



Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

Audit Report

Envoy, a Representative Payee for the
Social Security Administration

A-13-18-50292 | July 2018

MEMORANDUM

Date: July 27, 2018

Refer To:

To: Terry M. Stradtman
Regional Commissioner
Philadelphia

From: Assistant Inspector General for Audit

Subject: Envoy, a Representative Payee for the Social Security Administration (A-13-18-50292)

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

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Shirley Todd, Director, at (410) 966-9365.



Rona Lawson

Attachment

cc:

Trae Sommer, Director for Audit Liaison Staff
Jeremiah Davis, Executive Director for Envoy

Envoy, a Representative Payee for the Social Security Administration

A-13-18-50292



July 2018

Office of Audit Report Summary

Objectives

To determine whether Envoy of Staunton, LLC (Envoy), a representative payee for the Social Security Administration (SSA), (1) had effective safeguards over the receipt and disbursement of Social Security benefits, (2) used and accounted for Social Security benefits in accordance with the Agency's 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 and/or mental and/or physical condition. Congress granted SSA the authority to appoint a representative payee to receive and manage these beneficiaries' payments. Representative payees are responsible for managing benefits in the beneficiary's best interests.

Envoy is an organizational representative payee in Staunton, Virginia, that provides 24-hour, skilled nursing care for individuals whose needs range from short-term rehabilitation to long-term care services.

Findings

Envoy had effective controls over its disbursement of Social Security payments and adequately protected personally identifiable information. However, Envoy needs to improve its controls over its receipt and accounting for Social Security payments.

Specifically, Envoy

1. received Social Security payments for 1 beneficiary who was not eligible for Supplemental Security Income payments;
2. did not complete the representative payee reports for 9 beneficiaries and did not complete the reports accurately for four beneficiaries;
3. received Social Security payments for 2 beneficiaries who had other representative payees;
4. received Social Security payments for 45 beneficiaries who did not have a representative payee;
5. potentially assigned itself the Social Security payments for beneficiaries in its care; and
6. had a bank account that was not approved and titled in accordance with SSA's policy.

In addition, SSA was not monitoring Envoy's resident fund trust account.

Recommendations

We made five recommendations to SSA regarding Envoy's receipt and accounting of Social Security payments. In addition, we recommended SSA determine whether to take appropriate action concerning the potential assignment of benefits and review Envoy's resident fund trust account to determine whether it complies with SSA's policy.

The Agency agreed with all but one of our recommendations. For the remaining recommendation, the Agency reported it would obtain additional guidance from the policy staff on applicable titling of the petty cash account.

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ABBREVIATIONS

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

OBJECTIVES

Our objectives were to determine whether Envoy of Staunton, LLC (Envoy), a representative payee for the Social Security Administration (SSA), (1) had effective safeguards over the receipt and disbursement of Social Security benefits, (2) used and accounted for Social Security benefits in accordance with the Agency’s 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 and/or mental and/or physical condition. Congress granted SSA the authority to appoint a representative payee to receive and manage these beneficiaries’ payments.¹ A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI)² and/or Supplemental Security Income (SSI)³ beneficiaries⁴ when representative payments would serve the individual’s interests.⁵ Representative payees are responsible for managing benefits in the beneficiary’s best interests.⁶ See Appendix A for a list of representative payee responsibilities.

Envoy is an organizational representative payee in Staunton, Virginia. Envoy is a 170-bed skilled nursing center that provides 24-hour, skilled nursing care for individuals whose needs range from short-term rehabilitation to long-term care.

During our audit period, January 1 to December 31, 2016, Envoy served as representative payee for 58 beneficiaries and received approximately \$551,450 in Social Security payments. We reviewed the controls over, and accounting records for, the receipts and disbursements pertaining to beneficiaries for that period. In addition, we conducted a detailed review of the disbursements made in June 2016 and examined the reasonableness and authenticity of supporting documentation for disbursements. See Appendix B for the scope and methodology of our review.

¹ *Social Security Act*, 42 U.S.C. §§ 405(j)(1), 1383(a)(2)(A)(ii) (2016).

² The OASDI program provides retirement and disability benefits to qualified individuals and their dependents as well as to survivors of insured workers. *Social Security Act*, 42 U.S.C. § 401 (2016).

³ The SSI program provides payments to individuals who have limited income and resources and who are age 65 or older, blind, or disabled. *Social Security Act*, 42 U.S.C. § 1381 (2016).

⁴ We use the term “beneficiary” generally in this report to refer to both OASDI beneficiaries and SSI recipients.

⁵ See Footnote 1.

⁶ 20 C.F.R. §§ 404.2035(a), 416.635(a) (2006).

RESULTS OF REVIEW

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

However, Envoy needs to improve its controls over its receipt and accounting for Social Security payments. Specifically, Envoy

1. received Social Security payments for 1 beneficiary who was not eligible for SSI payments;
2. did not complete the representative payee reports for 9 beneficiaries and did not complete the reports accurately for four beneficiaries;
3. received Social Security payments for 2 beneficiaries who had other representative payees;
4. received Social Security payments for 45 beneficiaries who did not have a representative payee;
5. potentially assigned itself Social Security payments for beneficiaries in its care; and
6. had a bank account that was not approved and titled in accordance with SSA's policy.

In addition, SSA was not monitoring Envoy's resident fund trust account.

Beneficiary SSI Eligibility

A beneficiary who was receiving OASDI and SSI payments was not eligible for SSI payments. According to SSA's records, in March 2014, the beneficiary became a resident of Envoy. SSA's policy states residents of medical treatment facilities that receive substantial Medicaid payments can be eligible for reduced SSI monthly payments of no more than \$30.⁷ However, individuals are not eligible for SSI if their countable income, such as OASDI, exceeds this \$30 Federal Benefit Rate.⁸ This individual's OASDI benefit exceeded the Federal Benefit Rate during our audit period;⁹ therefore, the beneficiary was not eligible for SSI.

⁷ *Social Security Act*, 42 U.S.C. § 1382(e)(1)(B) (2016), 20 CFR §§ 416.212, 416.414 (2007), SSA, *POMS, SI-Supplemental Security Income*, ch. 005, subch. 00520.011(A) (April 16, 2013).

⁸ SSA, *POMS, SI-Supplemental Security Income*, ch. 020, subch. 02005.001(C)(3) (September 22, 2010).

⁹ Our audit period was January 1 to December 31, 2016.

In June 2017, an accounting firm reviewed Envoy's account and reported that this beneficiary had excess resources from August 2014 through December 2016. The firm also indicated that Envoy should notify SSA when it admits an SSI recipient to its facility.¹⁰ Envoy notified SSA that it had admitted the beneficiary to its facility; however, SSA's records did not reflect this.

In October 2017, SSA's records were not coded to indicate the beneficiary had lived in an institution since 2014, and we notified SSA the code was not correct. In January 2018, the Agency updated the SSI record to indicate the beneficiary was living in an institution and added a \$5,314 overpayment for the period May 2014¹¹ to June 2017.¹² Envoy subsequently issued two checks, totaling \$5,314, to SSA on this beneficiary's behalf.¹³ In February 2018, SSA updated the beneficiary's SSI record to show the receipt of the \$5,314 re-payment.

Representative Payee Reports

We reviewed 52 representative payee reports¹⁴ for 46 beneficiaries and found, in some instances, Envoy did not complete the annual reports, as required, or complete reports accurately.¹⁵ Representative payees are responsible for keeping records and reporting the use of benefits by completing the representative payee reports.¹⁶ SSA uses the reports to (1) monitor how the payee spent or saved the benefits on behalf of the beneficiary, (2) identify situations where representative payment may no longer be appropriate, or (3) determine whether the payee is no longer suitable.¹⁷

¹⁰ Representative payees are responsible for notifying SSA when a beneficiary moves to or from a nursing home. SSA, *Guide for Organizational Representative Payees*, p. 21 (2014).

¹¹ While SSA calculated the overpayment beginning in May 2014, the accounting firm that reviewed Envoy's accounting records reported to Envoy that the overpayment began in August 2014.

¹² This beneficiary died in June 2017.

¹³ Envoy issued the first check for \$426 and the second check for \$4,888.

¹⁴ We only reviewed reports obtained during our audit fieldwork.

¹⁵ For the 58 beneficiaries the payee served during the audit period, SSA issued representative payee reports for 46. For 9 of the 46 beneficiaries, SSA issued 2 reports that covered dates during our audit period; therefore, for 9 beneficiaries, we selected 2 reports for review. For 10 beneficiaries, SSA did not issue a representative payee report. For the remaining two beneficiaries, the representative payee reports issued were from December 1, 2016 to November 30 2017. Since the representative payee reports only covered 1 month in our audit period, we did not review the reports for the two beneficiaries.

¹⁶ *Social Security Act*, 42 U.S.C. §§ 405(j)(3), 1383(a)(2)(C) (2016), 20 CFR §§ 404.2035, 404.2065, 416.635, 416.665 (2006), SSA, *POMS, GN-General*, ch. 006, subch. 00605.001(B)(1) (August 19, 2016).

¹⁷ SSA, *POMS, GN-General*, ch. 006, subch. 00605.001(B)(1) (August 19, 2016).

Completion of Representative Payee Reports

As of February 23, 2018, Envoy had not completed 9 of 55 representative payee reports. The nine reports were for nine beneficiaries.¹⁸ Envoy received \$96,718 in Social Security payments for these nine beneficiaries during the periods covered by the reports. Since Envoy did not complete the representative payee reports, the Agency could not monitor its payments to Envoy and could not determine whether Envoy used those payments appropriately.

In March 2018, Envoy provided SSA completed reports for six of the nine beneficiaries. SSA requested the representative payee reports for two of the three remaining beneficiaries. SSA personnel stated the Agency will send Envoy a report for the other beneficiary. The field office must contact a non-responder payee to obtain the report and evaluate the payee for continued suitability. If the representative payee does not provide an acceptable response, the field office should conduct an in-person interview to evaluate the payee's continued suitability. See *Non-responders to Representative Payee Reports* for SSA's responsibilities when representative payees do not return the representative payee reports. As of July 2018, Envoy provided SSA with the completed representative payee reports.

Accuracy of Representative Payee Reports

Envoy's annual representative payee reports were not always accurate. SSA used representative payee reports to monitor how the representative payee disbursed or conserved the benefits on the beneficiary's behalf for a 12-month period.¹⁹

Of the 55 representative payee reports applicable to our audit period, Envoy completed 52²⁰ for various reporting periods.²¹ Of the 52 reports, 29 had reporting periods in 2016.²² We compared accounting records Envoy provided to the benefits paid, disbursed, and conserved according to the representative payee reports. We found Envoy completed 4 of 29 reports inaccurately. Envoy did not report to SSA that it saved \$1,219 on behalf of the four beneficiaries (see Table 1).

¹⁸ The dates for the representative payee reports for the nine beneficiaries were for various periods that included dates within and outside our audit period; however all the reports had reporting periods that ended in 2016. For example, one report was for the period April 1, 2015 to March 31, 2016, and another was for the period May 1, 2015 to April 30, 2016.

¹⁹ See Footnote 17.

²⁰ During the audit period, SSA issued 55 representative payee reports for 46 of the 58 beneficiaries served by the payee. See Footnote 15.

²¹ The dates on the representative payee report were for various periods that included dates within and outside our audit period (for example November 1, 2015 to October 31, 2016; December 1, 2015 to November 30, 2016; or June 1, 2016 through May 31, 2017).

²² Since our audit period was January 1 to December 31, 2016, we reviewed the conserved fund balance of the representative payee reports ended in 2016 with Envoy's accounting records for each beneficiary.

Table 1: Funds Saved Per the Representative Payee Reports

Beneficiary	Funds Saved Per the Representative Payee Report²³	Funds Saved Per Envoy's Accounting Records²⁴
1	\$0	\$278
2	\$0	\$471
3	\$0	\$370
4	\$0	\$100
Total	\$0	\$1,219

Social Security Payments Envoy Received

During our audit period, Envoy received Social Security payments for two beneficiaries whose SSA records indicated they had other representative payees. Furthermore, Envoy received payments for 45 beneficiaries who were in direct pay and had no representative payee identified in SSA's records. During our audit, SSA raised concerns about Envoy assigning itself beneficiaries' Social Security payments.

Beneficiaries with Other Representative Payees

During our audit period, Envoy received Social Security payments, totaling \$373,632, for 47 beneficiaries whose SSA records indicated Envoy did not serve as their representative payee. Of the 47 beneficiaries, Envoy received payments for 2 who had other representative payees listed on SSA records. SSA direct-deposited their OASDI benefits into Envoy's bank account. During our audit period, Envoy received \$11,764 for the two beneficiaries.

SSA direct-deposited the first beneficiary's Social Security payments into Envoy's bank account from July 2016 through December 2017. In January 2018, the Agency suspended this beneficiary's benefits;²⁵ however, the beneficiary died on January 9, 2018. In March 2018, SSA personnel stated the Agency would work with the field office to determine whether there was any information needed from the representative payee or Envoy regarding conserved funds.

²³ The reporting period for Beneficiary 1 was December 1, 2015 to November 30, 2016, the reporting period for Beneficiaries 2 and 3 was November 1, 2015 through October 31, 2016, and the reporting period for Beneficiary 4 was April 1, 2015 to March 31, 2016.

²⁴ Envoy's accounting records for these beneficiaries indicated they had conserved fund balances as of December 31, 2015: Beneficiary 1 had a conserved balance of \$971, Beneficiary 2 had a conserved balance of \$419, Beneficiary 3 had a conserved balance of \$59, and Beneficiary 4 had a conserved balance of \$289. We did not obtain Envoy's accounting records before December 31, 2015. Therefore, we did not determine whether the conserved funds resulted from Social Security payments made in 2015. As a result, we excluded these amounts and calculated the conserved balances in Envoy's account as of the end of the month for the applicable end of the reporting period discussed in Footnote 23.

²⁵ According to SSA records, the Agency suspended payment until it obtains a better mailing address.

SSA had been direct-depositing the second beneficiary's payments into Envoy's bank account since August 2016. We contacted SSA about continuing to deposit the beneficiary's payments into Envoy's account. In March 2018, SSA personnel stated the Agency would work with the field office to determine whether the current representative payee or Envoy would be the best-suited representative payee for the beneficiary.

Beneficiaries with No Representative Payee

Of the 47 beneficiaries for whom Envoy received payments but did not serve as representative payee, SSA's records stated 45 beneficiaries served as their own payee. For the audit period, SSA direct-deposited \$361,868 in Envoy's bank account on behalf of these beneficiaries. SSA policy states a nursing facility can receive Social Security payments in a resident trust fund account, if the facility is the representative payee or beneficiaries are in direct pay.²⁶ Therefore, Envoy could obtain the Social Security payments for 45 beneficiaries who were in direct pay and did not have a representative payee.

SSA policy allows nursing facilities to obtain the Social Security payments for beneficiaries for whom it is not the representative payee.²⁷ Envoy received payments for 45 beneficiaries with no payees and is not required to complete representative payee reports to account for these beneficiaries' Social Security payments.²⁸ By not serving as representative payees, nursing facilities like Envoy could avoid SSA's oversight. See *De Facto Payee* for additional information on Envoy receiving Social Security payments for these 45 beneficiaries.

In March 2018, Envoy personnel stated Envoy was applying to become representative payee for those beneficiaries for whom it was receiving direct deposit. In April 2018, SSA personnel stated the field office would request a list of all residents to identify those beneficiaries for whom Envoy is receiving a Social Security payment. The field office will determine whether the beneficiaries are incapable of handling their own benefits, and Envoy would be the best-suited representative payee.

As of July 2018, Envoy was receiving Social Security payments for 10 of the 45 beneficiaries, and Envoy was not the representative payee. The remaining 35 beneficiaries were no longer in Envoy's care, Envoy was no longer receiving the beneficiaries' Social Security payments, or Envoy became the representative payee.

²⁶ SSA, *POMS, GN-General*, ch. 006, subch. 00603.020(C)(1) (April 15, 2016) was in effect during our audit period. SSA updated its policy on February 16, 2017; however, this section of the policy remained unchanged.

²⁷ See Footnote 26.

²⁸ SSA uses representative payee reports to monitor how the representative payee disbursed or conserved the benefits on the beneficiary's behalf for a 12-month period. SSA, *POMS, GN-General*, ch. 006, subch. 00605.001(B)(1) (August 19, 2016).

Assigning Benefits

In 2017, Agency staff raised concern that Envoy was assigning itself the Social Security payments for beneficiaries in its care. Specifically, Envoy was assigning those payments as part of the application for residency at Envoy. The *Social Security Act* prohibits transfer or assignment of a beneficiary’s right to future Social Security payments. Further, the Act prohibits the transfer of control over money to someone other than the beneficiary, recipient, or representative payee.²⁹

During our review, Envoy provided us with the *Authorization and Agreement to Handle Resident Funds* it used to obtain Social Security payments for residents in its care.³⁰ The *Authorization* indicated Envoy was to establish interest-bearing accounts for residents to make deposits to, and withdrawals from, the accounts.

In December 2017, SSA staff provided a *Social Security Check Assignment* form Envoy used to access the beneficiary’s Social Security payments. The form indicated the nursing facility residents agreed to have their Social Security payments assigned to Consulate Health Care.³¹ This form used to obtain resident’s Social Security payments could potentially result in an assignment of benefits.

In January 2018, we advised SSA to determine whether the forms Envoy used constitute an assignment of benefits. In March 2018, SSA advised us that Envoy’s “authorization” was likely an assignment of benefits and therefore not permissible under the *Social Security Act*.

Envoy’s Bank Accounts

Envoy had two bank accounts: (1) resident fund trust—a collective account³² and (2) petty cash that it uses to receive and disburse funds on behalf of the residents at its facility. We found Envoy did not title the petty cash account in accordance with SSA’s policy. In addition, SSA had not reviewed Envoy’s collective account.

²⁹ *Social Security Act*, 42 U.S.C. §§ 407(a), 1383(d)(1) (2016), SSA, *POMS, GN-General*, ch. 024, subch. 02410.001(A) (June 2, 2016).

³⁰ As of November 2017, 16 beneficiaries were in Envoy’s care, and we reviewed the forms for the 16 beneficiaries. Based on our review, either the beneficiary or guardian signed the form.

³¹ Consulate Health Care manages Envoy.

³² A collective account is one checking or savings account that SSA allows the representative payee to collect and manage the Social Security payments for beneficiaries in its care. The account must also have the correct fiduciary title that shows the payee manages the account but does not own it. Nursing facilities can use a resident trust fund account as a collective account. SSA, *POMS, GN-General*, ch. 006, subch. 00603.020(A)(1) (April 15, 2016) was in effect during our audit period. SSA updated its policy on February 16, 2017; however, this section of the policy remained unchanged.

Approval and Titling a Petty Cash Account

Envoy did not have approval or titling for its petty cash account in accordance with SSA's policy. Envoy transferred money from the resident fund trust account to the petty cash account to pay for expenses on the residents' behalf. The petty cash account is a separate bank account from Envoy's designated collective account—resident fund trust account—and does not contain money from Envoy's operating account.

According to SSA policy, the representative payee must use the collective account to pay beneficiaries' expenses.³³ SSA approves and monitors collective accounts.³⁴ Further, a collective account must have a correct fiduciary title.³⁵ The Agency did not approve Envoy's petty cash account as a collective account. The title of Envoy's petty cash account is "Envoy of Staunton LLC RFMS Petty Cash Account." We found the title of the petty cash account was not in accordance with SSA policy because the title did not indicate Envoy held the account in a fiduciary capacity on the beneficiaries' behalf.³⁶

In November 2017, we asked SSA personnel if the petty cash needed to be a collective account. In February 2018, SSA staff stated the petty cash account needed to follow the same criteria as the collective account because the account contained Social Security funds. Therefore, Envoy needs to obtain approval to use the petty cash account as a collective account and correctly title the account.

Review of Collective Account

Envoy uses a collective resident fund trust account for Social Security payments it receives from SSA and other sources, such as pensions for residents at its facility. In July 2017, SSA did not review Envoy's collective bank account as required; however, Envoy was still using the collective account.

SSA's policy states the field office is responsible for ensuring the representative payee establishes the collective account in accordance with SSA's policy, and the Agency should review the collective account at least once every 3 years to ensure continued compliance with

³³ SSA, *POMS, GN-General*, ch. 006, subch. 00603.020(A)(1) (April 15, 2016) was in effect during our audit period. SSA updated its policy February 16, 2017; however, this section of the policy remained unchanged.

³⁴ See Footnote 33, Section A.

³⁵ A fiduciary title shows the payee manages the account but does not own it. Some nursing facilities use resident trust fund accounts as collective accounts, which are acceptable as collective accounts. SSA, *POMS, GN-General*, ch. 006, subch. 00603.020(A) (April 15, 2016) was in effect during our audit period. SSA updated its policy on February 16, 2017; however, this section of the policy was similar to the policy in effect during our audit period.

³⁶ According to SSA policy, the collective account titles must be the (1) payee's name for Social Security/SSI beneficiaries; (2) payee's name for (any similar term describing Social Security/SSI beneficiaries); or (3) payee's name Resident Trust Fund. SSA, *POMS, GN-General*, ch. 006, subch. 00603.020(D) (April 15, 2016) was in effect during our audit period. SSA updated its policy on February 16, 2017; however, this section of the policy remained unchanged.

SSA's policy. When SSA approves the collective account, an expiration date for future review is added 3 years after the date the account is established and reset for another 3 years after each review.³⁷

Since SSA personnel did not review the account every 3 years as required, SSA was not monitoring the collective account to determine whether it was complying with SSA's policy. In November 2017, we brought this to SSA's attention for further action. As of March 2018, SSA had not reviewed the collective account, and SSA staff stated the field office plans to review the collective account.

CONCLUSIONS

Envoy had effective controls over its disbursement of Social Security payments and adequately protected personally identifiable information. However, Envoy needs to improve its controls over its receipt and accounting of Social Security payments. Specifically, Envoy (1) received Social Security payments for one beneficiary who was not eligible for SSI payments; (2) did not complete the representative payee reports for nine beneficiaries and did not complete the reports accurately for four beneficiaries; (3) received Social Security payments for two beneficiaries who had other representative payees; (4) received Social Security payments for 45 beneficiaries who did not have a representative payee; (5) potentially assigned itself the Social Security payments for beneficiaries in its care; and (6) had a bank account that was not approved and titled in accordance with SSA's policy. In addition, we found SSA was not monitoring Envoy's resident fund trust account.

RECOMMENDATIONS

We recommend that SSA:

1. Remind Envoy to complete the representative payee reports timely and accurately for beneficiaries in its care.
2. Ensure Envoy accounts for the \$1,219 in conserved funds in the representative payee reports for the four beneficiaries we identified.
3. Determine for beneficiaries with other representative payees listed on SSA records, the status of conserved funds for the deceased beneficiary; and issue payments, as appropriate, for the other beneficiary.

³⁷ SSA, *POMS, GN-General*, ch. 006, subch. 00603.020(G) (April 15, 2016) was in effect during our audit period. SSA updated its policy on February 16, 2017; however, this section of the policy was similar to the policy in effect during our audit period.

4. Review the capability of 10 beneficiaries for whom Envoy is not payee but continues to receive their Social Security payments to determine whether representative payees are needed.
5. Take appropriate actions concerning the potential assignment of benefits.
6. Instruct Envoy to comply with SSA policies for approving and titling of the petty cash account as a collective account.
7. Determine whether Envoy's resident trust fund collective account complies with SSA policies and update SSA information systems, as appropriate.

AGENCY COMMENTS AND OIG RESPONSE

The Agency agreed with all but one of our recommendations. For the remaining recommendation, the Agency reported it would obtain additional guidance from the policy staff on applicable titling of the petty cash account.

Since Envoy provided SSA representative payee reports, we removed the recommendation pertaining to the missing reports.

See Appendix C for the Agency's comments.

OTHER MATTERS

During our review, we found SSA did not take timely action to obtain the representative payee reports from Envoy. Also, since nursing facilities can act as de facto payees³⁸ in certain circumstances, they may not be subject to SSA's oversight.

Non-responders to Representative Payee Reports

SSA did not take action timely or, in some instances, did not take any action to obtain representative payee reports. When a representative payee fails to respond to the initial request to complete the representative payee report, SSA sends a second request 90 days after the initial request. If the representative payee fails to respond to the second request, SSA identifies the records as non-responders after 120 days and alerts the field office.³⁹

The field office must contact a non-responder payee to obtain the report and evaluate the payee for continued suitability. If the representative payee provides an acceptable reason why the form was not returned, SSA staff can send out a new request. If the representative payee does not

³⁸ According to SSA, De facto payees are organizations or individuals who manage beneficiaries Social Security payments, but are not the official representative payees of record.

³⁹ SSA, *POMS, GN-General*, ch. 006, subch. 00605.020(B) (April 15, 2016).

provide an acceptable response, the field office should conduct an in-person interview to evaluate the payee’s continued suitability.

According to SSA policy, if the representative payee does not respond to, or will not cooperate to provide the report, a change of payee or direct payment may be in the beneficiary’s best interest. The field office must evaluate the current payee for continued suitability, consider if a beneficiary is capable of managing his/her own Social Security payments, and consider all beneficiaries served by the representative payee.⁴⁰

SSA’s system designated nine beneficiaries’ records as non-responders and alerted the field office. However, for the nine beneficiaries, the field office did not take action timely, or in some instances, did not take any subsequent action to obtain the reports.

According to SSA personnel, SSA policy did not indicate a timeframe for when field offices should resolve non-responder cases. SSA personnel also stated that a change in payee/beneficiary relationship (such as the beneficiary’s death or when beneficiary leaves the facility) or the issuance of the representative payee report for a recent period does not affect SSA’s responsibility to obtain prior accounting reports.

For six of nine beneficiaries, the field office did not contact the payee to obtain the representative payee reports until 399 or more days⁴¹ after it received the alert that the beneficiaries’ records were identified as non-responders (see Table 2).

Table 2: Days Elapsed Before SSA Took Action in February 2018

Days Elapsed Before SSA Took Action on the Alert	Number of Beneficiaries	Report Total
468	1	\$16,404
458	1	\$1,896
445	2	\$21,456
430	1	\$6,527
399	1	\$9,036
Total	6	\$55,319

⁴⁰ SSA, *POMS, GN-General*, ch. 006, subch. 00605.090(A) (May 31, 2016).

⁴¹ We calculated the days elapsed based on the day SSA’s system alerted the field office of the non-response until SSA took action.

In February 2018, the field office sent letters to Envoy requesting an accounting of the Social Security payments paid for six beneficiaries. Of the six, three were deceased before the field office issued the reports to the payee. In March 2018, Envoy provided the information to SSA for the six beneficiaries.

The remaining three beneficiaries were deceased; however, Envoy took no action in response to the alerts as of February 2018, and more than 430 days⁴² had elapsed since SSA’s field office was notified that these records were non-responders (see Table 3).

Table 3: Days Elapsed for Instances with No Follow-up Action as of February 2018

Days Elapsed Since SSA Notified of the Non-Responder	Number of Beneficiaries	Report Total
431	1	\$9,912
485	2	\$31,477
Total	3	\$41,389

In February 2018, we informed SSA’s Philadelphia Regional Office that the field office did not take action to obtain the representative payee reports for these three beneficiaries. In March 2018, SSA requested the representative payee reports for two of the three remaining beneficiaries. SSA personnel stated the Agency will send a report to Envoy for the other beneficiary. As of July 2018, Envoy provided SSA with the completed representative payee reports.

Since SSA did not have policy that specifies a timeframe for when field offices should take action to follow up on non-responder cases, this allowed for more than 1 year to elapse before further action was taken. The Philadelphia Regional Office staff should consider working with appropriate Agency staff to establish a timeframe for field offices to resolve non-responder cases.

De Facto Payee

For our audit period,⁴³ Envoy was a representative payee for 58 beneficiaries. Envoy also received Social Security payments for beneficiaries who did not have payees. SSA policy states a nursing facility can receive Social Security payments in a resident trust fund account if the

⁴² We calculated the days elapsed based on the day SSA’s system alerted the field office of the non-response until February 23, 2018.

⁴³ Our audit period was January 1 to December 31, 2016.

facility is the representative payee or the beneficiaries do not have a representative payee who directly receives OASDI and SSI payments.⁴⁴

Envoy received payments for 45 beneficiaries who did not have representative payees. If these beneficiaries are incapable of managing or directing the management of their benefits, Envoy acted as a de facto payee that is not subject to SSA's representative payee oversight. For example, Envoy is not required to complete representative payee reports to account for these beneficiaries' Social Security payments.⁴⁵

The *Social Security Act* also requires that SSA periodically review entities that receive Social Security payments.⁴⁶ SSA conducts onsite reviews to ensure payees are performing their duties, as appropriate. During our audit period, Envoy was a volume organizational payee; and therefore, subject to site reviews. SSA defines volume organizational payees as organizations serving 50 or more beneficiaries.

In March 2018, SSA informed us that, as of May 2017, Envoy was no longer subject to onsite reviews because it was representative payee for fewer than 50 beneficiaries. However, Envoy would be subject to onsite reviews if it was officially serving as payee for all the beneficiaries for whom it receives Social Security payments.

Nursing facilities that receive Social Security payments without applying to be representative payees for incapable beneficiaries, may avoid SSA's oversight of representative payees.



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Assistant Inspector General for Audit

⁴⁴ SSA, *POMS, GN-General*, ch. 006, subch. 00603.020(C)(1) (April 15, 2016) was in effect during our audit period. SSA updated its policy on February 16, 2017; however, this section of the policy remained unchanged.

⁴⁵ SSA uses representative payee reports to monitor how the representative payee disbursed or conserved the benefits on the beneficiary's behalf for a 12-month period. SSA, *POMS, GN-General*, ch. 006, subch. 00605.001(B)(1) (August 19, 2016).

⁴⁶ *Social Security Act*, 42 U.S.C. §§ 405(j)(6)(A), 1383(a)(2)(G)(i) (2016).

APPENDICES

Appendix A – REPRESENTATIVE PAYEE RESPONSIBILITIES

Representative payees are responsible for using benefits to serve the beneficiary's¹ best interests.² Additional responsibilities include the following.

- Be aware of the beneficiary's current day-to-day needs and use his/her payments to meet the beneficiary's needs.
- Conserve any money left over, after meeting the beneficiary's current needs, in a checking or savings account (preferably interest-bearing), U.S. savings bonds, or other appropriate investment(s) titled in a way that clearly establishes the beneficiary's ownership.
- Report any event that may affect the beneficiary's entitlement to benefits or payment amount, such as a return to work.
- Return any of the beneficiary's funds conserved after serving as payee or any overpayment promptly (that is, any payment the Social Security Administration (SSA) determines the beneficiary is not due).
- Keep separate records for each beneficiary for at least 2 years.
- Keep records of all payments SSA makes, all bank statements, and receipts or cancelled checks for rent, utilities, and any major purchases made for the beneficiary.
- Notify SSA of any changes or circumstances that would affect performance as a payee.
- Be aware, if any beneficiaries receive Supplemental Security Income (SSI), of all the beneficiary's income and funds, and all items a beneficiary owns that could be converted to cash. Income and resources may affect the beneficiary's payments and eligibility for SSI.
- Notify SSA if a beneficiary dies and turn over any conserved funds owned by the beneficiary to the legal representative of the beneficiary's estate for disposition under State law. Any payments after the death of a beneficiary should be returned to SSA.
- Notify SSA if a beneficiary's condition improves to a point where he/she no longer needs a payee.
- Submit the appropriate forms for periodic reviews, or redeterminations, of SSI eligibility factors. SSA will ask for information about the beneficiary's income, resources, and living arrangements to help it determine whether the SSI recipient is still eligible for SSI and is receiving the correct payment amount.
- Promptly report misuse of beneficiary funds to SSA.

¹ We use the term "beneficiary" generically in this report to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

² 20 C.F.R. §§ 404.2035(a) and 416.635(a) (2006).

Appendix B – SCOPE AND METHODOLOGY

Our audit covered the period January 1 through December 31, 2016. To accomplish our objectives, we:

- Reviewed applicable Federal laws and regulations and Social Security Administration (SSA) policies and procedures pertaining to representative payees.
- Reviewed prior Office of the Inspector General and SSA work on representative payees.
- Compared and reconciled an Envoy of Staunton, LLC (Envoy) list of SSA beneficiaries¹ in its care to a list from SSA’s Electronic Representative Payee System.
- Obtained an understanding of, and assessed the internal controls over, the receipt and disbursement of Social Security benefits.
- Reviewed 58 beneficiaries who were in Envoy’s care during our audit period and performed the following.
 - Compared and reconciled benefit amounts received according to the representative payee’s records to benefit amounts paid according to SSA’s records.
 - Reviewed the representative payee’s records to determine whether benefits were properly spent on the individual’s behalf.
 - Traced expenses to source documents and examined the underlying documentation for reasonableness and authenticity. Specifically, we reviewed expenses for June 2016 or, in some instances, we selected another month if the beneficiary did not have any expenses in June. In addition, we reviewed any unreasonable or unusual expenses.
- Determined whether Envoy reported any changes or events for its beneficiaries that could affect the amount of, or entitlement to, Old-Age, Survivors and Disability Insurance benefits or Supplemental Security Income payments.
- Interviewed and observed the living conditions for 10 beneficiaries to determine whether their basic needs were being met.
- Reviewed the *Representative Payee Report* (Form SSA-623) for 46 beneficiaries to determine the reasonableness of the information provided.²

¹ We use the term “beneficiary” generically in this report to refer to both Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients.

² SSA issued representative payee reports for 46 of the 58 beneficiaries the payee served during our audit period. For 9 of the 46, SSA issued 2 reports that covered dates during our audit period; therefore, for 9 beneficiaries, we selected 2 reports for review. For 10 beneficiaries, SSA did not issue a representative payee report. For the remaining two beneficiaries, the representative payee reports issued were from December 1, 2016 to November 30, 2017. Since the representative payee reports only covered 1 month in our audit period, we did not review the representative payee reports for the two beneficiaries. SSA issued 55 representative payee reports for 46 of the 58 beneficiaries in our audit population.

- Reviewed the *Request to be Selected as Payee* (Form SSA-11-BK) for 20 beneficiaries to determine the completeness and appropriateness of the information provided.³
- Reviewed the *Physician's/Medical Officer's Statement of Patients' Capability to Manage Benefits* (Form SSA-787) for 38 beneficiaries to determine the reasonableness of the information provided.⁴
- Determined whether the organization was complying with its policies, and those set by SSA, for protecting personally identifiable information.
- Reviewed SSA's records for the 47 beneficiaries who were in Envoy's care and for whom Envoy was not the representative payee; however, Envoy received the beneficiaries Social Security payments.
 - Determined the amount of Social Security payments paid to Envoy during our audit period.
 - Determined whether the beneficiaries were in direct pay or had another representative payee.
 - Determined the status of the conserved funds for 12 beneficiaries who left Envoy's care in 2016.

We conducted our review in Staunton, Virginia, and in Baltimore, Maryland, between July 2017 and July 2018. We tested the data obtained for this audit and determined them to be sufficiently reliable to meet our audit 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 our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³ We reviewed *Request to be Selected as Payee* for 10 beneficiaries for whom Envoy served as representative payee during our audit period. We selected an additional 10 beneficiaries for whom Envoy became representative payee after our audit period.

⁴ For the 58 beneficiaries served by the payee during our audit period, we obtained the forms for 38 beneficiaries and reviewed the court order for 1 beneficiary and these documents stated the beneficiaries were not capable of handling their own finances. For the remaining 19 beneficiaries, we did not obtain the *Physician's/Medical Officer's Statement of Patients' Capability to Manage Benefits* or other supporting documentation. SSA personnel stated it updated SSA's policy in 2017, to require that forms be scanned into a beneficiary's electronic folder and Envoy became the representative payee for the 19 beneficiaries before the requirement. This policy became effective in 2017, after our audit period. See SSA, *POMS, GN-General*, ch. 005, subch. 00502.065 (June 29, 2017).

Appendix C – AGENCY COMMENTS

July 02, 2018

Subject: Signed Draft Report (A-13-18-50292) ~ Philadelphia Response

The Philadelphia Region reviewed the Signed Draft Report for Envoy (A-13-18-50292). Of the eight OIG recommendations for SSA, we concur with seven. With regard to the seventh recommendation out of the eight:

OIG recommends that SSA instruct Envoy to comply with SSA policy and title its petty cash account as a collective account. SSA policy allows payees to transfer funds for reasonable expenses from the collective account to another account; however, the policy also dictates that a payee must use the collective account to pay beneficiaries' expenses. As SSA policy is not clear to the use and applicable titling of a petty cash account in addition to a collective account, we requested guidance from the Office of Income Security Programs (OISP). We are awaiting OISP's response.

Upon receipt of the final report, the Philadelphia Region's Center for Disability and Programs Support will collaborate with the local field office to ensure the OIG recommendations are addressed.

If you have any questions regarding this response, please contact Jackeline Aponte, Regional Audit Lead.

Van Rolan
ARC MOS

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