

Department of Human Services
Trust Fund 721 Independent Verification Directions
Dedicated Account

Purposes - The purpose of the Independent verification is to review past dedicated account activity. It is designed to identify problems, non-compliance with policy, errors, and negligence. The review also serves as a reminder for custodians of the proper handling of their duties, and offers them an opportunity to make suggestions and receive recognition. The independent review's main purpose is to ensure the needs of the client are met, and to confirm the proper management of each account is taking place.

Review Period - The independent review should be completed every six months and should include the entire six month period. The first six month period begins in January and ends in June, leaving the second six month period running from July to December.

Sampling Method - In this review, there will be a different sampling method for checks, deposits, and voided checks. To sample checks, obtain from the custodian a copy of their check register for the past six months. Use the following ranges to determine the size of your required sample:

<u>Number of checks</u>	<u>Sample size</u>
10 or fewer	2
11-25	4
26-50	6
51-100	8
101 or above:	10

Randomly select 75% of the required sample of checks from the check register. Judgmentally select the remaining 25% from the same report. Random selection should be done without much thought or pattern. The name of the client or amount of the check should not be considered, and every transaction should have an equal opportunity for selection. Judgmental selection should consider the potential risk and total amount associated with the transaction. The judgmental selection should include any transaction the reviewer finds to be risky or out of the ordinary.

If one of the checks selected has not cleared the bank, select another check. A check that has not cleared the bank will not have a check mark in the "cleared" column on the check register.

Deposits are selected according to client rather than on an individual transaction basis. Obtain from the custodian a copy of their client alpha report. Select from this report the names of 5 clients. If there are not five clients, select all clients. You will be performing the audit on all deposits made for these 5 clients during the review period.

Voided checks are to be randomly selected from the voided check report in the same manner as are checks. Obtain this report from the custodian and select a sample of 5 voided checks. If the custodian does not have 5 voided checks select all voided checks.

Sampling can occur prior to or as part of the audit in accordance with each related section

Reporting - The review is divided into two segments: questions and examination. Each segment contains multiple sections for separate questioning or examining of individuals or procedures.

Complete the question segment by asking each question to the appropriate individual. Mark Y (yes), N (no), or N/A (not applicable) for each question in the applicable column of the table. For any N or N/A response, explain in the comments box how or why the response did not comply with policy, or why the question was not applicable. Also record in the comments box any additional information requested as part of the question.

Any other information that is found to be important or that is needed to further clarify a response or situation may also be listed in the comments box.

Complete the examination segment by using the items specified with each step to examine the related procedures and transactions. Use the applicable schedules A-D to complete and document the findings in each corresponding section.

Reviews are to be conducted in the month and a half following the end of each six month period and are due to the OFO Trust Fund Coordinator by August 15 and February 15 after the end of each period.

Section I: Custodian/Custodians Supervisor

Objective: To ensure that the Custodian understands the responsibilities of proper management for Client's trust funds.

1.1 Review the summary from the previous review with the custodian. **List any exceptions that have not been corrected in the comments box, and note them as exceptions to be corrected again in the summary.** This will help to ensure that each independent review serves its purpose by improving operations and correcting mistakes.

1.2 The Dedicated signature card should be updated any time related positions are changed within the division, and one or more of the check signers leaves for another position. This will ensure that only those with proper authority within the division have the ability to sign checks. The Dedicated signature card is current if **all listed individuals are currently employed by the division.** (Sec. II)

1.3 The custodian must recognize all individuals on the Dedicated signature card as having been given authority to sign checks. **This serves as a check of the authenticity** of those listed or added to the card, and ensures that the custodian will always know to whom they can send their checks to be signed. Using the Dedicated signature card obtained from the OFO Trust Fund Coordinator, **list any check signers the custodian is unaware of.**

1.4 **Dedicated Signature card changes must be made through the OFO Trust Fund Coordinator and OFO.** The custodian, or custodian supervisor, first contact the Trust Fund Coordinator and list the changes that need to be made. The Trust Fund Coordinator then sends a form with these specified changes back to the custodian to collect sample signatures of those individuals being added. The form is then returned to OFO for final approval by the Finance Director.

Every OFO approved signature card dated after 11/15/2005 will contain the signature of the Finance Director. The custodian's signature card must match this approved card.

Compare the custodian's Dedicated signature card with the one that you received from the OFO Trust Fund Coordinator. Look for differences. **Differences between the two cards indicate changes made without the authorization of OFO. List any discrepancies between the cards in the comments box.** Discuss discrepancies with the custodian to determine the cause and possible resolution. (Sec. II)

1.5 **Offices receiving Dedicated money must be set up with an additional bank account in SAFE Trust Accounting in order to track the aggregate Dedicated funds separately.** Under Social Security regulation, all Dedicated funds must be kept and tracked independently from any other source of funding. This additional SAFE Trust Accounting account corresponds with the physical bank account, also separate from any other source of funding.

1.6 **Each client receiving Dedicated money from Social Security requires an additional client account to be set up in SAFE Trust Accounting in order to track these funds separately.** The client's two accounts must be completely independent of each other. Sub-accounts are not permitted as they can sometimes allow money from one account to be used to cover a payment if the parent account is overdrawn. Because Dedicated money can only be used for specific expenses after permission has been granted by Social Security, this sharing of funds is against policy.

1.7 Social Security will periodically perform a review of the Dedicated Account to ensure that we have complied with their requirements, one of which is separating the money from all other funds. By looking at the Dedicated bank account, they must be able to see the Dedicated money's entire history. All transactions dealing with Dedicated money must be entered in the Dedicated bank account through the Dedicated client accounts. Thus the Dedicated money can be tracked individually as well as aggregately. The sum of the client accounts should equal the bank account.

1.8 **Permission must be obtained from Social Security before any check can be issued using Dedicated money.** This permission may come in the form of an email, letter, phone call, etc. as long as it is documented and verifiable.

1.9 Because this is an independent account, a separate reconciliation must be performed on the Dedicated account on a monthly basis. **The Dedicated account reconciliation is due to the OFO Trust Fund Coordinator by the 15th of every month and should accompany the reconciliation of the regular account.**

1.10 Dedicated funds may be used for the following expenses: **medical treatment, education, or job skills training.** They may also be used for personal needs assistance, special equipment, housing modification, therapy or rehabilitation, or other items or services approved by the local Social Security office, if they benefit the client and are **related to their disability or blindness.**

1.11 **All Dedicated funds must be sent back to Social Security upon the closure of an account.**

Section II: Case Worker/Case Worker Supervisor

Objective: To ensure that the Caseworker understands the responsibilities of tracking and managing individual accounts, and effectively provides for Client's needs.

2.1 A caseworker's responsibilities with respect to a Dedicated Account are to assess the client's needs that fall under the Dedicated funds jurisdiction and provide services that are of the most benefit to the client that meet those needs. Like any other account the caseworker should also budget out the use of the money and review the client's account on a monthly basis. The caseworker is also responsible for obtaining permission from Social Security before creating a Form 298 requesting the expenditure of Dedicated funds. Responsibilities with respect to working with Social Security on behalf of the client and ensuring that funds are cashed and used appropriately are the same. **Provide a brief description of the caseworker's response in the comments box.**

2.2 The caseworker should have at least a general idea of the transactions connected with their clients. Obtain from the custodian last month's transaction detail of a Dedicated client belonging to the selected caseworker. Show the caseworker the transaction detail. Have them look over it to make sure that the **transactions appear reasonable for the particular client. List any unrecognized transactions they notice in the comments box.**

2.3 **The caseworker should review the client's Dedicated account on a monthly basis** to create a new budget, check to see that the past transactions correspond with the past budget, and make sure that the client's balance stays within limits to qualify for federal benefits based on the client's eligibility classification.

The caseworker may utilize either a **client's transaction detail or the caseworker report** to review their client accounts. Any other tool must be approved by OFO. The caseworker should look for any **unusual, unauthorized, or unrecognized transactions**.

2.4 Upon the death of a client or the closure of an account **it is the caseworker's responsibility to notify the custodian** and to follow up on any items needed to complete the closure, which could include informing the Funding agency of the client's termination, their last known whereabouts, and their new representative payee if assigned. The custodian may also do this.

Section III: Check Signer

Objective: To ensure the Check Signer understands their responsibility of being a controlling factor for the accuracy and necessity of fund disbursements to the Client.

3.1 A check signers' responsibility is to make sure that there is adequate documentation, for the check which they are signing. This documentation comes in the form of **documentation of permission obtained from Social Security for the expense, a properly authorized Form 298, and any supporting documentation such as a budget, bill, contract, etc.** that may accompany it. They also need to make sure that the amount paid is **reasonable**, and that the information on the **documentation matches the information on the check**. Briefly list their response in the comments box. (Sec. II)

Section IV: Fund Disbursements (Checks) complete Schedule A

Objective: To verify that checks are accurate, properly authorized, benefit the client solely, and are properly documented. (Sec. II)

Using the sampling method described on the front page, select the required number of checks for audit if not previously completed. Complete Schedule A with the following instructions.

4.1 Every purchase needs to have a supporting document validating the client's purchase or need of the expense to make sure all transactions are for the sole benefit of the client. This validation can come through a client's monthly budget, contract, bill, receipt, schedule, etc. The documentation must show a valid reason or cause for the expense, and it must be for the direct benefit of the client. If this is the case, corresponding documentation exists. **Mark in the appropriate column on Schedule A whether this documentation exists.**

4.2 Once a valid need or expense arises, **permission must be obtained by Social Security before a Form 298 can be issued requesting a distribution from any Dedicated account**. Documentation of this permission must accompany the supporting documentation and the Form 298 through every step of the disbursement process as a mandatory part of the verification.

4.3 As a separation of duties control, the custodian is not authorized to write any check without an approved Form 298. **Mark in the appropriate column on Schedule A whether this Form exists**. The Form must also be properly authorized meaning: if the amount is under \$500, it must be electronically or manually signed by the appropriate caseworker, and if the amount is over \$500, the caseworker's supervisor must also electronically or manually sign the document. **Mark in the appropriate column whether the Form 298 has been properly endorsed.**

4.4 **In the appropriate columns list the amounts on each type of documentation**. They should all match. This is a test of consistency. There must be supporting documentation to validate a Form 298, there must be an authorized Form 298 before a check can be cut, and the actual amount on the check must be the same amount listed in the check register.

Look for differences that might indicate a problem such as the withdrawal of a larger amount than was originally authorized, or the withdrawal of a smaller amount than was originally authorized leaving room for undetected, improper use of the balance elsewhere.

Mark in the appropriate column whether the provider name listed on all documentation is the same. The provider name listed on all documentation, beginning with the Form 298 and ending with whom the actual check was written out to, should remain consistent.

4.5 Look to make sure that each check has been endorsed properly. A properly authorized check must have two signatures. Each signature must be on the signature card, and neither signature on the check may be on the Form 298. **Mark in the appropriate column whether a check has been properly endorsed.**

Section V: Fund Receipts (Deposits) complete Schedule B

Objective: To ensure that all of the client's trust money is distributed in an accurate and timely manner, and that all received checks are deposited. (Sec. I)

Using the sampling method described on the front page, select the appropriate number of clients for the audit if not previously completed. Complete Schedule B with the following instructions.

5.1 This is a test to ensure that the client receives the entire amount of money to which they are entitled. Using the client's Dedicated SSI Information letter to determine the exact amount of benefits to which the client is entitled. **List this amount as the guaranteed payment along with the funding agency in the appropriate columns.**

Compare this amount to the benefit actually received by the client as detailed in their client register. **Record in the appropriate column the amount they actually received.** Investigate and include an explanation at the bottom of the schedule for any discrepancies between these two amounts.

5.2 Select one deposit for each sampled client on Schedule B. For each deposit selected, check the date it was received by the agency from the receipt writer, the date it was deposited to the bank from the deposit receipt, and the date that it was posted to the client's account from the client's deposit detail. Look to see that the check was deposited within 3 days after it was received, and that the deposit was posted to the client's account within a reasonable time thereafter. This constitutes a timely deposit. **Mark in the appropriate column whether each deposit was deposited timely.**

Amounts from the receipt writer, deposit receipt, and deposit detail should all match. **List the amounts from each item in the appropriate columns, and document whether the amounts are consistent from beginning to end.**

Most deposits will be made into this account electronically. Because of the infrequency of these deposits, no electronic reporting system has been set up to inform us when a deposit has been made. The OFO Trust Fund Coordinator will manually access the account history every week and let the appropriate Custodian know via email whether their client(s) have received a deposit. The email will include the name of the client, the date of the deposit, and the amount of the deposit. This email can be used in place of the receipt writer report and deposit receipt as the base documentation in which to compare dates and amounts. However, because the custodian is unaware of the deposit's existence until the receipt of the email, the date of the email instead of the date of the deposit should be used when determining whether a timely deposit has been made.

Section VI: Voided Checks

Objective: To verify that voided checks are handled properly to ensure that the clients' money is only benefiting the client. (Sec. III)

Using the sampling method described on the front page, randomly select the required sample size of voided checks from the voided check report unless previously completed. Complete Schedule C with the following instructions.

6.1 New policy states that a custodian must have the approval of his or her supervisor before having a check voided. Therefore, before a custodian has any check voided, he or she needs to present their supervisor with a list of checks to be voided, or some other form of retainable documentation. The supervisor must sign this documentation, and it must be kept with other voided check documentation, verifying the supervisor's approval. **List in the appropriate column whether this approved documentation exists.** Provide an explanation for each item missing this approval.

6.2 A stop payment is required if a voided check is over \$500 in amount or if the check will be re-issued. A stop request should be sent to the OFO Trust Fund Coordinator using the Stop Payment Request Form. A receipt or a screen printout should be kept with the voided check as documentation of its occurrence. **List in the appropriate column whether a stop payment is required and if so whether it was completed and documented.** Provide an explanation as to why a stop payment wasn't issued if one was required.

6.3 **List any additional forms of documentation,** such as the actual voided check, that may serve as evidence that the check was indeed voided and not cashed.

If there is no documentation to verify the voided check, obtain an explanation from the custodian detailing what happened to the check, why it was voided, and why there is no supporting documentation. This finding may also be included in the recommendations section of the summary.

6.4 **List all uncleared checks from the reconciliation report that are over 90 days old.** Gain an explanation from the custodian concerning why the check is still outstanding. Talk to the custodian, and come up with a plan to resolve the issue.

Section VII: Miscellaneous

Objective: To ensure that voided or missing checks as well as the signatures on the signature card are properly documented.

7.1 Using Schedule D, list the names and positions of all signers on the Dedicated signature card and the date it was last updated. No signer should have the authority to generate or sign a Form 298, and generally a check signer cannot enter information into the accounting system unless approval is received from OFO. This separation of duties helps to ensure the accuracy of the checks that are written, and helps disperse the power to withdraw money, thereby limiting the misuse of funds. Contact the OFO Trust Fund Coordinator if there is any question as to whether such approval has been obtained by OFO.

List in the appropriate columns whether any of the signers currently sign Form 298s or enter information into SAFE Trust Accounting. Document whether there is an adequate number of signers to provide backup for those that may be out of the office, and list any applicable comments. (Sec. II)

7.2 Voided checks that are not issued a stop payment may still be cashed. In the rare occurrence that this

happens, the check is re-entered in SAFE Trust Accounting using the same number as the originally voided check, thus creating a duplicate check. The vendor and the amount of the duplicate check should be the same as that on the original check.

Make sure that the vendor is the same for both checks and that the listing includes one voided check (\$0.00) and one replacement check with a positive amount equaling the amount of the original distribution. **Document in the summary as items that need to be corrected any duplicate checks where there are different vendors or where both amounts are either positive or negative.** (Sec. III)

7.3 Obtain the Dedicated interest allocation and deposit details for both interest allocations occurring during the review period. Look for differences between the amount deposited and the amount allocated in each one. **List any discrepancies as items to be corrected in the summary.** This test will ensure that the correct amounts are posted to the correct clients.

Section IX: Summary

The summary is for the benefit of both the custodian and the reviewers. It summarizes the corrective actions that need to take place before the next review in a format that is convenient and easy to understand at a glance. In addition, it references reminders, recommendations, and things that are being done correctly. In short, the summary is the summation of the review that can be referred to as often as needed without having to dig through all the documentation to find needed information.

On the first section, list all findings that can and must be corrected, including any items found in question 1.1 that remain uncorrected from the previous review, or any outstanding item that should be reviewed at the beginning of the next review. Start by referencing the number in the review where the exception was found. Then, list the name of the individual that will be making the correction and the action required to correct the problem. This becomes the checklist of items reviewed in question 1.1 of the next review.

The next section is for any exceptions found that do not require corrective action. These are usually exceptions to policy that require attention but no action to correct past errors. This section is to be used to remind individuals of proper policy and required future behavior.

The last section is reserved for any recommendations the reviewer has to improve the efficiency, security, or accuracy of the trust account system. The reviewer may list in this section any compliments they feel are deserved for exceptional conduct.

The entire summary should be reviewed by all parties involved, to not only view the exceptions and fix the physical changes, but to review the recommendations and policy issues in an effort to improve operations.