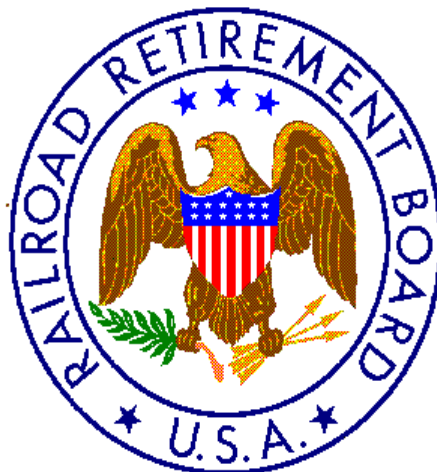


OFFICE OF INSPECTOR GENERAL

Audit Report

**Inspection of the Railroad Retirement Board's
Representative Payee Monitoring**

**Report No. 12-07
July 27, 2012**



RAILROAD RETIREMENT BOARD

EXECUTIVE SUMMARY

Background

The Office of Inspector General (OIG) conducted an inspection of the Railroad Retirement Board's (RRB) representative payee monitoring. It is the policy of the RRB that every adult has the right to manage his payments unless found to be incompetent. The Railroad Retirement Act authorizes the RRB to select and pay benefits to individuals or organizations on behalf of annuitants deemed incapable of managing their own financial affairs. These authorized individuals or organizations are known as representative payees (rep payees). Rep payees are charged with managing RRB benefits for the welfare of the annuitants. RRB procedures provide that rep payees are to be monitored to determine if the annuitants' rights are being protected.

Objectives

The objectives of our inspection were to determine if the RRB's monitoring efforts over rep payees ensured that benefits paid to rep payees were used for the needs of the annuitants, and to identify opportunities to improve the effectiveness and efficiency of RRB's rep payee monitoring.

Findings

Our inspection determined that the RRB's rep payee monitoring program did not adequately ensure that benefits paid to rep payees were used for the needs of the annuitants. The inspection disclosed the following weaknesses that needed to be strengthened:

- Controls were not sufficient to ensure the protection of annuitants' rights;
- Self-reporting and the RRB's selection methodology increased the risk of abuse, neglect, or misuse of funds;
- "High-risk" rep payees were not readily identifiable;
- Face-to-face interviews were under-utilized in rep payee monitoring;
- System reporting lacked data for management decision making;
- Policies and procedures were incomplete; and
- RRB did not check rep payees for criminal and/or misdemeanor offenses.

We also identified opportunities to improve the effectiveness and efficiency of RRB's rep payee monitoring in the following areas:

- Timeliness of monitoring activities needed improvement;
- "Parent-for-child" monitoring did not require an accounting of benefits;
- Documentation for some rep payees was incomplete; and
- Controls to ensure proper coding of rep payees were insufficient.

Recommendations

To address the identified weaknesses, we recommended that agency management:

- re-communicate the purpose of rep payee monitoring to applicable employees;
- perform a risk analysis for the rep payee program;
- re-evaluate existing controls and implement additional controls to ensure that the rights of the annuitants are protected;
- request and review supporting documentation in order to properly analyze rep payee disclosures;
- re-evaluate the selection methodology for determining which cases will be monitored in any given year;
- implement additional controls to improve the process for identifying and monitoring "high-risk" rep payees;
- ensure that the Bureau of Field Service representatives conduct and document face-to-face interviews for questionable situations involving rep payees;
- expand the Universal System Tracking and Reporting Program (USTAR) to include the results of monitoring;
- ensure that USTAR contains all relevant information on the monitoring process or reference where the information is available;
- provide additional training to all USTAR users who perform rep payee monitoring;
- implement controls to ensure centralized oversight of the rep payee monitoring process;
- strengthen USTAR procedures to ensure consistency throughout the entire Bureau of Field Service;
- revise the rep payee monitoring procedures to ensure complete documentation of all monitoring activities performed, including any supervisory reviews;
- research and implement a cost-effective method to use existing incarceration data and/or third party database information to assess the rep payees' criminal histories during monitoring;

- update current monitoring procedures to include steps to check rep payees for criminal and/or misdemeanor offenses against available databases, and use this information to determine the continued suitability of the rep payees;
- strengthen controls over the timeliness of rep payee monitoring;
- establish procedures for a comprehensive "parent-for-child" rep payee monitoring program which ensures that the intent of the regulations for rep payee accountability is carried out;
- ensure that all rep payee documentation is properly maintained;
- provide training to the Bureau of Field Service staff to ensure consistent practices for imaging and indexing documentation for rep-payee monitoring activities; and
- design controls to correctly identify all rep payees.

Management's Response

The Office of Programs and the Bureau of Field Service agreed to take corrective action for 16 of our 20 recommendations. They disagreed with the remaining 4 recommendations. They also expressed concern that this report lacks detail about the number and type of exceptions found. The full text of agency management's response is included in this report as Appendix IV.

RRB-OIG's Comments on Management's Response

The OIG maintains that the implementation of all 20 of our recommendations would help to ensure that the agency is fully achieving the objective of rep payee monitoring, which is to determine if the annuitants' rights are being protected.

Our inspection was not designed to quantify all exceptions; it was designed to evaluate controls. We believe that the report contains sufficient detail regarding the control weaknesses identified in the RRB's rep payee monitoring program to support our conclusions.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

INTRODUCTION

Background	1
Inspection Objectives	3
Scope	3
Methodology.....	3

RESULTS OF INSPECTION

Controls were not Sufficient to Ensure the Protection of Annuitants' Rights	4
Recommendations	5
Management's Response.....	5
Self-Reporting and the RRB's Selection Methodology Increased the Risk of Abuse, Neglect, or Misuse of Funds.....	6
Recommendations	6
Management's Response.....	7
RRB-OIG's Comments on Management's Response.....	7
"High-Risk" Rep Payees were not Readily Identifiable.....	8
Recommendation	8
Management's Response.....	9
Face-to-Face Interviews were Under-Utilized in Rep Payee Monitoring	9
Recommendation	10
Management's Response.....	10
System Reporting Lacked Data for Management Decision Making	10
Recommendations	11
Management's Response.....	11
RRB-OIG's Comments on Management's Response.....	12
Policies and Procedures were Incomplete	13
Recommendation	14
Management's Response.....	14
RRB-OIG's Comments on Management's Response.....	14

RRB did not Check Rep Payees for Criminal and/or Misdemeanor Offenses	14
Recommendations	15
Management’s Response.....	15
Timeliness of Monitoring Activities Needed Improvement.....	16
Recommendation	17
Management’s Response.....	17
RRB-OIG’s Comments on Management’s Response.....	17
“Parent-for-Child” Monitoring did not Require an Accounting of Benefits	17
Recommendation	18
Management’s Response.....	18
RRB-OIG’s Comments on Management’s Response.....	18
Rep Payee Documentation was Incomplete.....	19
Recommendations	20
Management’s Response.....	20
Controls to Ensure Proper Coding of Rep Payees were Insufficient	20
Recommendation	21
Management’s Response.....	21
RRB-OIG’s Comments on Management’s Response.....	21

APPENDICES

Appendix I - Glossary of Terms.....	22
Appendix II - Testing Methodology and Results	
Non-Statistical Sample - Representative Payees.....	23
Appendix III - Testing Methodology and Results	
Non-Statistical Sample - “High-Risk” Representative Payees	25
Appendix IV - Management’s Response	27

INTRODUCTION

This report presents the results of the Office of Inspector General's (OIG) inspection of the Railroad Retirement Board's (RRB) representative payee monitoring.

A glossary of terms has been provided in Appendix I.

Background

The RRB is an independent agency in the executive branch of the Federal government. The RRB administers the retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act of 1974 (RRA) and the Railroad Unemployment Insurance Act (RUIA). These programs provide income protection during old age and in the event of disability, death, temporary unemployment, or sickness. The RRB paid approximately \$11 billion in benefits to over 607,000 beneficiaries during fiscal year (FY) 2011.

It is the policy of the RRB that every adult has the right to manage his payments unless found to be incompetent. The RRA authorizes the RRB to select and pay benefits to individuals or organizations on behalf of annuitants deemed incapable of managing their own financial affairs. These authorized individuals or organizations are known as representative payees (rep payees). Rep payees are charged with managing RRB benefits for the welfare of the annuitants.¹ Rep payees are classified into three categories: court appointed (legal guardians), Board appointed, and "parent-for-child."² In calendar year (CY) 2010, the RRB paid approximately \$232 million in railroad retirement benefit payments to approximately 18,000 rep payees.

RRB regulations specify that payments are to be expended for the annuitant's benefit with priority given to meeting current maintenance needs. Records of disbursements are to be available on request for the current and three prior years. Excess funds should be conserved or invested on the annuitant's behalf. Funds deposited in an interest-bearing account must be in a form of an account which clearly shows that the rep payee holds the funds in trust for the annuitant, and does not have a personal interest in the funds. Rep payees are to notify the RRB of any changes affecting the annuitant's entitlement and to periodically account to the agency for the use of benefits.

Policy and Systems, within the RRB's Office of Programs, is administratively responsible for, and maintains oversight of, the rep payee program. The Bureau of Field Service is responsible for determining the need for rep payees, selecting the rep payees, and reviewing the selections.³ Policy and Systems selects a sample of rep payees for annual monitoring and the field offices perform the review and monitoring of the rep payees.

¹ 20 CFR §266.

² The Board is a term used synonymously with the Railroad Retirement Board or agency.

³ The Bureau of Field Service (formerly the "Field Service" within the Office of Programs) is comprised of 53 field offices located throughout the United States.

RRB procedures provide that rep payees are to be monitored to determine if the annuitants' rights are being protected. The monitoring program is designed to verify custody in "parent-for-child" payee situations, and to elicit an accounting of benefits from all court/Board appointed rep payees.

The Bureau of Field Service employees conduct monitoring for a portion of Board appointed and court appointed rep payees on a triennial basis. One third of these rep payees are selected each year based on the last two digits of their claim number. Rep payees considered "high-risk" are monitored annually. A "high-risk" rep payee is one who meets one of the following criteria:

- has previously used any of the annuitant's funds for their own expense;
- has been convicted of a felony or misdemeanor under the statutes administered by the RRB or the Social Security Administration (SSA); or
- had a face-to-face interview during a previous monitoring effort.

The RRB began monitoring "parent-for-child" rep payees in 1989. The "parent-for-child" monitoring is a separate program and performed once every three years. One hundred percent of the "parent-for-child" rep payee cases are completed at the same time. Custody verification alone satisfies accountability for "parent-for-child" rep payees.

This review supports one of the goals of the RRB's strategic plan, which is to safeguard customers' trust funds through prudent stewardship. This is accomplished by establishing strong internal control.

Internal control is an integral component of an organization's management that provides reasonable assurance concerning the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Pursuant to the provisions of the Federal Managers' Financial Integrity Act of 1982, the U.S. Government Accountability Office (GAO) issued Standards for Internal Control in the Federal Government. These standards provide the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement.

Inspection Objectives

The objectives of our inspection were to:

- determine if the RRB's monitoring efforts over rep payees ensure that benefits paid to rep payees are used for the needs of the annuitants; and
- identify opportunities to improve the effectiveness and efficiency of RRB's rep payee monitoring.

Scope

Our scope included internal controls over monitoring and reporting for RRA rep payees during FYs 2008 to 2010.

Methodology

To accomplish our objectives, we:

- evaluated applicable policies and procedures;
- identified selected best practices for rep payee monitoring from other Federal agencies, such as SSA and the Department of Veterans Affairs (VA);
- obtained an understanding of monitoring criteria;
- reviewed various program integrity reports to determine volume, and analyzed trends relating to rep payee data;
- reviewed and compared laws and regulations to agency procedures and determined the sufficiency/adequacy of coverage;
- evaluated management controls over RRB's monitoring process;
- performed sampling tests of selected procedures and management controls, as described in Appendices II and III; and
- interviewed RRB staff and management representatives.

We conducted our inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation, January 2011. Those standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our inspection objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our inspection objectives.

We conducted our fieldwork at the RRB's headquarters in Chicago, Illinois from January 2011 through September 2011.

RESULTS OF INSPECTION

Our inspection determined that the RRB's rep payee monitoring program did not adequately ensure that benefits paid to rep payees were used for the needs of the annuitants. The inspection disclosed the following weaknesses that needed to be strengthened:

- Controls were not sufficient to ensure the protection of annuitants' rights;
- Self-reporting and selection methodology increased the risk of abuse, neglect, or misuse of funds;
- "High-risk" rep payees were not readily identifiable;
- Face-to-face interviews were under-utilized in rep payee monitoring;
- System reporting lacked data for management decision making;
- Policies and procedures were incomplete; and
- RRB did not check rep payees for criminal and/or misdemeanor offenses.

We also identified opportunities to improve the effectiveness and efficiency of RRB's rep payee monitoring in the following areas:

- Timeliness of monitoring activities needed improvement;
- "Parent-for-child" monitoring did not require an accounting of benefits;
- Documentation for some rep payees was incomplete; and
- Controls to ensure proper coding of rep payees were insufficient.

The details of our findings and recommendations for corrective action are discussed throughout the remainder of this report. The Office of Programs and the Bureau of Field Service agreed to take corrective action for 16 of our 20 recommendations. The full text of management's response is included in this report as Appendix IV.

Controls were not Sufficient to Ensure the Protection of Annuitants' Rights

The RRB did not have adequate internal control to ensure the protection of annuitants' rights. During our inspection, we did not find any documentation showing that a complete risk analysis of the rep payee monitoring program had ever been performed. In addition, we observed that rep payee monitoring activities were incomplete, not properly documented, and existing procedures were not being followed.

The RRB's policies and procedures for rep payee monitoring state that the "RRB is responsible...for monitoring the payee to determine if the annuitant's rights are being protected." Generally, monitoring programs are designed to verify custody in "parent-for-child" payee situations and to elicit an accounting of benefits from other rep payees.

RRB officials told us that they considered rep payee monitoring to be a program integrity function. Therefore, rep payee monitoring controls had been focused on program integrity activities, which were meant to ensure that the correct amount of benefits were being paid to the right people, rather than on protecting the best interests of the annuitant. These program integrity activities focused on payback for the amount of effort invested versus identifying the risks. In fact, a risk analysis for the rep payee monitoring program had not been performed, and we found no central location where all controls related to rep payee monitoring were documented.

As a result, existing controls were not sufficient to ensure that rep payees were properly managing RRB benefits for the welfare of the annuitants.

Recommendations

We recommend that the Office of Programs and the Bureau of Field Service:

1. re-communicate the purpose of rep payee monitoring to applicable employees.

We recommend that the Office of Programs:

2. perform a risk analysis for the rep payee program; and
3. re-evaluate existing controls and implement additional controls to ensure that the rights of the annuitants are protected.

Management's Response

With regard to recommendation 1, the Office of Programs and the Bureau of Field Service stated that although they believe that the purpose of representative payee monitoring is well understood, they will re-communicate the purpose of representative payee monitoring in connection with the FY 2012 monitoring effort.

In regard to recommendation 2, the Office of Programs agreed to conduct a risk analysis to identify and assess factors that may adversely impact the effectiveness of the representative payee program in achieving its purpose.

In regard to recommendation 3, the Office of Programs stated that, based on the results of the risk analysis, they will identify existing countermeasures and determine whether additional controls are needed.

Self-Reporting and the RRB's Selection Methodology Increased the Risk of Abuse, Neglect, or Misuse of Funds

Rep payees' self-reporting and the RRB's selection methodology increased the risk of annuitants' funds being misspent. The RRB's rep payee monitoring program relied on the honor system instead of documented evidence, and used the same selection methodology to choose which cases were monitored from year to year.

Regulations stipulate that the rep payee is accountable for the use of benefits, must keep records, provide periodic written reports, and is subject to verification as to how benefit payments were used. Additionally, Federal standards for internal control require that all transactions and other significant events be clearly documented and readily available for examination.⁴ More specifically, transactions and significant events need an audit trail.⁵

Although RRB regulations required rep payees to keep records to document how the benefit payments were used, these records were not requested, reviewed, or verified during the monitoring process. In addition, the RRB continued to use the same selection methodology from year to year. This methodology was predictable, minimized randomness, and did not contain the element of surprise. It appears that the RRB presumed that the rep payee would always be truthful and forthcoming, and did not see the need to verify information provided.

The reliance on self-reporting and the RRB's selection methodology for monitoring increased the risk that questionable rep payees would not be identified and dealt with appropriately. As a result, there was increased risk that annuitants' benefits would be abused, neglected, or misused, and that problems would not be detected in a timely manner.

We identified best practices in some other government agencies with similar functions and monitoring responsibilities, such as SSA and VA. We found that these agencies did not rely on the honor system as a basis for verifying rep payee disclosures; instead, they reviewed supporting documentation in support of rep payee financial disclosures.

Recommendations

We recommend that the Bureau of Field Service:

4. request and review supporting documentation in order to properly analyze rep payee disclosures.

⁴ "Standards for Internal Control in the Federal Government," GAO/AIMD-00-21.3.1 (11/99), page 15.

⁵ GAO/PCIE "Financial Audit Manual," Section 260, "Identify Risk Factors," GAO-08-585G, Volume 1, July 2008, pages 260-9 and 260-10.

We recommend that the Office of Programs:

5. re-evaluate the selection methodology for determining which cases will be monitored in any given year.

Management's Response

In regard to recommendation 4, the Bureau of Field Service disagrees with the finding and the recommendation. They stated that it is not clear that obtaining and analyzing supporting documentation would improve the RRB's representative payee monitoring process. They believe that the RRB's documentation requirement for representative payees is the same as that of the Social Security Administration. The Bureau of Field Service maintains that requiring the RRB's nearly 18,000 representative payees to submit detailed documentation of their expenditures is administratively problematic because (1) it would create a significant unfunded workload and (2) it is not clear that analysis of such documentation would disclose misuse of funds.

The Bureau of Field Service believes that in order to implement the recommendation, they would need to revise the applicable regulation and obtain clearance from the Office of Management and Budget (OMB) for the routine collection of the recommended supporting documentation. They state that because they do not have the manpower to address such a voluminous workload and the value to the program is unclear, it would be difficult to demonstrate that the proposed information collection would meet the requirements of the Paperwork Reduction Act which is necessary to secure OMB clearance.

In regards to recommendation 5, the Office of Programs stated that, in addition to the cases selected for monitoring through established procedures, they will select additional representative payees for monitoring each year beginning with the upcoming FY 2012 monitoring effort.

RRB-OIG's Comments on Management's Response

We disagree with the Bureau of Field Service's statements that the recommended corrective action would create a significant unfunded workload and a need to obtain clearance from OMB to meet the requirements of the Paperwork Reduction Act. Periodically requesting and reviewing some backup documentation for rep payees' expenditures would allow the Bureau of Field Service representatives to satisfy themselves that the funds were being used to the benefit of the annuitants. It was not our intention that all backup documentation be requested and maintained for all rep payees for every year that they are monitored. However, requiring rep payees to keep records to document how the benefit payments were used, without ever requesting or reviewing them, completely undermines the intent of the regulations.

“High-Risk” Rep Payees were not Readily Identifiable

The manual process used to track and monitor “high-risk” rep payees was inconsistent and incomplete.

RRB procedures require that rep payees defined and classified as “high-risk” are subject to annual monitoring. Indicators that a rep payee may be “high-risk” include the following:

- the use of the annuitant's funds for their own expenses;
- conviction of a felony;
- conviction of a misdemeanor related to statutes administered by the RRB or SSA;
- had a face-to-face interview during a previous monitoring effort; and
- rep payees who charge a fee for services.

We found it difficult to identify and distinguish “high-risk” rep payees who were subject to annual monitoring, from regular rep payees, who were monitored on a triennial basis, because there was no coding in the RRB’s on-line systems to identify “high-risk” rep payees. This, coupled with an overall lack of documentation, often made it difficult to determine why some rep payees are designated as “high-risk”, or to determine how the “high-risk” issues were resolved or handled.

“High-risk” rep payees were not readily identifiable in any of the RRB’s available databases because identification and monitoring were based on a manual process which lacks data entry verification. The Bureau of Field Service employees performing monitoring activities were often not aware which rep payees were designated as “high-risk.”

Since “high-risk” rep payees were not readily identifiable, there was no assurance that these rep payees were being monitored annually and/or being dealt with appropriately.

Recommendation

We recommend that the Office of Programs:

6. implement additional controls to improve the process for identifying and monitoring “high-risk” rep payees.

Management's Response

In regard to recommendation 6, the Office of Programs agreed with this finding and with the recommendation. They stated that they have requested programming changes to add additional field codes to identify beneficiaries with high risk representative payees in the Checkwriting Master.

Face-to-Face Interviews were Under-Utilized in Rep Payee Monitoring

The Bureau of Field Service representatives did not utilize face-to-face interviews to address and monitor situations indicating a potential problem with a rep payee.

RRB's procedures require interviews when an unacceptable response is provided on a monitoring form, when monitoring forms are not returned in a timely fashion, or when a report of possible abuse, neglect, or misuse of funds needs to be investigated.

RRB procedures stress the importance of the face-to-face interview of the rep payee, annuitant, and in some cases the custodian, to help establish the following:

- the rep payee's demonstration of concern, including learning about the annuitant's needs, and the amount of contact with the annuitant, the use of benefits, and record keeping;
- the annuitant's awareness of entitlement to benefits and their right to appeal the rep payee selection, information regarding large purchases made with the annuitants' benefits, and indications of unmet needs; or
- the custodian's verification of amounts of care and maintenance, other emergency contacts, and adequacy of records for annuitant's share of personal funds.

We found limited documentation that face-to-face interviews were being performed to assist in the rep payee monitoring activity. In all cases, the Bureau of Field Service representatives used the regular form for rep payee monitoring and did not use the form for face-to-face interviews. The Bureau of Field Service representatives indicated that they did not routinely use face-to-face interviews because they believed they were optional and not required.

Because the "high-risk" cases are at a higher risk of possible abuse, neglect, or misuse of funds, we expected to see an indication that face-to-face interviews were used during the monitoring of the "high-risk" rep payees. In fact, we found no documentation in any rep payee monitoring files that face-to-face interviews were conducted.

By not conducting face-to-face interviews, the agency missed the opportunity to accurately assess questionable situations involving rep payee cases.

Recommendation

We recommend that the Bureau of Field Service:

7. ensure that the Bureau of Field Service representatives conduct and document face-to-face interviews for questionable situations involving rep payees.

Management's Response

In regard to recommendation 7, the Bureau of Field Service stated that they will issue a Training Reminder on the need to conduct face-to-face interviews for all High-Risk representative payees, as well as cases where the current payee has not complied with the multiple attempts to complete the triennial monitoring on a timely basis. This reminder will be issued in connection with the upcoming FY 2012 monitoring effort.

System Reporting Lacked Data for Management Decision Making

The Universal System Tracking and Reporting Program (USTAR), used to track rep payee monitoring results, lacked information that was crucial for management decision making.

In June 2010, RRB directed a rep payee monitoring procedure change with the use of USTAR. The procedure states "Universal STAR tracks a case or work item from the point it is logged into the system to when it is closed out." USTAR "provides complete handling and disposition information for all active and closed cases and other work items that need to be tracked." All rep payee monitoring cases selected for annual monitoring are loaded to the USTAR database program for purposes of assigning cases, reporting individual case results, and tracking field office workloads.

The standards for internal control in the Federal government provide that internal control techniques are to be effective and efficient in accomplishing their objectives. Also, sound management practices dictate that a management information system provide information in a format which can be readily used to evaluate the program for which the system was created.

During our inspection, we observed that there was no overall summary to show the results of the triennial rep payee or the "parent-for-child" monitoring. In addition, rep payee monitoring information was maintained in three separate systems, (USTAR, Contact Log, and Workdesk) with no one system being all-inclusive.

USTAR did not contain all relevant information related to rep payee monitoring. Often USTAR remark fields were blank because the Bureau of Field Service representatives utilized a different system to document actions related to rep payee contacts and/or monitoring.

We also noted erroneous disposition codes for some rep payee monitoring cases in USTAR. Additionally, not all field offices were utilizing USTAR's tracking features. For example, some field offices entered and closed the rep payee monitoring cases on the same day. Therefore, no aging or status was shown on the summary report.

The use of USTAR was relatively new, and it appeared that the Bureau of Field Service was still becoming familiar with using the system for rep payee monitoring. Additionally, there was no centralized oversight, and there was a lack of consistent procedures for the use of USTAR. Moreover, the emphasis in USTAR appeared to be on tracking the number of monitoring cases completed, and on the timeliness of completion, rather than on analyzing the results.

As a result, agency management could not conclude whether or not the monitoring had achieved its stated purpose of protecting the annuitants' rights. In addition, management could not adequately perform oversight duties on the rep payee monitoring process.

Recommendations

We recommend that the Office of Programs:

8. expand USTAR to include the results of monitoring;
9. ensure that USTAR contains all relevant information on the monitoring process or reference to where the information is available;
10. provide additional training to all USTAR users who perform rep payee monitoring;
11. implement controls to ensure centralized oversight of the rep payee monitoring process; and
12. strengthen USTAR procedures to ensure consistency throughout the entire Bureau of Field Service.

Management's Response

In regard to recommendation 8, the Office of Programs stated that the results of the representative payee monitoring are currently documented in USTAR. They believe that the system captures the status of the case and outcome through the use of codes. However, they agreed that the individual case outcomes could be better documented. They stated that they will revise the required representative payee monitoring documentation and related procedures to capture the outcome of each case so that it will be stored in the agency's imaging system.

In regard to recommendation 9, the Office of Programs disagreed with this finding and with the recommendation. They stated that USTAR is a work management system which is designed to capture the results of representative payee monitoring at a high level. The Office of Programs also stated that other systems and methods are used to document the details of the process; staff are trained on these other systems and are aware that pertinent information may exist in multiple locations. In this regard, representative payee monitoring is managed in the same manner as other benefit-related activities. For example, documentation of personal contacts would be in the Contact Log System; pending cases and final disposition of completed cases is coded in the USTAR system, and scans of forms and correspondence are in the imaging system.

In regard to recommendation 10, the Office of Programs agreed that USTAR users can benefit from additional training to ensure that the system is used effectively. They will conduct this training in connection with the upcoming FY 2012 monitoring effort.

In regard to recommendation 11, the Office of Programs stated that they believe that USTAR provides the top level information needed for effective management and accountability. The system captures timeliness and the results of monitoring by standardized code, as well as providing for customized remarks. They also re-stated that they do agree that individual case outcomes could be better documented. They will revise the required representative payee monitoring documentation and related procedures to capture the outcome of each case.

In regard to recommendation 12, the Office of Programs agreed that reminding field service management and staff of procedures for using USTAR to manage representative payee monitoring will benefit the program.

RRB-OIG's Comments on Management's Response

Regarding the Office of Program's response to recommendation 9, we maintain that USTAR has a "remarks" field where the Bureau of Field Service representatives can make notes regarding issues or contacts for each rep payee monitoring case. An absence of any remarks in that field might mislead a person to believe that there were no issues or contacts related to the case when, in fact, there were, but were documented somewhere else. During the course of the audit, Bureau of Field Service representatives agreed that it would be a good idea to put a reference in USTAR's "remarks" field as to where other information related to rep payee monitoring could be found. OIG believes that adding a reference in USTAR's "remarks" field would help to close the loop in the rep payee documentation.

Policies and Procedures were Incomplete

Policies and procedures for rep payee monitoring were incomplete to ensure the continuity of operations in accordance with management's directives. These procedures did not include detailed instructions for documenting the Bureau of Field Service representatives' analysis/review or for documenting the supervisory review of the rep payee monitoring process.

RRB Field Office Manual (FOM1) procedures provide that the RRB is responsible for monitoring rep payees to determine if the annuitant's rights are being protected.

Control activities help to ensure that management's directives are carried out.⁶ Internal controls and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.⁷ These controls include policies and procedures to carry out organizational objectives, such as planning, productivity, and economy, efficiency, and effectiveness objectives. Management uses these controls to provide reasonable assurance that the entity (1) achieves its mission, (2) maintains quality standards, and (3) does what management directs it to do.⁸

During our inspection, we observed that the monitoring activities performed by contact representatives and supervisors were not always documented. Generally, there were no annotations that the contact representative had reviewed, verified, analyzed, and/or accepted the rep payees' responses on the monitoring forms. Contact representatives did not routinely sign, date, or annotate the disposition on applicable forms. Also, there were no annotations that the amount of railroad retirement benefits, reported by rep payees on the monitoring forms, had been compared and verified to the RRB's payment systems.

RRB staff told us that the RRB's payment systems were checked. However, they felt that there was no need to document data readily available in the system. In addition, although we were told that supervisors reviewed the monitoring forms, there was no documented evidence of this review. RRB management told us that their procedures did not require a supervisory review. Therefore, they took exception that we noted no documentation of the supervisory review.

Without formal, detailed, and comprehensive policies and procedures, there was no assurance that the various field offices would consistently comply and carry out management's directives, or that they would meet their monitoring objective.

⁶ "Standards for Internal Control in the Federal Government," GAO/AIMD-00-21.3.1 (11/99), page 11.

⁷ "Standards for Internal Control in the Federal Government," GAO/AIMD-00-21.3.1 (11/99), page 15.

⁸ GAO/PCIE "Financial Audit Manual," Section 260, "Identify Risk Factors," GAO-08-585G, Volume 1, July 2008, page 260-3.

Recommendation

We recommend that the Office of Programs:

13. revise the rep payee monitoring procedures to ensure complete documentation of all monitoring activities performed, including any supervisory reviews.

Management's Response

In regard to recommendation 13, the Office of Programs re-stated that individual case outcomes could be better documented. They will revise the required representative payee monitoring documentation and related procedures to capture the outcome of each case so that it will be stored in the agency's imaging system.

RRB-OIG's Comments on Management's Response

We do not believe that the proposed corrective action meets the intent of our recommendation. Simply documenting individual case outcomes in the imaging system does not provide for a proper audit trail as to what the Bureau of Field Services representatives actually reviewed or analyzed in conducting the monitoring. The absence of any tick marks, initials, notes of analysis, etc. provides no proof that anything was done with the monitoring forms beyond receiving them and scanning them into the agency's imaging system.

RRB did not Check Rep Payees for Criminal and/or Misdemeanor Offenses

The Bureau of Field Service representatives performing monitoring activities relied on rep payees to self-report if they had been convicted of a criminal and/or misdemeanor offense, and did not verify the information provided to them.

RRB procedures require rep payees to self-report, on the monitoring forms, if they have been convicted of a felony or crime under the statutes administered by the RRB or SSA. RRB rep payee monitoring procedures instruct the Bureau of Field Service representatives to make sure that the rep payee has responded to the question on the form, and to develop the case for another (alternative) rep payee if the response to the question is "yes."

During our inspection, we found one case where the response to the criminal / misdemeanor offense question was "yes" on the rep payee's application. In this case, the Bureau of Field Service representative properly attempted to select another rep payee according to procedures. Ultimately, the rep payee was retained as a "high-risk" rep payee because no other alternatives were available for this annuitant.

However, in all other cases, we found no documentation to show that the agency had tried to verify whether or not the rep payees had been truthful regarding criminal and misdemeanor offenses, even though there were existing law enforcement databases that could have been checked. Monitoring procedures did not include steps to verify the yes or no responses.

While RRB procedures do not specifically require the Bureau of Field Service representatives to check available databases, sound management practices dictate that available databases be checked for criminal or misdemeanor offenses.

It appears that the agency did not check rep payee for criminal and/or misdemeanor offenses because RRB representatives incorrectly assumed that the rep payees would always be truthful. In addition, the agency placed emphasis on paying benefits in the right amount to the right annuitants on a timely basis, rather than on ensuring that the annuitants' rights were protected. Lastly, the Bureau of Field Service management told us that the Bureau of Field Service representatives did not have access to any databases which contained criminal history, and that those types of databases charge fees.

Self-reporting of criminal history is not reliable, and the lack of ongoing screening of rep payees could result in the increased risk of the continued use of rep payees with a criminal history and the misuse of annuitants' funds.

Recommendations

We recommend that the Office of Programs:

14. research and implement a cost-effective method to use existing incarceration data and/or third party database information to assess the rep payees' criminal histories during monitoring; and
15. update current monitoring procedures to include steps to check rep payees for criminal and/or misdemeanor offenses against available databases, and use this information to determine the continued suitability of the rep payees.

Management's Response

With regard to recommendation 14, the Office of Programs agreed to research the availability of a cost-effective method to include identification of criminal history in the representative payee monitoring program. They stated that the Bureau of Public Debt's "Do Not Pay Portal" may eventually provide such an opportunity.

With regard to recommendation 15, the Office of Programs agreed to research the availability of a cost-effective method to include identification of criminal history in the representative payee monitoring program. They re-stated that the Bureau of Public Debt's "Do Not Pay Portal" may eventually provide such an opportunity.

Timeliness of Monitoring Activities Needed Improvement

The timeliness of rep payee monitoring could be improved. During our inspection, we identified several instances of rep payee monitoring which did not comply with the agency's established deadlines for monitoring.

The RRB had established an overall timeliness parameter of 120 days for the completion of the rep payee monitoring program for each year. At the onset of each rep payee monitoring activity for the year, applicable guidance was updated and deadlines were established.

RRB procedures specifically provide that monitoring forms should be returned by the rep payees within 30 days. At 30 days, a second request is to be sent out and tracking for an additional 15 days should be established. At this point, phone contact to schedule an interview is required. If contact is unsuccessful, a form letter is issued and a deadline of 15 days is established, after which the annuity is suspended if the rep payee refuses to cooperate in scheduling an interview or if no response is received.

During our inspection, we identified several instances of rep payee monitoring which did not comply with the agency's established deadlines. The details of our findings include the following:

- The non-statistical samples of rep payees, including "high-risk" rep payees, disclosed cases in which the monitoring was not completed by the overall established deadline, and cases where the internal tracking timeframe established for the return and follow-up of the monitoring form, including suspension of benefits, was not completed as prescribed in RRB's procedures.
- In a few instances, the Bureau of Field Service personnel at some field offices established individual deadlines in USTAR that were beyond the final deadlines established for the entire monitoring program. This occurred during the 2010 rep payee monitoring effort, and the 2010 "parent-for-child" monitoring that was delayed until 2011.
- "Parent-for-child" rep payees, which should have been monitored in CY 2010 according to the agency's once-every-three-year schedule, were not monitored until CY 2011. Although RRB management stated that it was a conscious management decision to delay the "parent for child" monitoring until CY 2011, we found no documentation to show this management decision.

In addition, a review of the supporting statistics for the agency's Program Integrity Reports disclosed late monitoring in FYs 2008, 2009, and 2010.

Untimely monitoring was caused by the lack of comprehensive controls. In addition, the tracking and/or aging of rep payee cases by field offices lacked consistency.

Failure to meet established deadlines can result in improper suspension and/or delayed payments to annuitants, which could lead to the annuitants having unmet needs.

Recommendation

We recommend that the Office of Programs:

16. strengthen controls over the timeliness of rep payee monitoring.

Management's Response

In regard to recommendation 16, the Office of Programs stated that the USTAR work management system includes features that allow establishment of due dates. They also stated that the year audited, FY 2010, was the first year that USTAR had been used for representative payee monitoring and these timeline features had not yet been fully implemented for managing the monitoring effort. They stated that for the FY 2012 monitoring program, they will assign each case in USTAR and establish target dates for monitoring cases.

The Office of Programs disagreed with statements in the report that indicate parent-for-child monitoring had been delayed through lack of controls. They stated that Management made a decision to delay parent-for-child monitoring so that it could be controlled through USTAR.

RRB-OIG's Comments on Management's Response

As we previously stated, although RRB management stated that it was a conscious management decision to delay the "parent-for-child" monitoring until CY 2011, we found no documentation to show this management decision.

"Parent-for-Child" Monitoring did not Require an Accounting of Benefits

"Parent-for child" rep payee monitoring efforts did not ensure the protection of annuitants' rights. The monitoring of "parent-for-child" rep payees was designed to verify the custody arrangement of the annuitant only, and did not require this type of rep payee to account for the use of railroad retirement benefits.

RRB regulations stipulate that a representative payee is accountable for the use of benefits, must keep records on the use of benefit payments, and make periodic written reports. There is no differentiation between the types of rep payees in these regulations.

Our inspection noted that RRB procedures for rep payee monitoring differentiated between the types of rep payees. The court and Board appointed rep payee monitoring programs were designed to elicit an accounting of benefits received, identification of any savings, disclosure of any felony or misdemeanor convictions, changes in custody, and living arrangements. The “parent-for-child” rep payees were only required to verify custody; this verification alone satisfied accountability for this type of rep payee.

RRB management told us that they considered the “parent-for child” rep payees a low-risk area.

The limited monitoring of "parent-for-child" rep payees could result in the current needs of the annuitant not being met and misuse of the annuitants' benefits.

Recommendation

We recommend that the Office of Programs:

17. establish procedures for a comprehensive "parent-for-child" rep payee monitoring program which ensures that the intent of the regulations for rep payee accountability is carried out.

Management's Response

In regard to recommendation 17, the Office of Programs disagreed with this finding and with the recommendation. They stated that they continue to believe that their current program procedures are appropriate to the circumstances and that the funds of children in parental custody are at lower risk of misuse. They stated that, for this reason, they limit the initial monitoring inquiry in these cases to verification of custody.

RRB-OIG's Comments on Management's Response

As previously stated, RRB regulations stipulate that a representative payee is accountable for the use of benefits, must keep records on the use of benefit payments, and make periodic written reports. There is no differentiation between the types of rep payees in these regulations. Therefore, we believe that the intent of the regulations was for all rep payees to account for the use of the annuitants' benefits, regardless of their relationship to the annuitant.

Rep Payee Documentation was Incomplete

Documentation for rep payees was not always maintained in the automated system. Rep payee documentation was not always imaged (scanned) and indexed as required by RRB procedures. Additionally, some documents that were not maintained in the automated systems were available in hard copy form from the field offices, while others had been purged, shredded, or were otherwise not available.

RRB's procedures provide that all rep payee documents be imaged for each payee selected, "except minor children and students with parental representative payees." These procedures state "[i]mage all representative payee documents for all incompetent disabled children, both those living with and not living with the widow(er), and for minor children and students with non-parental (court and Board appointed) representative payees." Field offices are required to image and index all forms separately. The imaged documents should include the original application form, material pertinent to the payee selection, copies of notices released to the annuitants and rep payees, as well as monitoring forms.

GAO's Standards for Internal Control in the Federal Government have established Federal standards for internal controls and provide that "[a]ll documentation and records should be properly managed and maintained."⁹

During our inspection, we found diverse practices throughout the various field offices as to how the results of rep payee monitoring were documented and how the rep payee records were retained.

RRB representatives cited limited resources, staff shortages in smaller field offices, and other priority workload as reasons for noncompliance. Additionally, the Office of Programs maintained they have not issued a mandate to image (scan) all rep payee documents to Workdesk.

When policies, procedures, and practices are not documented, or are unavailable, outdated, or inconsistent, accounting controls may be bypassed and control weaknesses may go undetected. A lack of documentation also undermines an organization's ability to ensure continuity of operations in the event of staff changes.

⁹ "Standards for Internal Control in the Federal Government," GAO/AIMD-00-21.3.1 (11/99), page 15.

Recommendations

We recommend that the Bureau of Field Service:

18. ensure that all rep payee documentation is properly maintained; and
19. provide training to the Bureau of Field Service staff to ensure consistent practices for imaging and indexing documentation for rep-payee monitoring activities.

Management's Response

In regard to recommendation 18, the Bureau of Field Service stated that, on April 16, 2012, an email was released to all Network Managers reminding them that forms required for representative payee appointments, as well as paper documentation related to representative payee monitoring, should be scanned into the RRB's imaging system, including those on hand from prior monitoring periods.

In regard to recommendation 19, the Bureau of Field Service stated that, on April 16, 2012, an email was released to all Network Managers reminding them that forms required for representative payee appointments, as well as paper documentation related to representative payee monitoring, should be scanned into the RRB's imaging system, including those on hand from prior monitoring periods.

Controls to Ensure Proper Coding of Rep Payees were Insufficient

The RRB had no controls to verify that annuitants, with or without managed accounts, were coded accurately in the agency's automated systems.

Rep payee codes had been established in the automated systems to identify court appointed, Board appointed, and "parent-for-child" rep payees as numbers 1, 2, and 3, respectively.

GAO's Standards for Internal Control in the Federal Government provides "[i]nternal control activities help ensure that management's directives are carried out." "Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives...[t]hey help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results."¹⁰

Although RRB representatives stated that the cases identified were coded as rep payee cases in error, we found no controls in place to verify that the rep payee coding was correct, or to detect such errors.

¹⁰ "Standards for Internal Control in the Federal Government," GAO/AIMD-00-21.3.1 (11/99), page 11.

As a result, the code did not always match the annuitant's actual status, and monitoring efforts may not have been capturing the entire rep payee population.

Recommendation

We recommend that the Office of Programs:

20. design controls to correctly identify all rep payees.

Management's Response

In regard to recommendation 20, the Office of Programs disagreed with this recommendation. They stated that the recommendation is not supported by the cases identified during the inspection which, as stated in the report, were coded in error as having representative payees when none has been appointed. They also stated that this was human error and has no impact on the program. However, they stated that they will request a reminder concerning the proper coding of representative payees in the training reminders that will be released to the Bureau of Field Service staff as a result of this inspection. (See the response to recommendations 7 and 12.)

RRB-OIG's Comments on Management's Response

We disagree with management's statement that the coding error has no impact on the program. Coding errors, whether they are an absence of a rep payee code, or an incorrect code, could result in a rep payee never being monitored, or being incorrectly selected for monitoring, when no such monitoring is necessary. The absence of controls to prevent or detect coding errors can also result in an incorrect population of rep payees to select from for monitoring.

APPENDICES

Glossary of Terms

Contact Log	A web-based application for recording, maintaining, and viewing customer contact activities on RRA and RUIA records.
Custodian	The person that the annuitant is living with, who may or may not be the rep payee.
Image	An image is always part of an electronic document. A document scanner converts paper sides to electronic images.
Index	The various pieces of identifying information that are part of each document is called the document index. The index always includes a social security number and form type. This information makes it easy for the document to be retrieved at a later date.
USTAR	The Universal System Tracking and Reporting Program (USTAR) is the electronic system the RRB uses for the purposes of assigning rep payee monitoring cases, reporting individual case results, and tracking field office workloads. The RRB began using USTAR for rep payee monitoring in 2010.
Workdesk	The automated system used to view information that has been permanently stored in the imaging system, such as award forms and letters.

TESTING METHODOLOGY AND RESULTS

Non-Statistical Sample - Representative Payees

Audit Objective

We tested a randomly selected non-statistical sample of the RRB's rep payee monitoring cases to determine if the rep payee monitoring controls were properly designed and operating as intended, if RRB's monitoring efforts and actual practices were in compliance with RRB's written procedures and identified management controls, and if existing rep payee procedures/controls were adequate to ensure that questionable rep payees were identified and dealt with appropriately.

Scope

Using the RRB's Master Benefit File, we identified a population of 18,109 rep payees with a total estimated annualized Railroad Retirement benefit payment amount of \$232,450,257.¹¹ This universe included court appointed, Board appointed, and "parent-for-child" rep payees. We then randomly selected a non-statistical sample of 50 rep payee claims monitored in FYs 2008 - 2010.¹²

Although 50 cases were initially selected for sample testing, 2 of the rep payee cases were incorrectly coded as rep payee claims. These annuitants did not have rep payees and were incorrectly coded; therefore, only 48 of the sample cases were eligible for testing.

Review Methodology

For each of the 48 cases, we:

- obtained and reviewed supporting documentation from USTAR, Workdesk, and Contact Log;
- interviewed responsible management and staff;
- obtained and reviewed any existing policies, procedures, and practices; and
- developed and executed a checklist to test and evaluate the controls.

¹¹ A breakdown of rep payees is as follows:

- Court appointed rep payees totaling 1,832 rep payees with an estimated total annualized RR benefit payment amount of \$24,001,362.84;
- Board appointed rep payees totaling 13,605 rep payees with an estimated total annualized RR benefit payment amount of \$171,882,288.00; and
- Parent-for-Child rep payees totaling 2,672 rep payees with an estimated total annualized RR benefit payment amount of \$36,566,606.28.

¹² The rep payees tested in this sample exclude those identified as "high-risk" rep payees.

Results

We found significant exceptions in 18 of 48 (38%) cases reviewed.

The results of our case review and issues identified are outlined in the table below.

Compliance with Procedures	Tested	Non-Exceptions	Exceptions
<u>Monitoring</u> Monitoring was considered adequate if the rep payee was monitored at least once during the triennial period.	48	38	10
Total	48	38	10
<u>Face-to-Face Interviews/Contacts</u> Face-to-face interviews and contacts were considered completed, as required, if they were documented on monitoring forms or in RRB systems.	48	40	8
Total	48	40	8
Grand Total	48	30	18
Summary / Reconciliation			
Total cases with significant exceptions.	48		18
Total cases with minor/no exceptions.	48	30	
Grand Total	48	30	18

Audit Conclusion

RRB's monitoring of rep payees for the sample was not in compliance with their procedures, and controls were not designed or operating as intended. Rep payee monitoring efforts and actual practices for the sample were not in compliance with RRB's policies and written procedures. As a result, existing monitoring procedures/controls were not adequate to ensure that questionable rep payees were identified and dealt with appropriately.

TESTING METHODOLOGY AND RESULTS

Non-Statistical Sample - “High-Risk” Representative Payees

Audit Objective

We tested a randomly selected non-statistical sample of the RRB’s “high-risk” rep payee monitoring cases to determine if the controls for monitoring “high-risk” rep payees were properly designed and operating as intended, if RRB’s monitoring efforts and actual practices for “high-risk rep payees were in compliance with RRB’s written procedures and identified management controls, and if existing “high-risk” rep payee procedures/controls were adequate to ensure that questionable rep payees were identified and dealt with appropriately.

Scope

Using the RRB’s list of “high-risk” rep payees, we identified a population of 50 unique “high-risk” rep payees. We then randomly selected a non-statistical sample of 10 “high-risk” rep payee claims monitored in FYs 2008-2010.

Review Methodology

For each of the ten selected “high-risk” rep payee monitoring cases, we:

- obtained and reviewed supporting documentation from USTAR, Workdesk, and Contact Log;
- interviewed responsible management and staff;
- obtained and reviewed any existing policies, procedures, and practices; and
- developed and executed a checklist to test and evaluate the controls.

Results

We found significant exceptions in 7 of 10 (70%) “high-risk” rep payee monitoring cases reviewed.

The results of our case review and issues identified are outlined in the table below.

Compliance with Procedures	Tested	Non-Exceptions	Exceptions
<u>Annual Monitoring</u> Monitoring was considered adequate if the “high-risk” rep payee was monitored annually, as required, during the three-year period reviewed.	10	6	4
Total	10	6	4
<u>Face-to-Face Interviews</u> Face-to face interviews were considered completed, as required, if they were documented on monitoring forms or in RRB systems.	10	7	3
Total	10	7	3
Grand Total	10	3	7
Summary / Reconciliation			
Total cases with significant exceptions.	10		7
Total cases with minor/no exceptions.	10	3	
Grand Total	10	3	7

Audit Conclusion

RRB’s monitoring of the “high-risk” rep payees in the sample was not in compliance with their procedures and controls were not designed or operating as intended. In addition, we concluded that RRB’s “high-risk” rep payee monitoring efforts and actual practices for the sample were not in compliance with RRB’s policies and written procedures. As a result, existing monitoring procedures/controls were not adequate to ensure that questionable rep payees were identified and dealt with appropriately.



UNITED STATES
GOVERNMENT

MEMORANDUM

FORM G-115f (1-92)
RAILROAD RETIREMENT BOARD
July 11, 2012

TO: Diana Kruehl
Assistant Inspector General for Audit

FROM: Ronald Russo
Director of Policy and Systems

THROUGH: Dorothy Isherwood *D. Isherwood*
Director of Programs

Martha Barringer *Martha M. Barringer*
Director of Field Service

SUBJECT: Draft Report – Inspection of the Representative Payee Monitoring Program

The Office of Programs and the Bureau of Field Service are committed to making the representative payee monitoring program as effective as possible. The representative payee monitoring program seeks to protect the rights of annuitants by identifying and deterring misuse of funds; that purpose is well understood by all concerned. The RRB's methodology is consistent with other Federal programs that elicit information through self-reporting forms and review of detailed supporting documentation on an exception basis. We continue to seek opportunities to strengthen program management. For example, during FY 2010 we introduced the use of the USTAR workload management system to control representative payee referrals to Field Service personnel to strengthen oversight and accountability.

We agree that the program could be improved and plan to implement many of the inspection recommendations. However, we are concerned that the report lacks detail about the number and type of exceptions and may mislead readers concerning the extent and potential impact of weaknesses.

Recommendation We recommend that the Office of Programs and Bureau of Field Service re-communicate the purpose of rep payee monitoring to applicable employees.

1

Response Although we believe that the purpose of representative payee monitoring is well understood, we will re-communicate the purpose of representative payee monitoring by September 30, 2012 in connection with the upcoming FY 2012 monitoring effort.

Recommendation 2 We recommend that the Office of Programs perform a risk analysis for the rep payee program.

Response We agree to conduct a risk analysis to identify and assess factors that may adversely impact the effectiveness of the representative payee program in achieving its purpose. We will complete the analysis by March 31, 2013.

Recommendation 3 We recommend that the Office of Programs re-evaluate existing controls and implement additional controls to ensure that the rights of the annuitants are protected.

Response Based on the results of the risk analysis (see recommendation #2) we will identify existing countermeasures and determine whether additional controls are needed.

Recommendation 4 We recommend that the Bureau of Field Service request and review supporting documentation in order to properly analyze rep payee disclosures.

Response We disagree. It is not clear that obtaining and analyzing supporting documentation would improve the RRB's representative payee monitoring process. The RRB's documentation requirement for representative payees is the same as that of the Social Security Administration. Requiring that the RRB's nearly 18,000 representative payees submit detailed documentation of their expenditures is administratively problematic because (1) it would create a significant unfunded workload and (2) it is not clear that analysis of such documentation would disclose misuse of funds.

In order to implement the recommendation, we would need to revise the applicable regulation and obtain clearance from the Office of Management and Budget (OMB) for the routine collection of the recommended supporting documentation. Because we do not have the manpower to address such a voluminous workload and the value to the program is unclear, it would be difficult to demonstrate that the proposed information

**Draft Report – Inspection of Representative Payee
Monitoring, *continued***

collection would meet the requirements of the Paperwork Reduction Act which is necessary to secure OMB clearance.

Recommendation 5 We recommend that the Office of Programs re-evaluate the selection methodology for determining which cases will be monitored in any given year.

Response In addition to the cases selected for monitoring through established procedures, we will select additional representative payees for monitoring each year beginning with the upcoming FY 2012 monitoring effort scheduled for release by September 30, 2012.

Recommendation 6 We recommend that the Office of Programs implement additional controls to improve the process for identifying and monitoring “high-risk” rep payees.

Response We agree. We have requested programming changes to add additional field codes to identify beneficiaries with high risk representative payees in the Checkwriting Master. A change request for this system modification was submitted to the Bureau of Information Services on April 9, 2012 (PAS-04-050, Change #5). We expect system changes to be implemented by September 30, 2014.

Recommendation 7 We recommend that the Office of Programs and Bureau of Field Service ensure that [t]he Field Service representatives conduct and document face-to-face interviews for questionable situations involving rep payees.

Response The Bureau of Field Service will issue a Training Reminder on the need to conduct face-to-face interviews for all High-Risk representative payees, as well as cases where the current payee has not complied with multiple attempts to complete the triennial monitoring on a timely basis. This reminder will be issued by September 30, 2012 in connection with the upcoming FY 2012 monitoring effort.

Recommendation 8 We recommend that the Office of Programs expand USTAR to include the results of monitoring.

**Draft Report – Inspection of Representative Payee
Monitoring, *continued***

Response The results of the representative payee monitoring are currently documented in USTAR. The system captures the status of the case and the outcome through the use of codes. However, we agree that individual case outcomes could be better documented. We will revise the required representative payee monitoring documentation and related procedures to capture the outcome of each case so that it will be stored in the agency's imaging system. We expect to implement a revised process by 09/30/2012.

Recommendation 9 We recommend that the Office of Programs ensure that USTAR contains all relevant information on the monitoring process or reference where the information is available.

Response We disagree. USTAR is a work management system which is designed to capture the results of representative payee monitoring at a high level. Other systems and methods are used to document the details of the process; staff are trained on these other systems and aware that pertinent information may exist in multiple locations. In this regard, representative payee monitoring is managed in the same manner as other benefit-related activities. For example, documentation of personal contacts would be in the Contact Log system; pending cases and final disposition of completed cases is coded in the USTAR system, and scans of forms and correspondence are in the imaging system.

Recommendation 10 We recommend that the Office of Programs provide additional training to all USTAR users who perform rep payee monitoring.

Response We agree that USTAR users can benefit from additional training to ensure that the system is used effectively. We will conduct this training by September 30, 2012 in connection with the upcoming FY 2012 monitoring effort.

Recommendation 11 We recommend that the Office of Programs implement controls to ensure centralized oversight of the rep payee monitoring process.

**Draft Report – Inspection of Representative Payee
Monitoring, *continued***

Response We believe that USTAR provides the top level information needed for effective management and accountability. The system captures timeliness and the results of monitoring by standardized code, as well as providing for customized remarks. As previously stated (see our response to #8) we do agree that individual case outcomes could be better documented. We will revise the required representative payee monitoring documentation and related procedures to capture the outcome of each case. We expect to implement a revised process by 09/30/2012.

Recommendation 12 We recommend that the Office of Programs strengthen USTAR procedures to ensure consistency throughout the entire Bureau of Field Service.

Response We agree that reminding field service management and staff of procedures for using USTAR to manage representative payee monitoring will benefit the program. The Bureau of Field Service will issue a training reminder by September 30, 2012.

Recommendation 13 We recommend that the Office of Programs revise the rep payee monitoring procedures to ensure complete documentation of all monitoring activities performed, including any supervisory reviews.

Response As previously stated (see our response to #8), we agree that individual case outcomes could be better documented. We will revise the required representative payee monitoring documentation and related procedures to capture the outcome of each case so that it will be stored in the agency's imaging system. We expect to implement a revised process by September 30, 2012.

Recommendation 14 We recommend that the Office of Programs research and implement a cost-effective method to use existing incarceration data and/or third party database information to assess the rep payees' criminal histories during monitoring.

Response We agree to research the availability of a cost-effective method to include identification of criminal history in the representative payee monitoring program. The Bureau of Public Debt's "Do Not Pay Portal" may eventually provide such an opportunity. We will review the actions necessary to complete this research and establish a target date by October 31, 2012.

**Draft Report – Inspection of Representative Payee
Monitoring, *continued***

Recommendation 15 We recommend that the Office of Programs update current monitoring procedures to include steps to check rep payees for criminal and/or misdemeanor offenses against available databases, and use this information to determine the continued suitability of the rep payees.

Response We agree to research the availability of a cost-effective method to include identification of criminal history in the representative payee monitoring program. The Bureau of Public Debt's "Do Not Pay Portal" may eventually provide such an opportunity. We will review the actions necessary to complete this research and establish a target date by October 31, 2012.

Recommendation 16 We recommend that the Office of Programs strengthen controls over the timeliness of rep payee monitoring.

Response The USTAR work management system includes features that allow establishment of due dates. The year audited, FY 2010, was the first year that USTAR had been used for representative payee monitoring and these timeliness features had not yet been fully implemented for managing the monitoring effort. For the FY 2012 monitoring program, we will assign each case in USTAR and establish target dates for monitoring cases which will be substantially complete by December 31, 2012.

We disagree with statements in the report that indicate parent-for-child monitoring had been delayed through lack of controls. Management made a decision to delay parent-for-child monitoring so that it could be controlled through USTAR.

Recommendation 17 We recommend that the Office of Programs establish procedures for a comprehensive "parent-for-child" rep payee monitoring program which ensures that the intent of the regulations for rep payee accountability is carried out.

Response We disagree. We continue to believe that our current program procedures are appropriate to the circumstances and that the funds of children in parental custody are at lower risk of misuse. For this reason, we limit the initial monitoring inquiry in these cases to verification of custody.

Recommendation 18 We recommend that the Bureau of Field Service ensure that all rep payee documentation is properly maintained.

Draft Report – Inspection of Representative Payee Monitoring, *continued*

Response On April 16, 2012, an email was released to all Network Managers reminding them that forms required for representative payee appointments, as well as paper documentation relating to representative payee monitoring should be scanned into the RRB's imaging system, including those on hand from prior monitoring periods. We have established a target date of December 31, 2012 for the imaging of all current paper-based representative payee files in Field Offices.

Recommendation 19 We recommend that the Bureau of Field Service provide training to [t]he Bureau of Field Service staff to ensure consistent practices for imaging and indexing documentation of rep-payee monitoring.

Response Implemented. On April 16, 2012, an email was released to all Network Managers reminding them that forms required for representative payee appointments, as well as paper documentation relating to representative payee monitoring should be scanned into the RRB's imaging system, including those on hand from prior monitoring periods.

Recommendation 20 We recommend that the Office of Programs design controls to correctly identify all rep payees.

Response We disagree. The recommendation is not supported by the cases identified during the inspection which, as stated in the report, were coded in error as having representative payees when none had been appointed. This was human error and has no impact on the program. However, we will request that a reminder concerning the proper coding of representative payees in the training reminders that will be released to Bureau of the Field Service staff as a result of this inspection (see the response to recommendations #7 and #12)

Thank you for the opportunity to comment on this report.

cc: Director of Program Evaluation and Management Services