



Audit Report

Emmaus Homes, a Fee-for-Service
Representative Payee for the Social
Security Administration

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: April 17, 2017

Refer To:

To: Michael R. Kramer
Regional Commissioner
Kansas City

From: Assistant Inspector General for Audit

Subject: Emmaus Homes, a Fee-for-Service Representative Payee for the Social Security Administration (A-07-17-50217)

The attached final report presents the results of our review. Our objectives were to determine whether Emmaus Homes (1) had effective safeguards over the receipt and disbursement of Social Security benefits, (2) used and accounted for Social Security benefits in accordance with Social Security Administration policies and procedures, and (3) adequately protected beneficiaries' personally identifiable information.

If you wish to discuss the final report, please call me or have your staff contact Mark Bailey, Director of the Kansas City Audit Division, at (877) 405-7694 ext. 18800.



Rona Lawson

Attachment

cc:

Gary S. Hatcher, Senior Advisor for Audit Liaison Staff
Kim Bradford, Director of Finance for Emmaus Homes

Emmaus Homes, a Fee-for-Service Representative Payee for the Social Security Administration

A-07-17-50217



April 2017

Office of Audit Report Summary

Objective

To determine whether Emmaus Homes (1) had effective safeguards over the receipt and disbursement of Social Security benefits, (2) used and accounted for Social Security benefits in accordance with Social Security Administration (SSA) policies and procedures, and (3) adequately protected beneficiaries' personally identifiable information.

Background

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments. Representative payees are responsible for managing benefits in the beneficiaries' best interests. Our audit period was May 1, 2015 through April 30, 2016.

Findings

Emmaus Homes had effective safeguards over the receipt and disbursement of Social Security benefits, used and accounted for benefits in accordance with SSA policies and procedures, and adequately protected beneficiaries' personally identifiable information.

However, in May 2015, Emmaus Homes' routine review of disbursements found four employees misused eight beneficiaries' funds, totaling \$449. Following discovery of the misuse, Emmaus Homes returned the stolen funds to the beneficiaries, terminated the employment of the four employees, and added a secondary review of purchases and receipts. Emmaus Homes did not report the misuse of funds to SSA, as required by SSA's guidance to organizational representative payees.

Recommendation

We recommend SSA remind Emmaus Homes to report benefit misuse to SSA immediately upon discovery.

SSA and Emmaus Homes agreed with our recommendation.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

OBJECTIVE

The objectives of this review were to determine whether Emmaus Homes (1) had effective safeguards over the receipt and disbursement of Social Security benefits, (2) used and accounted for Social Security benefits in accordance with Social Security Administration (SSA) policies and procedures, and (3) adequately protected beneficiaries' personally identifiable information.

BACKGROUND

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments from the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs.¹ A representative payee may be an individual or an organization.² SSA's regulations indicate the Agency will select representative payees for beneficiaries when representative payments would serve the individuals' interests.³ Representative payees are responsible for managing benefits in the beneficiaries' best interests.⁴ See Appendix A for representative payee responsibilities.

SSA's Kansas City Regional Office requested that we audit Emmaus Homes in St. Charles, Missouri, a nonprofit organization that provides residential care for developmentally disabled adults in several counties in and around the St. Louis metropolitan area. Our audit period was May 1, 2015 through April 30, 2016. During this time, Emmaus Homes served as the representative payee for 263 beneficiaries who received payments under SSA's OASDI and SSI programs. See Appendix B for our scope and methodology.

RESULTS OF REVIEW

Emmaus Homes had effective safeguards over the receipt and disbursement of Social Security benefits, used and accounted for benefits in accordance with SSA policies and procedures, and adequately protected beneficiaries' personally identifiable information.

¹ *Social Security Act*; 42 U.S.C. §§ 405(j), 1383(a)(2)(A)(ii) (2015).

² 20 C.F.R. §§ 404.2021, 416.621 (2016).

³ 20 C.F.R. §§ 404.2001, 404.2010, 416.601, 416.610 (2016).

⁴ 20 C.F.R. §§ 404.2035, 416.635 (2016). We use the term "benefits" to refer to OASDI benefits and SSI payments. Likewise, we use the term "beneficiaries" to refer to OASDI beneficiaries and SSI recipients.

However, when Emmaus Homes found misuse of beneficiaries' funds at the end of May 2015, it did not report the misuse to SSA. SSA's guide for organizational representative payees requires that representative payees report the misuse of beneficiaries' funds promptly.⁵ When the representative payee does not inform SSA of misuse, SSA cannot provide the necessary guidance to decrease the risk of fraud.

According to Emmaus Homes, the misuse occurred when four employees who provided beneficiaries direct care used the representative payee's credit card to buy items for their personal use from January through May 2015. The cost of these items totaled \$449, and the purchases were charged to eight beneficiaries' accounts. A routine review of receipts and credit card bills conducted by Emmaus Homes' finance department found the misuse at the end of May 2015. Emmaus Homes terminated the four employees, reimbursed the beneficiaries, and reported the misuse to the police and the Missouri Department of Mental Health.

To prevent a similar event, Emmaus Homes implemented a secondary review of credit card purchases and receipts. The Residential Quality Managers are required to review purchases during random visits to beneficiary residences. The Residential Quality Managers are familiar with their beneficiaries' personal spending habits, which helps them identify suspicious purchases.

Emmaus Homes told us it was unaware of SSA's reporting requirement and will report future misuse to SSA when it is found.

RECOMMENDATION

We recommend SSA remind Emmaus Homes to report benefit misuse to SSA immediately upon discovery.

AGENCY AND REPRESENTATIVE PAYEE COMMENTS

SSA and Emmaus Homes agreed with our recommendation. See Appendix C for the full text of SSA's comments. See Appendix D for the full text of Emmaus Homes' comments.



Rona Lawson
Assistant Inspector General for Audit

⁵ SSA, *2014 Guide for Organizational Representative Payees*, p. 30.

APPENDICES

Appendix A – REPRESENTATIVE PAYEE RESPONSIBILITIES

Representative payees are responsible for using Social Security benefits to serve the beneficiary's best interests. The responsibilities include, but are not limited to, the following.¹

- Determine the beneficiary's current needs for day-to-day living and use her/his payments to meet those needs.
- Conserve and invest benefits not needed to meet the beneficiary's current needs.
- Keep benefits received on the beneficiary's behalf separate from the payee's own funds.
- Maintain accounting records of how the benefits are received and used.
- Report events to the Social Security Administration (SSA) that may affect the individual's entitlement or benefit payment amount.
- Report any changes in circumstances that would affect their performance as a representative payee.
- Provide SSA an annual representative payee report to account for benefits spent and invested.
- Return any payments to SSA to which the beneficiary is not entitled.
- Return conserved funds to SSA when it is no longer serving as the representative payee for the beneficiary.
- Be aware of other income Supplemental Security Income recipients may have and monitor their conserved funds to ensure they do not exceed resource limits.

¹ 20 C.F.R. §§ 404.2035, 416.635 (2016).

Appendix B – SCOPE AND METHODOLOGY

Our audit covered May 1, 2015 through April 30, 2016. To accomplish our objectives, we:

- Reviewed applicable Federal laws and regulations as well as Social Security Administration (SSA) policies, procedures, and guidance pertaining to representative payees.
- Communicated with SSA’s Kansas City Regional Office to obtain background information and prior audits regarding Emmaus Homes.
- Compared and reconciled the payee’s list of SSA beneficiaries in Emmaus Homes’ care to a list we obtained from SSA’s Representative Payee System.
- Reviewed Emmaus Homes’ internal controls over the receipt and disbursement of Social Security benefits.
- Performed the following tests for the randomly selected 50 beneficiaries in the representative payee’s care during the audit period.
 - Compared and reconciled benefit amounts received according to Emmaus Homes’ records to benefit amounts paid according to SSA’s records.
 - Reviewed Emmaus Homes’ accounting records to determine whether benefits were properly spent or conserved on the beneficiaries’ behalf.
 - For selected beneficiaries, traced all recorded expenses to available source documents and examined the documentation for reasonableness and authenticity.
- Reconciled bank records and Emmaus Homes’ records for selected beneficiaries for the entire audit period.
- Interviewed 12 beneficiaries and observed their living conditions.
- Observed two work sites to determine whether the beneficiaries’ working conditions were adequate.
- Reviewed the available annual representative payee reports to determine whether Emmaus Homes properly reported to SSA how the beneficiaries’ funds were used.

We conducted our fieldwork for this review in St. Charles, Missouri, and surrounding counties and Kansas City, Missouri, between June and December 2016. We tested the data obtained for our review and determined them to be sufficiently reliable to meet our objectives. We conducted this performance audit 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 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.

Appendix C – AGENCY COMMENTS

March 23, 2017

Subject: Signed Draft Report (A-07-17-50217) - Kansas City Response

Thank you for the opportunity to review the draft audit report, “Emmaus Homes, a Fee-for-Service Representative Payee for the Social Security Administration”. Our response to the recommendation is as follows:

Recommendation 1: SSA will remind Emmaus Homes to report benefit misuse to SSA immediately upon discovery.

Response: We agree. We will provide a verbal and written reminder to Emmaus Homes regarding immediate SSA notification of benefit misuse.

We plan to complete the recommendation by April 7, 2017.

If you have questions, please contact me. If members of your staff need additional information or assistance, they may contact Shelli Reicks, Center for Disability and Program Support.

Mike Kramer

Appendix D– REPRESENTATIVE PAYEE COMMENTS

April 10, 2017

Subject: Audit of Emmaus Homes

Emmaus Homes appreciates the time and effort that went into auditing our Representative Payee program. The Social Security auditors were polite, patient, and thorough.

In regards to the recommendation on misuse of client benefits, Emmaus will be diligent with reporting any future events to our local field office. I have also met with my staff to review the Guide for Organizational Representative Payees to ensure that we meet or exceed best practices.

On behalf of the clients that we serve, I appreciate your oversight to ensure their funds are protected. Protecting those that we serve is truly at the heart of both of our missions.

If you have any questions or concerns, please don't hesitate to contact me.

Thank you!

Kim Bradford
Director of Finance

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