, we refer to such reviews as "grantee-generated" reviews.

technical information for the grantees. Regional offices also address and resolve all deficiencies the grantees do not resolve, according to SSA. Lastly, under the new system, state grantees, the national association grantee, and SSA input information from reviews and track progress towards completing their assigned reviews using SSA's new Representative Payee Monitoring Tool, which is used to manage and control the new onsite review process.

According to six NDRN representatives, transitioning to the new onsite review system involved challenges with grantees gaining access to equipment, working through bottlenecks at some regional offices, responding to unanticipated workloads, and receiving timely responses to feedback. Specifically, NDRN representatives said that while the process of clearing grantees to access beneficiaries' personally identifiable information has been efficient, there have been delays providing grantees with access to SSA laptops, printers, and scanners.[51] As a result of these equipment delays, grantees started to conduct reviews on paper and then input the information later, according to NDRN representatives, thus using less efficient, manual processes. NDRN representatives also said that the new onsite review process involves multiple handoffs between grantee and regional office staff, which has contributed to bottlenecks at some regional offices. Moreover, NDRN representatives noted that, in addition to the reviews SSA originally assigned to the grantees, regional offices have tasked them with conducting quick response checks.[52] Because these reviews have generally involved assessing a large number of financial records and conducting many beneficiary interviews, and were not anticipated in SSA's initial plan, NDRN representatives believe they may affect the ability of some state grantees to complete the other reviews SSA had initially planned. Lastly, an NDRN representative said that the timeliness of SSA's responses to grantee feedback and concerns (communicated from state grantees via NDRN) has diminished in recent months. Specifically, the NDRN representative said that the computer program SSA staff developed to enable NDRN to submit questions to the agency was initially working well. However, recently, as the volume of NDRN's questions has increased, the system is not working as well, and

[51]According to SSA, grantees will use agency-provided laptops, printers, and scanners in order to meet SSA's information security requirements.

[52]Quick response checks are a type of onsite review conducted in response to allegations or concerns about the performance or suitability of the payee, and are among those SSA may request that state protection and advocacy system grantees conduct in accordance with the Strengthening Protections for Social Security Beneficiaries Act of 2018.

NDRN has asked for clarification on some important issues, to which SSA has not yet responded.

As of May 2019, SSA reported to us on progress state grantees had made towards reaching the total number of reviews SSA had planned for the fiscal year. Specifically, as of May 21, 2019, state grantees had conducted 112 of 852 planned high-volume reviews; 45 of 461 planned fee-for-service reviews; and 0 out of 60 planned state mental institution reviews.[53] Although SSA initially assigned 2,800 low-volume reviews in grant year 2019, SSA estimated in July 2019 that it will have initiated around 1600 low-volume reviews by the end of the first grant year—about the same number as completed in fiscal year 2018 (1,691).[54]

SSA officials acknowledged these challenges and said they have been addressing them, and will continue to address them and to monitor progress. SSA officials cited significant improvements in issuing laptops since they began the process in September of 2018. Regarding delays in distributing printers and scanners, SSA reported that they are in the final stages of procuring printers but that as of May 2019, they had not identified an acceptable scanner model. SSA officials also said they are developing a policy to govern grantee use of printers. SSA acknowledged that workflow bottlenecks involving regional offices may exist, and said that they will continue to monitor all actions required to be taken by regional office staff. SSA staff also acknowledged having initiated more quick response checks than originally anticipated, and said they are researching options to alleviate the impact of these reviews on NDRN and state grantee resources. Finally, SSA staff said that they will continue to evaluate how SSA collects and responds to state grantees' feedback, and to hold weekly discussions with NDRN to identify ways to improve the new onsite review process. GAO is not making recommendations in this area because the onsite review process is new and SSA continues to implement it and work to address implementation challenges.

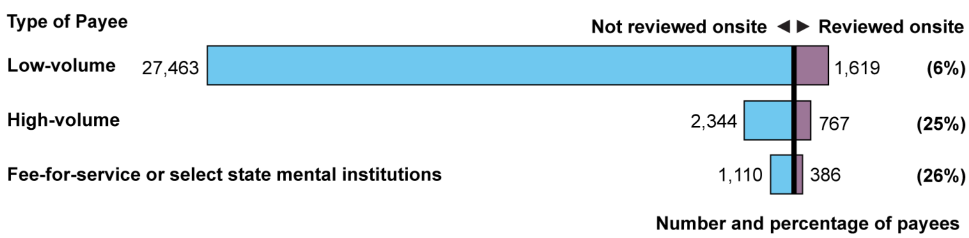
[53]According to SSA, "conducted" means that the state grantee has interviewed the payee and reviewed payee records. However, follow-up based on the results of the onsite review may still be pending.

[54]According to SSA, "initiated" means that the state grantee has started the scheduling process for the onsite review by contacting the payee to make arrangements for an interview, and has possibly begun the interview process.

Targeting Onsite Reviews for Organizations That Are Low-Volume Payees

Onsite reviews are resource intensive because they involve examining organizational payee financial records and interviewing payee staff and beneficiaries; therefore, SSA uses a risk-based approach to select which organizational payees receive onsite reviews and how frequently such reviews occur. SSA reviews all fee-for-service, high-volume payees, and certain state mental institutions—which together account for around 67 percent of all beneficiaries and about 14 percent of all organizational payees—at regular intervals of every 3 or 4 years, depending on the type of organization. However, for the vast majority of organizations that are low-volume payees (29,082 of around 33,700), SSA selects a subset of payees to receive onsite reviews each year. As shown in figure 2, more than half of the onsite reviews SSA conducted in fiscal year 2018 were for low-volume payees (1,619 of 2,774 reviews). However, because there are so many low-volume payees, only about 6 percent of these payees received an on-site review. In contrast, the lower number of high-volume onsite reviews conducted (767) covered about 25 percent of high-volume payees.

Figure 2: Number and Percentage of SSA Organizational Payees, by Payee Type, Reviewed Onsite in Fiscal Year 2018



Source: GAO analysis of fiscal year 2018 data from the Social Security Administration (SSA). | GAO-19-688

Given that only a fraction of low-volume payees are selected for onsite review each year, it is critical that SSA effectively prioritize which payees should receive onsite reviews so SSA can effectively allocate resources. To this end, SSA uses a predictive statistical model it first implemented in 2012 to rank low-volume organizations based on their chance of misusing beneficiary funds and selects for onsite reviews those organizations identified as having the highest risk.[55] SSA staff told us they determine how many reviews to conduct based on available resources.

[55] The predictive model uses a logistic regression to make this ranked list. See appendix III for more details on how SSA developed the model.

However, we were unable to fully assess SSA's decisions in developing its model, or the model's accuracy at predicting misuse compared to alternative targeting methods, because SSA did not fully document or retain documentation that described in sufficient detail important decisions it made when developing it.[56] For example, the available documentation does not explain in sufficient detail how SSA assembled data on the target population; how SSA sampled organizational payees for assessing characteristics; which variables SSA considered using to help predict misuse but ultimately decided not to include; how, if at all, it assessed or assured itself of the reliability of the data the model used; and how it decided to account for multiple beneficiaries with the same payee.[57] An SSA official responsible for using the model said he was not sure whether documentation existed but was not retained, because the individuals who developed the model are no longer with the agency. Office of Management and Budget (OMB) standards for federal censuses and surveys—which contain accepted practices (but not requirements) for federal statistical efforts not officially covered by the standards—call for documentation that "includes those materials necessary to understand how to properly analyze data" and "replicate and evaluate" statistical estimates.[58] Moreover, federal internal control standards state that effective documentation enables agencies to retain organizational knowledge, mitigate the risk of having knowledge limited to a few personnel, and communicate knowledge as needed to external parties, such as external auditors.[59] Due to the absence of key documentation, neither SSA itself nor an external party is able to affirm whether, in

[56]Although SSA did not fully document or retain documentation of important decisions it made during the process, available documentation shows that it took a number of steps to develop the model. For example, documentation suggests that SSA first identified a target population of organizational payees serving fewer than 50 beneficiaries at any point from 1993 through 2009. Next, it drew a sample from that population to assess how strongly different characteristics predicted the chance of misuse. Finally, SSA considered different types of logistic regression models, with varying sets of predictor variables, and ultimately selected a final model using a step-wise selection process.

[57]Appendix III provides more information of our assessment of the model and gaps in documentation.

[58]*Office of Management and Budget, Standards and Guidelines for Statistical Surveys (September 2006).* Although SSA's predictive modeling is not one of the federal censuses or surveys covered by the OMB standards, the predictive model involves statistical estimation for similar purposes as the covered censuses or surveys, namely to describe a characteristic of a segment of the population (in this case, misuse among organizational payees).

[59]GAO-14-704G.

comparison to other approaches, SSA's predictive model is the optimal approach to identify low-volume payees and beneficiaries with the highest risk of misuse.

SSA officials told us that they will revise the model at some point in the future—at which point they could improve the documentation—but that they do not have a formal plan to do so. SSA officials said they do not have imminent plans to update the model because the pool of identified misuse cases, which is driven by the number of onsite reviews conducted, is too small.[60] Finally, SSA officials said they are hesitant to re-evaluate the organizational payee predictive model because they believe the current model is working effectively.

However, seven years have passed since SSA first developed the model, and SSA cannot be assured that the current model remains as effective as when it was last formally validated and compared to alternative models or targeting methods.[61] Accepted practices for developing predictive statistical models call for periodic re-estimation and re-validation, using data that are current and applicable to the conditions in which the model will be applied.[62] Moreover, federal internal control standards call for agencies to conduct ongoing monitoring of the design and effectiveness of the internal control system including evaluations of control design.[63] SSA reported conducting ongoing assessments of the model's continued effectiveness, and provided us with aggregate performance data for 2012 to 2016. However, inclusion of older data and absence of more recent

[60] Specifically, SSA officials indicated that an accurate re-estimation of the model would require a volume of misuse cases comparable to the 5,300 cases the agency used to develop the current model in 2012. Since 2012, SSA has only identified 31 cases of misuse associated with low-volume payees, and a total of 306 cases of misuse identified for all organizational payees.

[61] In a 2018 report, the Social Security Advisory Board recommended that an external party should periodically examine the performance of the predictive model. Specifically the Board indicated that such a review is important because of the aging population and potential changes in the composition of representative payees serving agency beneficiaries/recipients. Social Security Advisory Board. *Improving Social Security's Representative Payee Program* (Washington D.C., January 2018).

[62] Trevor Hastie, Robert Tibshirani, and Jerome Friedman, The Elements of Statistical Learning: Data Mining, Inference, and Prediction. New York: Springer-Verlag New York, Inc., 2001. 193-224.

[63] GAO-14-704G.

misuse data in aggregated results provide limited assurance of the model's ongoing effectiveness.[64]

In addition, a recent report by SSA's Office of the Inspector General (OIG) suggests that it may be possible to assess the ongoing suitability of nursing home payees by using additional data, although we did not evaluate the validity of the study's conclusions. The SSA OIG's report expressly looked at how data from the Centers for Medicare & Medicaid Services (CMS) might be used to evaluate the suitability of nursing homes and found that these data would help SSA more effectively assess the ongoing suitability of existing nursing home payees.[65] Specifically, the OIG used CMS data reflecting penalties and other signs of underperformance to identify poorly-performing nursing homes that might also be poorly executing their duties as payees.

When asked whether SSA uses or plans to use CMS data to target low-volume nursing home payees for review, SSA officials originally told us that they are reviewing these data to determine whether they can be used to assess the suitability of organizational payees, and later clarified they would consider using CMS data in developing alternate models. SSA officials also told us they would only investigate incorporating CMS or any other relevant data into the misuse model if and when it "rescores" the model. SSA officials subsequently clarified that they cannot include CMS data into the existing model because historical data are not available to SSA. Finally, SSA officials said they already considered the possibility of using other, more common outcomes than misuse to develop an alternate model, but concluded that building a model based on more common

[64] While SSA's aggregate performance data for fiscal years 2012-2016 may suggest the model's effectiveness remained constant since its development, these results were likely influenced more by the relatively large number of misuse cases found in older versus recent years. The 31 misuse cases used in this analysis by year were: 13 (2012), 7 (2013), 5 (2014 and 2015) and 1 (2016). SSA did not provide performance data reflecting 2017 and 2018 misuse cases.

[65]Social Security Administration, Office of the Inspector General. *Using Nursing Home Data To Determine Suitability of Representative Payees*. A-03-16-50056. (March 2018). The OIG report found that SSA could use Department of Health and Human Services' CMS data contained in the Nursing Home Compare database and Special Focus Facility Initiative reports. These databases include information for Medicare and Medicaid-certified nursing homes.[66]For instance, according to SSA policy documents, the form can help SSA identify previously unreported changes to beneficiaries' addresses; identify unapproved collective accounts; determine if certain beneficiaries' savings are too high to qualify for benefits; or determine whether the organizational payee is authorized to charge a fee, if the payee reports charging one.

outcomes would significantly dilute the model's ability to detect misuse, which they consider to be the most important goal of the representative payee review process.

Developing additional models to predict other types of poor payee performance besides misuse (such as poor recordkeeping or payees' failing to meet beneficiary needs, which were identified in the OIG study) could reduce SSA's reliance on a model for which the low number of misuse findings affects the efficacy of ongoing performance assessments and prevents timely updates. Since SSA has only identified 31 misuse cases using the predictive model since 2012, decades may pass before SSA has the approximately 5,300 misuse cases it wants in order to formally evaluate the model, and before SSA and others can be assured that low-volume payees are being optimally targeted for review. Without re-evaluating whether the current model remains predictive, and periodic assessments about whether it predicts high-risk payees better than an alternative model or targeting method, it is unknown whether SSA has maximized its ability to target low-volume payees.

SSA Reviews Annual Accounting Form Submissions and Collective Accounts, but these Reviews Have Shortcomings

Timeframes for Annual Accounting Form Follow Up

The annual accounting form is a key oversight tool because it touches most organizational payees, and reviewing the annual accounting form helps SSA to maintain current beneficiary and payee information and to identify and resolve potential problems.[66] For the vast majority of low-volume payees that do not receive onsite reviews in a given year, reviewing the form may be the only monitoring SSA conducts. When organizational payees fail to submit a form as required, or when SSA's

[66]For instance, according to SSA policy documents, the form can help SSA identify previously unreported changes to beneficiaries' addresses; identify unapproved collective accounts; determine if certain beneficiaries' savings are too high to qualify for benefits; or determine whether the organizational payee is authorized to charge a fee, if the payee reports charging one.

electronic processing indicates a potential problem, field offices sometimes follow up with the payee to resolve the issue.[67]

However, SSA has not established time frames within which field offices must initiate this follow-up. For example, SSA guidance states that when organizational payees do not submit the form timely, field offices should contact the payee by phone to find out why the required form was not completed. However, the guidance does not establish time frames within which field offices should initiate the call. Similarly, SSA told us they do not have time frames within which staff should follow up to resolve potential problems flagged during electronic testing. In the absence of national guidance, area offices we interviewed varied in the extent to which they established time frames for the field offices in their purview to follow up with organizational payees that did not submit an annual accounting form or whose form was flagged for potential errors. One area office we talked with expected staff to follow up with payees within 30 days but did not track time frames, another area office had not established time frames, and officials from one field office told us that their area office considered follow-up over 120 days to be untimely.

Given the absence of SSA guidance and variation in area office practices related to establishing timeframes, field offices may not ensure that this oversight mechanism is attended to in a timely manner. Officials at one field office we visited told us that they had a backlog of forms needing follow-up because the designated point person had left the agency. Officials from another field office attributed the backlog to multiple factors, including a staff person being out sick and their workload not being reassigned, and the office taking on a special project. While we heard from several field offices that the majority of follow-up on annual accounting forms is for clerical errors or mistakes, staff from one field office said that when staff must follow up with organizational payees to ensure they submit a simple accounting form, it raises concerns about whether those payees are fulfilling their other duties.

[67]SSA electronically checks annual accounting forms for discrepancies, missing values, and compliance with SSA policy. For example, SSA will electronically check: whether the organizational payee has accounted for the funds the agency disbursed to the payee; whether the organizational payee is authorized to charge a fee, if the payee reports charging one); and whether saved funds exceeded certain amounts for certain beneficiaries. See POMS GN 00605.074. Responses on the form that are not in compliance will trigger an alert; that is, the system creates a report indicating the need for follow-up to resolve the issue identified.

Federal internal control standards state that managers should use quality information to achieve the entity's objectives and that they should ensure information is complete and provided on a timely basis.[68] In May 2019, SSA officials told us that they are now exploring approaches to implement a nation-wide time frame to address these forms because a 2018 law—which reduced the volume of annual accounting forms SSA has to process—allows staff to focus on problematic forms more expeditiously.[69] SSA officials said that they had not previously established a time frame because they expected organizational payees to have routine contact with field offices and expected field offices to re-evaluate the payee's suitability if the payee did not cooperate when conducting SSA business. In addition, SSA expects state grantees to follow up on accounting forms as part of their onsite reviews. At the same time, one of SSA's stated purposes for using the annual accounting form is to evaluate payee suitability on a regular basis rather than relying on ad hoc interactions between the payee and field office, or relatively infrequent periodic and targeted reviews. Until SSA establishes time frames within which staff must follow up on issues identified during annual accounting reviews, the agency cannot ensure that it is taking timely action to resolve potential problems and maximize this monitoring tool.

Content and Design of the Annual Accounting Form

Although the accounting form is a key oversight tool for SSA, shortcomings exist in the form's content and design. For example, SSA's annual accounting form does not ask or remind organizational payees about all collective account requirements, and as a result does not fully support SSA's oversight efforts. Collective accounts are permitted under SSA policy, but SSA reviews and approves them to ensure that payees comply with SSA's policies and procedures.[70] While the annual accounting form asks payees whether they put any saved funds into a collective account, the form does not ask whether the payee uses a

[68]GAO-14-704G.

[69]The implementation of section 102 of the Strengthening Protections for Social Security Beneficiaries Act of 2018 alleviates the burden on certain individual payees, such as parents of minors, from filing annual accounting reports. See Pub. L. No. 115-165, § 102, 132 Stat. 1257, ____.

[70]SSA policy requires organizational payees to contact SSA if they have opened a collective account and have the account approved by SSA before using it to deposit SSA benefits, according to the agency. SSA indicated that it will verify that the account is titled correctly, and every 3 years, SSA will re-check the titling of the account and review the financial transactions for one beneficiary to ensure accounting is being done correctly and bank statements are reconciled.

collective account for day-to-day expenses. Payees should disclose the use of any collective account to SSA independent of the form but may have neglected to, and SSA does not use the form to fully ascertain the use of collective accounts. Consequently, SSA may not have up-to-date information about all of the collective accounts that an organizational payee might be using—information that could help place these risk-prone accounts on SSA's radar to initiate the approval process and provide ongoing oversight.[71] Federal internal control standards state that agencies should design control activities to achieve objectives and respond to risks.[72] When SSA officials were asked why the annual accounting form does not ask about all collective accounts, the officials said this would be unnecessary because payees are required to notify the field office if they wish to open such accounts. SSA also indicated that its periodic and targeted onsite reviews will uncover collective account issues for the highest risk payees.

However, SSA finds many instances of unapproved collective accounts during its onsite reviews, suggesting that organizational payees might not be proactively reporting opening such accounts to SSA as required. For example, in fiscal year 2018, SSA found unapproved collective accounts in nearly 17 percent of the onsite reviews it conducted of organizational payees (in 477 instances out of 2,882 reviews). Staff we interviewed from one field office also said they have identified organizational payees with unapproved collective accounts. Specifically, staff said they have identified at least three payees with unapproved accounts, one of which they identified when reviewing the payee's annual accounting form.[73] This suggests that some payees may be willing to report they have a collective account, but not remember or understand their responsibility to seek approval from SSA when they open such accounts. Although SSA's accounting form includes reminders of various payee responsibilities, the form does not include a reminder to all payees that they should notify

[71]Risks posed by unapproved collective counts were underscored in a 2013 SSA OIG report that identified numerous issues resulting from one organizational payee's use of an unapproved collective account, such as $4,450 in beneficiary payments that were unaccounted for (i.e., "lost") and over $11,000 in benefit overpayments, among other issues. See Social Security Administration, Office of the Inspector General, *Payee Assistance Management, Inc., an Organizational Representative Payee for the Social Security Administration*, A-06-12-11261 (March 2013).

[72]GAO-14-704G.

[73]The payee had not notified the field office of opening a collective account, but reported having conserved funds in such an account on its annual accounting form.

SSA when they establish collective accounts. Reminding payees of these responsibilities could serve as a regular reminder for payees to notify SSA about the existence of these accounts, and thereby help ensure SSA provides regular oversight of them.

Stakeholders have also identified shortcomings in the content and design of the accounting form. For example, SSA currently provides payees' total benefit amounts in the form, and asks payees to report how they spent those benefits. In a 2007 review of SSA's representative payee program, the National Academy of Sciences (NAS) reported that because SSA preprints total annual benefit amounts on the annual accounting form, it is easy for payees to report spending that matches the total provided by SSA. Even if the amounts the payee reported were incorrect, SSA's electronic check would not trigger further review of these responses as long as the numbers added up. NAS further suggested that omitting this information would reinforce payees' responsibility for keeping and consulting their records.[74] In light of this and other findings, NAS broadly recommended redesigning the form to collect more meaningful data—a recommendation echoed by the Social Security Advisory Board in 2018.[75] When asked why SSA did not adopt NAS' recommendation, SSA indicated to us that it believed that NAS signaled that other recommendations were more important, and cited NAS' statement that "no form, by itself, is going to detect program misuse." At the same time, NAS restated its recommendation to redesign the form twice in its report and in each instance noted how the form could complement other oversight efforts.

Research also suggests that agencies can improve the quality of the data they collect via forms by applying behavioral science insights.[76] For

---

[74]National Academy of Sciences. *Improving the Social Security Representative Payee Program: Serving Beneficiaries and Minimizing Misuse* (Washington, D.C.: 2007).

[75]Social Security Advisory Board. *Improving Social Security Representative Payee Program* (Washington D.C., January 2018). In addition to recommending that SSA improve the design of the accounting form, the Board echoed NAS in stating that SSA should cognitively test new form items and ensure the redesigned form generates useful information.

[76]Applying principles of behavioral science insights in government communications is also encouraged by executive order. Exec. Order No. 13,707, 80 Fed. Reg. 56,365. (Sept. 15, 2015). The Executive Order says that "[t]o more fully realize the benefits of behavioral insights and deliver better results at a lower cost for the American people, the Federal Government should design its policies and programs to reflect our best understanding of how people engage with, participate in, use, and respond to those policies and programs."

example, behavioral science research has shown that requiring a signature at the beginning of an online form helps promote honest self-reporting and can lead to government savings.[77, 78] Moreover, the Internal Revenue Service has identified approaches based on behavioral science insights for improving compliance and honest self-reporting, and for encouraging people to make good choices when providing information.[79] Given the importance of the annual accounting forms for oversight of payees, considering and applying, where appropriate, behavioral science insights while redesigning the accounting forms could help SSA achieve more reliable and accurate reporting.

Collective Account Follow Up

Weaknesses in SSA's monitoring system also can disrupt oversight of collective accounts, even when SSA is aware that a payee has a collective account. Federal internal control standards say that agencies should design their information systems to respond to the agency's objectives and risks.[80] According to policy, SSA staff should review a payee's collective account every 3 years. The policy also states that, to facilitate such reviews, eRPS—SSA's electronic representative payee system—generates alerts for upcoming reviews of collective accounts.[81] However, we heard from three field offices in three different regions that eRPS has stopped providing these alerts. As a result of the disappearing alerts, field office staff may not remember to oversee collective accounts. In addition, according to SSA policy, if a field office misses the deadline to renew approval of a collective account by the end of the third year, eRPS automatically stops displaying the collective account information on that payee's record rather than showing that the account's approval has expired. As a result, payees may continue to use unapproved collective

[77]Executive Office of the President. National Science and Technology Council. *Social and Behavioral Sciences Team Annual Report* (September 2015). See ep 31-32. Lisa L. Shu, Nina Mazar, Francesca Gino, Dan Ariely, and Max H. Bazerman, *Signing at the beginning makes ethics salient and decreases dishonest self-reports in comparison to signing at the end." Proceedings of the National Academy of Sciences of the United States of America*. (Nov. 18, 2012).

[78]In contrast, the signature field in SSA's accounting forms is located at the end of the form.

[79]Two approaches cited for increasing responsiveness include sending timely feedback to spur action and including all information needed by participants to act. See IRS, Behavioral Science Insights Toolkit.

[80]GAO-14-704G.

[81]See POMS GN 00603.020.

accounts without oversight. A regional office analyst referred to this as a glitch in the system and told us this issue was recently raised during a meeting with the central office.

In response to our inquiry about disappearing alerts and collective account information, SSA staff indicated that removing alerts and collective account information after approval expires is appropriate because field offices should always renew collective accounts before this occurs. SSA further explained that the alerts are not deleted from eRPS, but rather removed from the system's "Workload Action Center" 30 days after the collective account expiration date. Similarly, SSA reported that collective account information is not deleted from eRPS, but rather no longer displayed as an active account. However, removing information on accounts that were not renewed timely weakens the efficacy of its collective account review process to the extent that accounts are operating without SSA approval and oversight.

SSA Did Not Have a Process for Periodically Assessing Program Risks, but Recently Said it Plans to Conduct a Comprehensive Fraud Risk Assessment

SSA has taken steps to address risk associated with payee oversight, but to date has not continuously assessed and responded to potential risks. Federal internal control standards state that to manage risk, agencies should identify risks that might prevent the agency from achieving its objective; assess the significance of those risks; and design responses so that analyzed risks are within the agency's risk tolerance level. In June 2013, SSA formed a task team to conduct a comprehensive review of the representative payee program and develop recommendations. This effort resulted in, for example, a new process of sharing misuse information with the Department of Veterans Affairs. While this was a positive step, the task team disbanded in 2014 because it had generated a set of recommendations and SSA wanted to shift to implementing those recommendations, according to agency staff. However, resulting actions did not include a forum or system for continuously assessing lessons learned from audits and reviews or identifying solutions that might have addressed gaps we identified in this report. For example, we found that SSA discovers many instances of unapproved collective accounts during onsite reviews, but we have not seen documentation that SSA has assessed the risk of unapproved collective accounts existing among low-volume payees that do not receive any regular scrutiny. Having a process for continuously assessing and responding to potential risks could better position the agency to respond to pressure placed on the payee program due to an aging population.

As of May 2019, SSA reported it was in the early stages of planning a fraud risk assessment of the representative payee program (for both individual and organizational payees). In January 2019, a staff person within SSA's Office of Anti-Fraud Programs, which provides centralized accountability and oversight for the agency's anti-fraud activities, told us they had identified the representative payee program as one that might benefit from a risk assessment, and that they were currently developing a strategy for conducting such risk assessments for a number of programs. At that time, the staff person did not know whether they would be doing a fraud risk assessment of the representative payee program specifically. SSA subsequently reported in May 2019 that the agency has established a schedule and business process for conducting its risk assessments, including one on the representative payee program.[82] According to SSA, the fraud risk assessment will provide a comprehensive and strategic look at the fraud risks facing the representative payee program and the controls SSA has in place to mitigate those risks. SSA also reported it plans to begin the assessment of the representative payee program in October 2019, and update it every 3 years beginning in 2024 to determine whether there have been any changes to the risks and whether additional actions are required. While promising, SSA plans have yet to take shape. Ensuring that its fraud risk assessments periodically examine the results of onsite reviews and audits will be an important element in the design of SSA's risk assessment efforts.

Conclusions

Organizational payees play a critical role in ensuring beneficiaries' basic needs are met. The beneficiaries these payees serve—individuals who cannot manage their own finances and lack a family member or friend to do so on their behalf—are dependent on their representative payees and thus extremely vulnerable to financial abuse. It is therefore crucial that SSA take steps to shore up a range of gaps in how the agency evaluates, supports, and oversees payees to better ensure beneficiaries are protected.

Carefully screening organizations applying to be representative payees is key to proactively avoiding potential abuse. However, in the absence of

[82]In its business process, SSA anticipates that the Office of Anti-Fraud Programs will be responsible for completing the fraud risk assessment, and representative payee programmatic staff and other components within SSA will play a role in helping to develop the assessment, such as establishing the assessment's scope and identifying relevant subject matter experts and previous studies or audits that will help inform it.

detailed and centrally-approved policy guidance on how to assess complex suitability factors for approving payees, SSA cannot be sure that field office staff are consistently and appropriately evaluating applicants' suitability. Also, until SSA updates its electronic system to ensure staff's rationale for approving or denying payees is captured in accordance with policy, SSA may not have the benefit of information to better monitor payees and inform future suitability decisions. Lastly, without a comprehensive plan, including timeframes, for evaluating if and how to conduct background and credit checks to help staff vet organizational payees—as it does for individual payee applicants—SSA may forgo potentially valuable safeguards for further protecting vulnerable beneficiaries.

Once approved, organizational payees rely on SSA for information or action in order to effectively carry out their responsibilities. Absent a formal mechanism whereby feedback from payees on SSA services and processes can be collected, compiled, and analyzed, SSA may not be sufficiently aware of payee needs and frustrations, which in turn could result in lost opportunities to either retain or recruit organizations willing to serve this critical function, or make program improvements.

To ensure payees are managing beneficiary funds appropriately, SSA relies on a number of monitoring mechanisms, including onsite reviews. Onsite reviews represent SSA's most thorough and resource-intensive monitoring tool and must be appropriately targeted. Until SSA develops a plan to periodically review the predictive model's design, considers inclusion of additional relevant data in the current model or an alternative model that predicts outcomes other than misuse, and documents any subsequent design changes, the model's efficacy cannot be fully assessed or ultimately improved upon, and SSA may not be effectively targeting high-risk, low-volume payees for review. SSA may detect payee performance problems by reviewing annual accounting forms for all organizational payees; however, without a process to ensure prompt follow-up, SSA cannot be sure staff resolve problems in a timely manner. Moreover, mingling beneficiaries' funds in collective accounts can mask misuse, and until SSA addresses gaps in the annual accounting form and issues with eRPS, SSA cannot effectively monitor payees' use of such accounts.

Addressing gaps in existing processes could improve the integrity of SSA's representative payee program and reduce risks to SSA's most vulnerable beneficiaries, but may not be sufficient in light of challenges posed by the nation's aging population, which could swell the number of vulnerable beneficiaries that need payees. Carrying through with its plan to develop initial and periodic fraud risk assessments for the representative payee program—and ensuring that the assessments reflect consideration of findings from onsite reviews and audits—could help SSA anticipate potential problems and develop strategies to mitigate their impact.

Recommendations

We are making the following nine recommendations to SSA:

The Commissioner of the Social Security Administration should ensure that (a) the agency's policies and guidance are specific enough so field office staff know how to apply complex suitability criteria for assessing payee suitability, such as by providing a minimum set of specific questions; and (b) additional regional guidance that is made available to staff is centrally reviewed for compliance and completeness. (Recommendation 1)

The Commissioner of the Social Security Administration should create safeguards in the eRPS system to ensure that field office staff fully document all required information, such as the rationale for their decision, before approving an application. (Recommendation 2)

The Commissioner of the Social Security Administration should complete a plan, including timeframes, for comprehensively evaluating if and how to leverage external sources of information on organizations' suitability, such as by conducting background checks or credit checks on organizations or key staff that handle beneficiaries' funds or requiring organizations to conduct their own background checks on key staff. (Recommendation 3)

The Commissioner of the Social Security Administration should develop and implement mechanisms to systematically obtain and review feedback from organizational payees and communicate findings to SSA management. (Recommendation 4)

The Commissioner of the Social Security Administration should (a) establish a plan and time frame for periodically reviewing the predictive model's design; (b) consider additional data sources that would allow for additional screening or modeling of potentially high-risk organizational payees; and (c) ensure that subsequent design decisions are documented in sufficient detail so the development process can be more fully understood and replicated, either by SSA or a knowledgeable third party, with minimal further explanation. (Recommendation 5)

The Commissioner of the Social Security Administration should require field offices to contact payees about missing or problematic annual accounting forms within a specific time frame. (Recommendation 6)

The Commissioner of the Social Security Administration should revise the annual accounting form to enhance its effectiveness. Such revisions could include (but not be limited to) more fully ascertaining the use of collective accounts, adopting stakeholders' recommendations on using the form to collect more meaningful data, and reflecting best practices from behavioral science insights in the design of the form. (Recommendation 7)

The Commissioner of the Social Security Administration should enhance the eRPS system to ensure that field offices are (a) alerted when collective accounts are due to be reviewed; and (b) able to take action on expired collective account information and thereby avoid payees' continued use of these accounts without oversight. (Recommendation 8)

The Commissioner of the Social Security Administration should, as it carries through with its plan to develop a risk assessment for the organizational payee program, ensure that that the plan reflects periodic consideration of findings from onsite reviews and audits. (Recommendation 9)

Agency Comments

We provided a draft of this report to SSA for review and comment. In written comments, reproduced in appendix IV, SSA agreed with all nine of our recommendations and outlined its planned actions to address several of the recommendations. SSA also provided technical comments that we incorporated into the report, as appropriate.

SSA provided additional comments on its plans to address four of our recommendations. Specifically, with respect to our second recommendation that SSA create safeguards in its Electronic Representative Payee System (eRPS) to ensure that field office staff fully document decisions to approve organizational payee applications, SSA reported that, as part of implementing the Strengthening Protections for Social Security Beneficiaries Act of 2018, planned changes to eRPS will improve documentation of selection decisions. SSA also reported it will also consider additional enhancements to eRPS in the future. We welcome SSA's intentions to improve documentation of selection decisions and consider additional enhancements to eRPS.

With respect to our third recommendation that SSA complete a plan, including timeframes, for evaluating if and how to leverage external sources of information on organizations' suitability, such as by conducting background checks or credit checks on organizational payee applicants, SSA officials reiterated that SSA is first focusing on implementing provisions of the Strengthening Protections for Social Security Beneficiaries Act of 2018 related to background checks for certain individual payees. After completing this work, SSA plans to evaluate conducting criminal background checks and credit checks on organizational payees and their staff. While we agree that implementing background screening pursuant to the law should take precedence, SSA should seek opportunities to implement screening for organizational payees at the earliest opportunity.

With respect to our fifth recommendation related to SSA reviewing, enhancing and documenting its model for selecting low-volume organizational payees for on-site reviews, SSA reported that it will pursue other data sources to develop additional screening tools and models to identify potentially high-risk organizational payees, but that it is unable to incorporate additional data into the existing model. We recognize that the current model, which focuses on misuse findings and is based on historical data, presents challenges for both updating and including new data sources. Therefore, as SSA considers additional screening tools and models to identify high-risk, low-volume organizational payees, SSA should develop a plan for revising the existing model that allows for more timely updates and results in documentation of related design decisions.

With respect to our eighth recommendation that SSA enhance the eRPS system to more effectively address expiring collective accounts, SSA officials reported that they would work with staff to ensure staff know where to find alerts for expiring accounts and enhance how eRPS displays information on collective accounts that have already expired. We agree with SSA's proposed actions. However, we adjusted our recommendation to clarify that SSA should enhance eRPS in a manner that ensures staff take action on expired accounts and that payees do not continue to use expired accounts without oversight.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Commissioner of the Social Security Administration, and other interested parties. In addition, the report will be available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-4040 or curdae@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

Elizabeth H. Curda, Director
Education, Workforce, and Income Security

Appendix I: Objectives, Scope, and Methodology

The three objectives examined in this report are how the Social Security Administration (SSA): (1) approves organizations to be representative payees, (2) communicates with organizational payees, and (3) oversees these organizations.

To address our three objectives, we reviewed relevant federal laws and SSA policies and guidance. We interviewed SSA officials in its central office and staff in four regional offices that we selected to reflect a range in the number of states and organizational payees they collectively oversee and to achieve diversity in geographic location.[1] Within those regions, we visited eight field offices covering seven states, which were selected to include both metropolitan and non-metropolitan areas that maximized the number of files we would have available for our review (see next paragraph). We also interviewed officials in one area office per region—two representing metropolitan area field offices, and two representing non-metropolitan area offices that we visited. These interviews with regional, area, and field office staff are intended to obtain perspectives from SSA officials in different parts of the country and are not intended to be representative of all SSA field offices and staff. We also analyzed program data, including the number and type of organizational payees and the number of beneficiaries they serve. We assessed the reliability of these data by reviewing relevant documentation and interviewing SSA staff knowledgeable about the systems used to collect and maintain the data and determined the data were sufficiently reliable for our use.

To determine how organizations are approved to be representative payees, we reviewed SSA's policies and relevant federal laws and regulations. At each field office we visited, we (1) interviewed managers about their role in the application process and (2) reviewed up to six organizations' electronic files in the Electronic Representative Payee System (eRPS), the primary data system SSA uses to track representative payees. Specifically, at each field office we reviewed up to two applications that SSA had approved (either initial applications to serve as representative payee or initial applications to collect fees); up to two applications that SSA had denied (initial or to collect fees); and files for up to two organizations that were terminated or closed in the past 5 years. In some cases, field offices we visited did not have the full number

[1]The four regions we selected—Atlanta, Boston, Chicago, and San Francisco—cover 24 states and represented 55 percent of the organizations and 52 percent of the beneficiaries in SSA's organizational representative payee program in 2018.

of cases available, and we reviewed fewer files in those offices. We selected the most recent approval, denial, and termination files that were available. In all, we reviewed 15 recently approved applications, six recently denied applications, and three recent terminations. We also interviewed cognizant SSA officials at the central office and the four regional and area offices we selected.

We conducted background checks on a stratified random sample of 205 current organizational payees.[2] The sample was selected to include fee-for-service organizations with 50 or more beneficiaries, fee-for-service organizations with fewer than 50 beneficiaries, non-fee-for-service organizations with 50 or more beneficiaries, and non-fee-for-service organizations with fewer than 50 beneficiaries. We entered information on selected organizations into a database called CLEAR and reviewed the resulting reports for any indication of criminal history. Many of these reports included the criminal history of individuals who are or may be associated with the organizational payee, and we reviewed these with particular focus on the crimes that bar individuals from serving as individual payees.[3] For those reports that contained an indication of criminal history, we selected reports that indicated there may have been federal crimes or felonies at the state or local level and attempted to obtain court records to provide further insight into the nature of the crimes and the outcome of the cases. However, because we lacked information that would have made it possible for us to definitively link a conviction to staff in an organization—such as Social Security numbers for payee staff that are in leadership or financial management roles—the results of our analysis were not reliable enough to report. SSA collects Social Security numbers for individual payee applicants but not for any principals or staff from organizational payee applicants. Without this information, it is impossible to definitively link criminal convictions to individuals associated with organizational payees.

[2]The sample was selected using data that SSA provided in November 2018.

[3]These crimes include human trafficking, false imprisonment, kidnapping, rape and sexual assault, first-degree homicide, robbery, fraud to obtain access to government assistance, fraud by scheme, theft of government funds or property, abuse or neglect, forgery, and identity theft or fraud. Because SSA does not currently have a criminal bar policy that applies to individuals working at organizational payees, we used the list of barred crimes for individual payees since it is the closest proxy that can identify potential issues with individuals at organizations applying to serve as payees.

To help understand how SSA communicates with organizational payees, we reviewed program guidance and interviewed representatives of eight organizational payees—one in the local area of each field office we visited, in addition to interviewing officials in each field office.[4] We also interviewed cognizant SSA officials at the central office and the four regional and four area offices we selected.

To review SSA's overall oversight of organizational payees—including onsite reviews and reviews of the annual accounting form and payees' use of collective accounts—we reviewed relevant federal laws and regulations, program policies, and relevant SSA documents; analyzed data; and interviewed SSA officials at the central office, the four regional and four area offices we selected, and the eight field offices we visited. To further understand SSA's new onsite review process, we reviewed agency documents that describe the roles and responsibilities of key players in SSA's new onsite review process.[5] We also interviewed SSA officials and representatives of the National Disability Rights Network (NDRN) about the status of its implementation.

To determine the extent to which different types of organizational payees receive onsite reviews, we analyzed SSA program data for fiscal year 2018. We assessed the reliability of these data by reviewing relevant documentation and interviewing knowledgeable agency officials and determined they were sufficiently reliable for our purposes. To learn about the outcomes of onsite reviews, such as how frequently unapproved collective accounts were identified, we reviewed SSA's annual reports to Congress. We determined SSA data on the number of onsite reviews conducted and SSA data reported to Congress on unapproved collective accounts were sufficiently reliable for our purposes. We did not assess the efficacy of the new onsite review process or the quality of onsite reviews because we determined it was too soon to evaluate recent program changes. Instead, we described the roles and responsibilities of

[4]We selected the eight organizational payees to reflect a range of characteristics. The number of beneficiaries represented by the payees ranged from seven to approximately 4,000 beneficiaries. Four organizations represented 50 or more beneficiaries, four represented fewer than 50 beneficiaries, and four of the eight charged a fee for service. Three organizations were residential facilities, three were other organizations that provided case management, and two provided only financial management services.

[5]Specifically, we analyzed grant awards that SSA made to state protection and advocacy systems to conduct the reviews and to the National Disability Rights Network, which provides oversight and training to the grantees.

key players in the new process and interviewed SSA and NDRN to provide information on the status of implementation.

To assess the predictive model SSA uses to select low-volume organizational payees for onsite reviews, we analyzed available documentation and interviewed SSA officials knowledgeable about the predictive model. This information included: (1) a list of variables; (2) the code SSA uses to execute the model; and (3) a brief description of how SSA developed the model, including a high-level description of its methodology and an analysis of the predictive power of the model compared to random chance. We compared the documentation SSA provided us with accepted practices for maintaining documentation of statistical models. For detailed results on the findings of this analysis, see appendix III.

To obtain a range of perspectives on the organizational payee program, we interviewed staff of the Social Security Advisory Board, representatives of an SSA managers' association, an organizational representative payee association, and NDRN. In addition, we interviewed representatives of advocacy groups for the aged, persons with physical disabilities, and persons with mental illness regarding their constituents' experiences with SSA's organizational payee program.

Appendix II: SSA Policy Regarding How to Evaluate Organizational Payee Applicants

Per Social Security Administration (SSA) policy, field office staff should consider certain factors when evaluating organizations' suitability to serve as payees.[1] Some factors apply to all applicants, including both individuals and organizations, while others apply only to organizational payee applicants (see table 2). In addition, there are some requirements for organizational payees applying to collect fees for their payee services.[2]

Table 2: Factors SSA Staff Should Consider When Evaluating Organizational Payee Applicants, by Type of Payee

All payee applicants
Staff should consider, among other things, whether the applicant: • shows concern for the beneficiary's well-being; • is knowledgeable about the beneficiary's current and foreseeable needs; • appears to have the beneficiary's best interests at heart and seems able to exercise good judgment; • has custody of or lives in close proximity to the beneficiary; • has a financial relationship with the beneficiary; • has a legal relationship with the beneficiary; and • is disqualified per SSA policy.
Organizational payee applicants
Staff should consider, in addition to the factors above, whether the applicant: • demonstrates effective internal communication (i.e., good communication between case management and financial management components); • has a stable presence in the community (i.e., isn't likely to go out of business); • demonstrates sound financial management policies (i.e., has a history of being current in its own financial obligations); • has adequate staff and resources to serve its clients; • holds funds in protected accounts; • has adequate recordkeeping systems to ensure that the client's needs are met and benefits are properly administered; and • voluntarily receives benefits/payments via direct deposit.

Source: GAO Analysis of Social Security Administration (SSA) Policy | GAO-19-688

[1]POMS GN 00502.130: "Factors to Consider in Evaluating Payee Applicants."

[2]POMS GN 00506.100: "Criteria for Receiving Fees for Service."

According to SSA policy, organizational payees that are applying to collect fees must meet the following requirements:

- Be regularly serving as a payee for at least five beneficiaries for at least 1 calendar month;
- Generally not be a creditor of the beneficiaries it serves;[3] and
- Be a state or local agency with a qualified mission,[4] or a non-profit social service agency that is community-based,[5] bonded, and licensed.

[3]Organizations with a creditor relationship with the beneficiaries cannot collect fees for representative payee services unless (1) the goods or services that create the creditor relationship help to meet the needs of the beneficiary, or (2) the amount the payee charges the beneficiary for the organization's services is consistent with rates charged other individuals and is reasonable, and the organization has a policy that allows it to consider the beneficiary's ability to pay when determining the amount to be charged.

[4]To be approved to collect fees for payee services, state or local government agencies must have a mission related to income maintenance, social service, or health care, or have fiduciary responsibilities.

[5]An organization is considered to be community based if its physical business office and the beneficiaries' residence are located in the same field office service area, its physical business office is accessible to the public and is maintained for the entire length of its service as a fee-for-service payee, and the organization employs at least one person who works in the physical business office and handles payee responsibilities.

Appendix III: Additional Information on SSA's Predictive Model and Our Assessment

How SSA Selects Payees for Review Based on the Model

The Social Security Administration (SSA) uses a predictive statistical model it implemented in 2012 to rank low-volume organizations based on their chance of misusing beneficiary funds and selects for onsite reviews those organizations identified as having the highest risk. The predictive model uses a logistic regression to estimate the chance that each payee will misuse benefits, given the characteristics of the beneficiary and payee, such as the length of time served as a payee and whether the beneficiary received a large lump sum payment from the payee. SSA takes the predictive model output, which is calculated for every payee and beneficiary pair, and uses it to rank payees. SSA assigns organizations for review depending on (a) their rank (organizations that have a higher likelihood of misusing benefits are more likely to be selected); and (b) available resources.[1]

How We Assessed SSA's Predictive Model

To review the predictive model, we interviewed SSA officials knowledgeable about the model and reviewed available documentation. This documentation included: (1) a list of variables; (2) the computer code SSA uses to execute the model; (3) a brief explanation of how SSA periodically assesses the model and related performance statistics; and (4) 2 documents (totaling 5 pages) describing how SSA developed the model.[2] We compared this documentation to accepted practices for maintaining documentation of statistical analysis, such as standards published by the Office of Management and Budget (OMB).[3]

Available documentation suggests SSA took a number of steps to develop the model, but did not document important design decisions. Documentation shows SSA first identified the target population as all organizations with fewer than 50 beneficiaries that served as payees from 1993 to 2009. Then, SSA drew a sample to test which variables helped predict the chance of misuse. Finally, SSA officials told us that they considered different types of logistic regression models, with varying sets

[1]In some cases, SSA will not review organizations determined to be at high-risk for abuse, such as if the organization no longer serves as a payee. [2]The documents describe, at a high level, SSA's methodology for developing the model. It also includes an analysis of the predictive power of the model compared to random chance.

[2]The documents describe, at a high level, SSA's methodology for developing the model. It also includes an analysis of the predictive power of the model compared to random chance.

[3]Office of Management and Budget, "*Standards and Guidelines for Statistical Surveys*." September 2006.

of predictor variables, and ultimately selected a final model using a step-wise selection process. However, available documentation does not include information necessary to evaluate how SSA assessed other candidate models or understand the rationale for SSA's decision to accept its final model. For example, there is limited documentation to:

- **Reproduce SSA's Target Population:** The documentation does not describe in detail how SSA identified all organizational payees that served from 1993 to 2009 (such as how SSA queried the Representative Payee System), nor does it explain in detail how SSA linked beneficiary and organizational level data, such as to count the number of beneficiaries that each payee served. SSA subsequently explained in its technical comments that it used Social Security numbers to link information among several systems. However, SSA did not describe steps it took to establish the linkages, or steps taken to identify organizational payees that served from 1993 to 2009, in enough detail for an independent analyst to reproduce the work. Moreover, SSA did not provide this written documentation upon our original request, which suggests that SSA did not maintain complete records of the work.
- **Reproduce SSA's Sample Design:** The documentation does not describe in detail how SSA designed the probability sample it used to develop the model or how, if at all, it weighted the sample to account for varying probabilities of selection in the sample.[4] Selecting the appropriate sampling method for a model and applying appropriate weights generally increases its predictive accuracy.[5]
- **Reproduce SSA's Process for Assembling the Data and Selecting the Final Model:** The documentation provides limited information about the input variables and models that SSA tested but ultimately did not use. In addition, the documentation does not show how SSA assessed and addressed potential correlations between the variables it selected. For example, we could expect certain variables, such as receipt of a lump sum payment and receipt of a lump sum payment over $1,000, to be highly correlated. Although highly

[4]Specifically, SSA did not document whether it applied disproportionate sampling probabilities or equal weighting, which is typically used for logistic models. Disproportionate sampling probabilities require a different weighting scheme.

[5]For example, if SSA used an unequally weighted training probability sample to develop a logistic model without applying appropriate weights, the model could perform poorly when applied to the broader population of interest, depending on the exact sample design and model.

correlated variables do not necessarily impair the model's predictive accuracy, they can influence which individual variables test as being predictive during the model's development. The documentation also does not describe how SSA chose to split continuous variables into categorical variables—a choice which can influence predictive accuracy.

- **Understand How SSA Assessed Data Reliability:** Available documentation does not indicate whether SSA assessed the reliability of data used in its model. The reliability of the outcome variable—misuse—is particularly important. Unreliable data regarding whether misuse occurred, either due to incorrect data entry or other errors, would compromise the model's ability to accurately predict the likelihood of misuse.[6] In contrast, the reliability of variables that could signal risk of misuse—such as whether the beneficiary received a large disbursement of funds—is less critical. Even variables prone to measurement error may still predict misuse accurately. Nevertheless, assessing their reliability remains important, since reducing measurement error can increase the model's predictive power.[7] Such assessments could range from limited testing of the data—e.g., for outliers, illogical values, and missing data—to broader, independent verification of data reliability. Regardless of the approach used, documenting all data reliability assessments allows internal and external stakeholders to assess, and possibly improve, the model.

[6]Assessing the reliability of the misuse field in the Electronic Representative Payee System (eRPS) is particularly important to document, given that the National Academies of Science report that motivated SSA's predictive modeling found evidence that field staff were not reliably classifying cases of misuse in the Representative Payee System—eRPS' predecessor— during the period spanned by the data used to develop the model. See National Academy of Sciences. *Improving the Social Security's Representative Payee Program: Serving Beneficiaries and Minimizing Misuse* (Washington, D.C.: 2007), pg. 57. In response to this recommendation, SSA reported implementing an electronic system—eRPS—that allows field office staff to record and control development of allegations of misuse made against a representative payee. SSA said that this system stores and tracks all allegations of representative payee misuse, and it standardizes and improves the handling, tracking, and documentation of misuse allegations.

[7]Our review identified several potential data reliability problems that may affect the predictive power of SSA's model. For example, review of two files at each of eight field offices uncovered that the eRPS system often contained inaccurate information on when an organization was initially approved to serve as a representative payee. Because length of time serving as payee is directly related to three of the predictive model's variables—(1) time since appointment as a representative payee, (2) having served as a payee for more than 27 months but fewer than 51 months, and (3) having served as a payee for more than 50 months—the estimated relationship between these variable and misuse may be inaccurate and could reduce the accuracy of the model's predictions.

- **Explain whether, or how, SSA's model addressed potential patterns of misuse for beneficiaries served by the same payee:** Statistical models typically assume that estimates can be generated independently for each unit of analysis—in this case, unique pairs of beneficiaries and payees. However, in cases where multiple beneficiaries are served by the same payee, this may not be the case. Patterns of misuse might be similar for all beneficiaries served by a given payee, such as if the payee were systematically defrauding all of its beneficiaries. Accurately modeling data with this kind of nested structure—which conflicts with typical statistical assumptions—often requires multi-level modeling methods. However, SSA's documentation does not specify how or whether it applied these methods, or otherwise assessed or adjusted for the nesting of beneficiaries within payees.
- **Reproduce SSA's process for ranking organizations:** With the current model, which assigns a score for each payee-beneficiary pair, SSA uses the predictive model's output to then rank payees.[8] However, there are various approaches for ranking payees, ranging in sophistication, and SSA does not have sufficient documentation to determine whether the approach currently being used best predicts risk to beneficiaries.

[8]We do not report on how SSA ranks payees because, according to SSA officials, this is sensitive information.

Appendix IV: Comments from the Social Security Administration

SOCIAL SECURITY
Office of the Commissioner

August 28, 2019

Ms. Elizabeth Curda
Director, Education, Workforce and Income Security
United States Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Curda:

Thank you for the opportunity to review the draft report, "SSA Needs to Improve Oversight of Organizations that Manage Money for Vulnerable Beneficiaries" (GAO-19-688). We agree with the recommendations and have attached our comments. In addition, we submitted technical comments at the staff level for your consideration.

If you have any questions, please contact me at (410) 965-9704. Your staff may contact Trae Sommer, Director of the Audit Liaison Staff, at (410) 965-9102.

Sincerely,

Stephanie Hall

Stephanie Hall
Deputy Chief of Staff

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (GAO) DRAFT REPORT, "SSA NEEDS TO IMPROVE OVERSIGHT OF ORGANIZATIONS THAT MANAGE MONEY FOR VULNERABLE BENEFICIARIES" (GAO-19-688)

We continually work to improve our protections for beneficiaries who are unable to manage their own benefits. We are currently implementing the requirements of the *Strengthening Protections for Social Security Beneficiaries Act of 2018* (SPSSBA), including criminal background checks for individuals and criminal bar policies; strengthening payee monitoring; and instituting a new onsite review process. As we continue to focus on improved customer service, we will pursue additional protections for beneficiaries and use automation to support those protections. Currently, we use findings from our onsite reviews to inform changes to our policies. For example, after learning of challenges faced by some beneficiaries during a review of a large organizational payee, we clarified the definition of local community presence for fee-for-service organizations. We will continue to look for opportunities to strengthen the organizational payee program using information from payees and other stakeholders.

Below are our responses to the recommendations.

Recommendation 1:

The Commissioner of the Social Security Administration should ensure that (a) the agency's policies and guidance are specific enough so field office staff know how to apply complex suitability criteria for assessing payee suitability, such as by providing a minimum set of specific questions, and (b) additional regional guidance that is made available to staff is centrally reviewed for compliance and completeness.

Response
We agree.

Recommendation 2:

The Commissioner of the Social Security Administration should create safeguards in the eRPS system to ensure that field office staff fully document all required information, such as the rationale for their decision, before approving an application.

Response

We agree. As part of our implementation of section 202 of SPSSBA, eRPS will support functionality to improve documentation of selection decisions. As part of our roadmap for implementation of SPSSBA, we will consider additional enhancements to eRPS.

Recommendation 3:

The Commissioner of the Social Security Administration should complete a plan, including timeframes, for comprehensively evaluating if and how to leverage external sources of information on organizations' suitability, such as by conducting background checks or credit checks on organizations or key staff that handle beneficiaries' funds or requiring organizations to conduct their own background checks on key staff.

Response

We agree. Implementation of credit checks or background checks with respect to organizational payees or their key staff would require significant regulatory changes. We are currently focused on implementing section 202 of SPSSBA, which requires background checks for certain individual payee applicants, as well as current non-exempt payees who have not had a background check. Additionally, the law requires us to conduct follow-up background checks on all non-exempt payees at least once every five years. Once we have implemented section 202, we will evaluate conducting criminal background checks and credit checks on organizational representative payees and staff.

Recommendation 4:

The Commissioner of the Social Security Administration should develop and implement mechanisms to systematically obtain and review feedback from organizational payees and communicate findings to SSA management.

Response

We agree.

Recommendation 5:

The Commissioner of the Social Security Administration should (a) establish a plan and time frame for reviewing the predictive model's design, (b) consider additional data sources that may allow for more timely reviews of the predictive model and enhance its effectiveness, and (c) ensure that subsequent design decisions are documented in sufficient detail so the development process can be understood and replicated, either by SSA or a knowledgeable third party, without further explanation.

Response

We agree. Regarding part (b), as we discussed with GAO prior to the release of this draft report, we are not using additional data sources at this time to revise the model; however, we plan to pursue other data sources to provide additional screening tools or models for identifying potentially high-risk organizational payees. We cannot use new data to modify the existing model, which was built from cases and transactions that occurred many years ago.

Recommendation 6:

The Commissioner of the Social Security Administration should require field offices to contact payees about missing or problematic annual accounting forms within a specific time frame.

Response

We agree.

Recommendation 7:

The Commissioner of the Social Security Administration should revise the annual accounting form to enhance its effectiveness. Such revisions could include (but not be limited to) more fully ascertaining the use of collective accounts, adopting stakeholders' recommendations on using the form to collect more meaningful data, and reflecting best practices from behavioral science insights in the design of the form.

Response

We agree.

Recommendation 8:

The Commissioner of the Social Security Administration should enhance the eRPS system to ensure that (a) field offices receive alerts when collective accounts are due to be reviewed and (b) collective account information is retained, even after a 3-year approval term has expired, until a payee's collective account is updated.

Response

We agree. For part (a) of the recommendation, eRPS already provides alerts when collective accounts are due to be reviewed; eRPS does not delete alerts. Even when we change an alert status to closed, it is still available in eRPS. We will work to ensure that staff know how to access these alerts. For part (b), collective account information is already maintained in eRPS. We will work to enhance eRPS to display closed/terminated accounts.

Recommendation 9:

The Commissioner of the Social Security Administration should, as it carries through with its plan to develop a risk assessment for the organizational payee program, ensure that that the plan reflects periodic consideration of findings from onsite reviews and audits.

Response

We agree.

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact:

Elizabeth Curda, (202) 512-7215 or curdae@gao.gov

Staff Acknowledgments:

In addition to the contact named above, Michele Grgich (Assistant Director), Isabella P. Anderson, Dan Meyer and Amy E. MacDonald (Analysts-in-Charge), Daniel Bibeault, Ted Burik, Daniel Concepcion, Jennifer Cook, Gus Fernandez, Alex Galuten, Sheila R. McCoy, Arthur Thomas Merriam, Jr., Mimi Nguyen, Ramon J. Rodriguez, Margie K. Shields, Joy Solmonson, Almeta Spencer, Jeff M. Tessin, Walter K. Vance, Kathleen van Gelder, Srinidhi Vijaykumar, and Khristi A. Wilkins made significant contributions to this report.

In addition, Seto J. Bagdoyan, Joy Booth, Gabrielle M. Fagan, Robert H. Graves, Rosalind C. Romain, and Helina P. Wong contributed to the report.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (https://www.gao.gov). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to https://www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, https://www.gao.gov/ordering.htm.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on Facebook, Flickr, Twitter, and YouTube.
Subscribe to our RSS Feeds or E-mail Updates. Listen to our Podcasts.
Visit GAO on the web at https://www.gao.gov.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: https://www.gao.gov/fraudnet/fraudnet.htm

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

Orice Williams Brown, Managing Director, WilliamsO@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

James-Christian Blockwood, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814, Washington, DC 20548