



Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Jones & Jones, LLC, A  
Representative Payee for the Social  
Security Administration

*A-13-14-24137 | January 2016*

**OIG** Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

**MEMORANDUM**

**Date:** January 21, 2016

**Refer To:**


**To:** Terry M. Stradtman  
Regional Commissioner  
Philadelphia

**From:** Assistant Inspector General for Audit

**Subject:** Jones & Jones, LLC, A Representative Payee for the Social Security Administration  
(A-13-14-24137)

The attached final report presents the results of our review. Our objectives were to determine whether Jones & Jones, 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.

If you wish to discuss the final report, please call me or have your staff contact Shirley Todd, Director, at (410) 965-9700.



Steven L. Schaeffer, JD, CPA, CGFM, CGMA

Attachment

cc:

Office of Operations, Audit Liaison

Gary S. Hatcher, Senior Advisor for Records Management and Audit Liaison Staff

# Jones & Jones, LLC, A Representative Payee for the Social Security Administration

## A-13-14-24137



January 2016

Office of Audit Report Summary

### Objectives

Our objectives were to determine whether Jones & Jones, LLC, (Jones & Jones) 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 SSA'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. A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance beneficiaries and Supplemental Security Income recipients when representative payments would serve the individual's interests. Jones & Jones assisted living facilities in Richmond, Virginia, is an organizational representative payee licensed by the Virginia Department of Social Services. The facility has a 160-bed capacity and tends to the needs of the mentally ill, infirmed, and aged.

### Findings

Except for the four items discussed below, Jones & Jones generally had effective safeguards over the receipt and disbursement of Social Security benefits in accordance with SSA's policies and procedures. It also adequately protected beneficiaries' personally identifiable information during our audit period, May 1, 2013 through April 30, 2014. We identified instances where Jones & Jones did not properly use and account for Social Security benefits. Specifically, Jones & Jones did not always notify SSA when a beneficiary left its care; conserve beneficiaries' funds; and prepare Form SSA-6234, *Representative Payee Report*. Furthermore, Jones & Jones received and managed Social Security payments for six beneficiaries for whom it was not the official representative payee.

### Recommendations

We recommend that SSA:

1. Instruct Jones & Jones to timely notify SSA when a beneficiary leaves its care.
2. Collect the \$15,661 we identified as paid to Jones & Jones for the beneficiaries who left its care in 2013 and 2014.
3. Instruct Jones & Jones to conserve all appropriate funds for beneficiaries.
4. Instruct Jones & Jones to establish a process for completing Form SSA-6234.
5. Determine whether the six beneficiaries we identified need a representative payee.

SSA agreed with our recommendations.

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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
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

## Forms

Form SSA-6234	<i>Representative Payee Report</i>
Form SSA-11-BK	<i>Request to be Selected As Payee</i>

## OBJECTIVES

Our objectives were to determine whether Jones & Jones, LLC, (Jones & Jones) 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 SSA’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.<sup>1</sup> A representative payee may be an individual or an organization. SSA selects representative payees for Old-Age, Survivors and Disability Insurance (OASDI)<sup>2</sup> and/or Supplemental Security Income (SSI)<sup>3</sup> beneficiaries<sup>4</sup> when representative payments would serve the individual’s interests.<sup>5</sup> Representative payees are responsible for managing benefits in the beneficiary’s best interest.<sup>6</sup> See Appendix A for a list of representative payee responsibilities.

Jones & Jones assisted living facilities in Richmond, Virginia, is an organizational representative payee licensed by the Commonwealth of Virginia Department of Social Services. The facility has a 160-bed capacity and provides care to the mentally ill, infirmed, and aged. Jones & Jones provides room and board to the beneficiaries it serves. Residents are provided three meals and three snacks each day. The payee’s staff includes 38 employees with physicians who are on-call 24 hours a day for emergencies. SSA requested that we review this payee.

During our audit period, May 1, 2013 to April 30, 2014, Jones & Jones served as representative payee for 112 SSA beneficiaries. All beneficiaries resided at the payee’s facility. The payee received approximately \$993,000 in Social Security benefits for these beneficiaries during this period. We examined benefit receipts and expenses for all 112 beneficiaries. In addition, we interviewed, and observed the living conditions for, 15 selected beneficiaries to determine whether their basic needs were being met.

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

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

<sup>3</sup> The SSI program provides payments to individuals who have limited income and resources and who are age 65 or older, blind, or disabled. *Social Security Act* §1601 *et seq.*, 42 U.S.C. 1381 *et seq.*

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

<sup>5</sup> *Social Security Act* §§ 205(j)(1) and 1631(a)(2)(A)(ii), 42 U.S.C. §§ 405(j)(1) and 1383(a)(2)(A)(ii). *See also*, 20 C.F.R. §§ 404.2001 and 416.601.

<sup>6</sup> *See* 20 C.F.R. §§ 404.2035(a) and 416.635(a).

Finally, we randomly selected a sample of 30 beneficiaries and reviewed their Form SSA-6234, *Representative Payee Report*, applicable to our audit period. See Appendix B for our scope and methodology.

## RESULTS OF REVIEW

Except for the four items discussed below, Jones & Jones generally had effective safeguards over the receipt and disbursement of Social Security benefits in accordance with SSA's policies and procedures. It also adequately protected beneficiaries' personally identifiable information during our audit period. We identified instances where Jones & Jones did not properly use and account for Social Security benefits. Specifically, Jones & Jones did not always (1) notify SSA when beneficiaries left its care; (2) conserve beneficiaries' funds; and (3) prepare Form SSA-6234, *Representative Payee Report*. Furthermore, Jones & Jones received and managed Social Security payments for six beneficiaries for whom it was not the official representative payee.

### Reporting Changes to SSA

Federal regulations require that representative payees notify SSA of any changes that affect their performance as a representative payee.<sup>7</sup> In addition, Federal regulations state a representative payee must notify SSA of any event or change that will affect the amount of benefits an individual receives, their right to receive benefits, or how they will receive benefits.<sup>8</sup> Furthermore, SSA's *Guide for Organizational Representative Payees* details events that representative payees are required to report to SSA. This includes when a beneficiary moves or when their whereabouts are unknown.<sup>9</sup>

Jones & Jones did not timely notify SSA about 11 beneficiaries who left its care in 2013 and 2014. Although the payee's records indicated these beneficiaries were no longer in its care, Jones & Jones continued receiving the beneficiaries' payments, totaling \$15,661: \$12,194 in OASDI payments and \$3,467 in SSI payments. During our audit period (May 1, 2013 to April 30, 2014), the payee's records indicated eight beneficiaries had left its care. However, the payee continued receiving beneficiaries' payments, totaling \$6,805. The payee's records also identified three beneficiaries who left its care in 2013 (before our audit period), but the payee continued receiving their OASDI and SSI payments, totaling \$8,856.

On November 6, 2015, Agency staff confirmed the overpayment amounts we identified were correct. Staff also confirmed the payee did not timely notify SSA when these beneficiaries left its care.

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<sup>7</sup> 20 C.F.R. §§ 404.2035(f) and 416.635(f).

<sup>8</sup> 20 C.F.R. §§ 404.2035(d) and 416.635(d).

<sup>9</sup> SSA, *Guide for Organizational Representative Payees*, page 12 of 46, <http://www.SocialSecurity.gov/payee/NewGuide/toc.htm>.

## Beneficiary Conserved Fund Balances

Jones & Jones did not conserve, as required, all applicable funds not used for beneficiaries' needs. SSA policy states that payees are to use benefits for the beneficiary's immediate or foreseeable needs, and any remaining benefits must be conserved or invested for the beneficiary.<sup>10</sup> Our reconciliation of accounting and bank records indicated that, as of April 30, 2014, Jones & Jones did not have a sufficient amount of conserved funds recorded for two beneficiaries.

In accordance with SSA policy, Jones & Jones used a collective bank account for beneficiaries' Social Security payments.<sup>11</sup> SSA deposited beneficiaries' payments into this account monthly; and Jones & Jones subsequently transferred funds from this account to its operating account as needed to cover beneficiaries' expenses. Of the 112 beneficiaries, 2 had funds that exceeded their expenses and therefore the collective account's ending balance reflected conserved funds belonging to the 2 beneficiaries.

As of April 30, 2014, the combined conserved funds balance for the two beneficiaries should have been \$3,672. The collective account balance on the applicable bank statement was \$1,149. Beneficiary conserved funds were understated by \$2,523. The payee did not reconcile its beneficiaries' accounting records to its monthly bank statements. Had Jones & Jones reconciled beneficiary accounting records to the monthly bank statement for the collective account, it would have detected the understatement.

## Representative Payee Reports

Jones & Jones did not prepare Form SSA-6234 for all beneficiaries served during our audit period. The *Social Security Act*<sup>12</sup> requires annual reporting of representative payees' use of Social Security payments to ensure proper use of the payments. Agency policy also directs SSA to obtain an annual accounting report from each payee.<sup>13</sup> The accounting reports assist the Agency in monitoring payee performance and determine whether beneficiaries' needs are met.

Of the 30 beneficiaries we reviewed, 19 (about 63 percent) did not have Form SSA-6234 completed, as required. Jones & Jones did not have a process in place to ensure the accounting reports were completed for each beneficiary in its care. Jones & Jones acknowledged it did not prepare the Form.

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<sup>10</sup> POMS GN.00603.001 (A) (November 15, 2004).

<sup>11</sup> See POMS GN 00603.020 (B) ( June 5, 2008, August 2, 2013, and June 19, 2015).

<sup>12</sup> The *Social Security Act*, §§ 205(j)(3)(A) and 1631(a)(2)(C)(i), 42 U.S.C. §§ 405(j)(3)(A) and 1383(a)(2)(C)(i) requires annual reporting of the use of Social Security payments by representative payees to ensure proper use of the payments.

<sup>13</sup> POMS GN 00605.001(B)(1). (November 7, 2008 and May 15, 2013).



## Management of Certain Beneficiaries' Payments

Jones & Jones received and managed Social Security payments for six beneficiaries for whom it was not the official representative payee. SSA policy states a potential payee can complete the Form SSA-11-BK, *Request to be Selected as Payee*, to apply to be payee.<sup>14</sup> Jones & Jones was not the beneficiaries' payee of record.

During our audit period, the payee managed about \$52,300 for the six beneficiaries. The beneficiaries we identified were in direct payment status during the period May 1, 2013 to April 30, 2014. SSA should determine whether the six beneficiaries should remain in direct pay status. SSA policy states, ". . . you must consider reviewing a beneficiary's capability whenever there is an allegation or indication that an incapable beneficiary is now capable or that a capable beneficiary may have become incapable."<sup>15</sup> If the Agency determines the beneficiaries are not capable of managing their own benefits, it should identify a representative payee.

## CONCLUSIONS

Except for the four items discussed above, Jones & Jones generally had effective safeguards over the receipt and disbursement of Social Security benefits and adequately protected beneficiaries' personally identifiable information during our audit period, May 1, 2013 through April 30, 2014. We identified a few areas that needed improvement. Specifically, Jones & Jones should timely notify SSA when a beneficiary leaves its care; conserve appropriate funds for beneficiaries; and prepare and remit Form SSA-6234 to SSA for beneficiaries it serves. Furthermore, Jones & Jones received and managed Social Security payments for six beneficiaries for whom it was not the official representative payee. SSA should determine whether the six beneficiaries we identified need a representative payee.

## RECOMMENDATIONS

We recommend that SSA:

1. Instruct Jones & Jones to timely notify SSA when a beneficiary leaves its care.
2. Collect the \$15,661 we identified as paid to Jones & Jones for the beneficiaries who left its care in 2013 and 2014.
3. Instruct Jones & Jones to conserve all appropriate funds for beneficiaries.
4. Instruct Jones & Jones to establish a process for completing Form SSA-6234.
5. Determine whether the six beneficiaries we identified need a representative payee.


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<sup>14</sup> POMS GN 00502.115 (A) (August 18, 2011 and October 28, 2014).

<sup>15</sup> POMS GN 00502.020 (A) (6) (May 18, 2012, and July 17, 2014).

## AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix C.

A handwritten signature in black ink that reads "Steven L. Schaeffer". The signature is written in a cursive style with a large, stylized 'S' at the beginning.

Steven L. Schaeffer, JD, CPA, CGFM, CGMA  
Assistant Inspector General for Audit

# *APPENDICES*

## Appendix A – REPRESENTATIVE PAYEE RESPONSIBILITIES

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Representative Payees are responsible for using benefits to serve the beneficiary's best interests. Additional responsibilities include the following.<sup>1</sup>

- Be aware of the beneficiary's current day-to-day needs and use his or 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) that is 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 you have conserved after you stop serving as payee or any overpayment promptly (that is, any payment we determine the beneficiary is not due).
- Keep separate records, for each beneficiary for whom you are payee, for at least 2 years.
- Keep records of all payments the Social Security Administration (SSA) makes to you, 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 your performance as a payee.
- Be aware, if you are a payee for a Supplemental Security Income (SSI) beneficiary, of all the beneficiary's income and funds, and all items a beneficiary owns that could be converted to cash. Income and resources may impact the beneficiary's payments and eligibility for SSI.
- Notify SSA if a beneficiary dies while you are payee, and turn over any conserved funds owned by the beneficiary to the legal representative of the beneficiary's estate for disposition under State law. If you received payments after the death of a beneficiary and they are not due, you must return them to SSA.
- Notify SSA if a beneficiary's condition improves to a point where he or she no longer needs a payee.
- Submit the appropriate forms for periodic reviews, or redeterminations, of SSI eligibility factors. SSA will ask you to supply information about the beneficiary's income, resources, and living arrangements to help it determine whether the SSI beneficiary is still eligible for SSI and is receiving the correct payment amount.
- Promptly report misuse of beneficiary funds to SSA.

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<sup>1</sup> 20 C.F.R. §§ 404.2035(a) and 416.635(a).

## Appendix B – SCOPE AND METHODOLOGY

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Our audit covered the period May 1, 2013 through April 30, 2014. To accomplish our objective 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 in the representative payee area.
- Compared and reconciled a Jones & Jones, LLC, (Jones & Jones) list of SSA beneficiaries in its care to a list obtained from SSA's Representative Payee System.
- Determined the effectiveness of Jones & Jones' safeguards over the receipt and disbursement of Social Security benefits.
- Reviewed 112 beneficiaries who were in Jones & Jones' care during our audit period and performed the following tests.
  - Compared and reconciled benefit amounts received according to the payee's records to benefit amounts paid according to SSA's records.
  - Reviewed the payee's records to determine whether benefits were properly spent on the individual's behalf.
  - Traced room and board recorded expenses to source documents and examined the underlying documentation for reasonableness and authenticity.
- Determined whether Jones & Jones reported any changes or events for its beneficiaries that could affect the amount of, or entitlement to, Old-Age, Survivors and Disability Insurance or Supplemental Security Income payments.
- Interviewed and observed the living conditions for 15 selected beneficiaries to determine whether their basic needs were being met.
- Reviewed the *Representative Payee Report* (Form SSA-6234) for 30 beneficiaries to determine the completeness and appropriateness of the information provided.
- Reviewed the *Request to be Selected as Payee* (Form SSA-11-BK) for 10 beneficiaries to determine the completeness and appropriateness of the information provided.
- Determined whether the organization was complying with its policies, and those set by SSA, for protecting personally identifiable information.

We conducted our review in Baltimore, Maryland, and Richmond, Virginia, between February and September 2015. 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 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

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**Date:** December 22, 2015

**Subject:** Signed Draft Report (A-13-14-24137) - PHILADELPHIA RESPONSE

The Philadelphia Region appreciates the opportunity to offer our feedback on the draft report for the Jones and Jones, LLC Audit. We concur with the Office of Inspector General's findings and five (5) recommendations contained within the draft.

The Richmond, VA Social Security Office is aware of the audit report with the recommendations, and has taken action to schedule Jones and Jones, LLC for their mandatory quadrennial review on January 12, 2016. As part of the quadrennial review, the reviewing team will address the five audit recommendations and the status of Jones and Jones LLC's compliance. We will also remind Jones and Jones LLC of their reporting responsibilities and duties as an organizational payee.

Terry M. Stradtman  
Regional Commissioner

## Appendix D – ACKNOWLEDGMENTS

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Shirley E. Todd, Director, Evaluation Division

Randy Townsley, Audit Manager

Gregory Trenchard, Auditor

Kenneth Bennett, Information Technology Specialist

Brennan Kraje, Statistician

Kimberly Beauchamp, Writer-Editor



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