

Human Services Client Trust Fund–7290 Trust Accounting
System Procedures

03.004.00

Effective Date: September 12, 1997

Revised: December 28, 2015

**Department of Human Services
Client Trust Fund 7290
Trust Accounting System Procedures**

These accounting procedures are required for the Trust Accounting System. The procedures are considered minimum requirements for helping establish and maintain an adequate internal control environment associated with the Trust Accounting System. Because these procedures are considered to be minimum guidance, each Division/Office is expected to implement any additional procedures considered necessary and reasonable in order to effectively manage and safeguard the Human Services Client Trust Fund assets.

The following procedures are specific to Fund 7290; however, the minimum internal control concepts covered in these procedures (03.004.00) are applicable to all Department client trust funds.

These procedures cover accounting related issues. Policies regarding the actual management of the Trust Funds are the responsibility of the applicable Divisions.

I. Receipting

- A. Human Services Client Trust Fund (Trust Fund) receipts should be properly deposited at least once every three business days into the appropriate checking account with the bank. Upon receipt, checks should be promptly stamped "for deposit only" and, along with cash, properly secured until deposited into the bank.
- B. Trust Fund receipts shall be posted to the Trust Accounting System in a timely manner, preferably within one day of deposit (or receipt of deposit detail for electronic funds transfers). The Independent Review section provides additional control related to the receipting process.
- C. If a Social Security check is received for a closed account or deceased client, the check should be receipted normally and entered into either the receipt writer program or mail log, then returned to Social Security, using certified mail. A note of explanation detailing the death of the client, or the closure of the account and the client's last known whereabouts should accompany the check. Social Security should issue a receipt upon receiving the returned check. This receipt must be kept as supporting documentation.

- D. If a Social Security electronic funds transfer is received for a closed account (see E if client is deceased), the account will need to be re-opened and the deposit entered. A check for the balance will then need to be written and the same procedures for returning a Social Security check as described above (C) should be followed. After issuing check, promptly close the client account.
- E. If a Social Security electronic funds transfer is received for a deceased client, inform Social Security of the client's death. Social Security should then initiate the return of the funds electronically to Social Security. Do not re-open the client account or enter the deposit amount into the Trust Fund system.
- F. If the client of a closed account owes outstanding cost of care, and either a check or electronic funds transfer from Social Security is received; determine if proper to pay outstanding balance. If determined proper, then the account will need to be opened, funds recorded to the account, cost of care check issued, and then any remaining balance sent to Social Security following procedures listed above (C and D). If determined not proper to pay outstanding cost of care, then follow procedures for returning funds to Social Security.

II. Fund Disbursements

- A. Trust Fund disbursements must be authorized by the caseworker and have supporting documentation (e.g. receipts) before they can be processed. If the requested amount exceeds \$500, the disbursement must also be approved by the caseworker's supervisor.
- B. Before issuing a check, the custodian must ensure sufficient balance in a client account to cover the disbursement.
- C. For on-going residential care payments over \$500, approval by the caseworker's supervisor is required for the initial monthly payment. Subsequent payments may be processed without the additional supervisor signature unless there is a change from the prior month. There must be at least an annual review of the on-going authorization with caseworker and supervisor signatures approving the on-going payment arrangement. Changes to the payee or the payment amount require the additional supervisor approval for residential care payments exceeding \$500.
- D. If a hard copy Form 298 is used, it should be totaled with the total amount written on the form initialed by the caseworker.
- E. Completed checks require the signature of two separate individuals, who verify that the check is reasonable and supported with adequate documentation. Generally, check signers shall not be authorized to approve a fund disbursement.

- Thus, caseworkers and custodians should not be check signers. Exceptions may be granted by the Finance Bureau for extenuating circumstances where compliance with this procedure causes undue hardship and where explanation of compensating controls have been provided.
- F. Authorized check signers should be limited to as few employees as is reasonable and necessary to provide adequate back-up. Authorized check signers should be updated timely with employee turnover, and all signature card changes must originate and be authorized by Finance Bureau.
 - G. Blank checks should be kept in a secured, locked place only accessible to the Trust Custodian or the Custodian's back-up. Completed checks should be sent directly to the vendor or client. Circumstances (such as the objective to teach proper handling of funds to client) may possibly exist for a caseworker to handle the check, or accompany a client to cash a personal needs check. The client must be present for a caseworker to be involved in cashing a personal needs check, and the check must not be written to the caseworker.
 - H. All disbursements require supporting documentation and adequate internal control. Documentation should provide evidence of who received funds. Specific receipts are optional limited to cumulative disbursements \$35 or less per month per client. Receipts are required regardless of dollar amount if Department employee is involved in purchase/disbursement.
 - I. If a completed check is not sent directly to the vendor or client, the individual obtaining the check must sign a log (maintained by the Trust Custodian) representing their responsibility for the check. In addition, adequate internal control procedures must be implemented by the Trust Custodian's office ensuring that the disbursement is properly handled and used for proper purposes. The office must have these procedures written and available for auditor review. Procedures may include client verification of receiving the check, documentation of what was done with the check, or the client's receipt of funds after a check is cashed.
 - J. Per DCFS, when closing the account of a child who is aging out of foster care, the remaining balance may be sent directly to the child. If the child's location is uncertain, the remaining balance should be returned to Social Security.

III. Check voiding

- A. Checks should be voided after remaining outstanding for 90 days. The payee should be contacted after 60 days outstanding to resolve the issue. After the 90 day outstanding period, the custodian may void the check with approval. If the payee is Social Security, the custodian should wait until the check has been outstanding for 180 days before voiding the check. Documentation of this

- approval, and the resulting printed voided check form (from the system) should be kept with the voided check documentation.
- B. A voided check may necessitate a “stop payment” be placed. A stop payment is expected if the voided check is over \$500 and cannot be located. Stop payment requests should be sent to the Finance Bureau Trust Fund Coordinator using the Stop Payment Request Form, and evidence of the stop payment should be documented and maintained with the voided check.
 - C. Excessive check voiding should not occur. The Trust Custodian Office should investigate procedures and circumstances if checks are being voided on a regular basis, especially if related to the same person or vendor. The Finance Bureau Trust Fund Coordinator should be notified of any stop payment issuance or voided check that is subsequently cashed.

IV. Bank Reconciliation

- A. The Trust Custodian must complete a monthly bank reconciliation in which the Bank Statement must reconcile with deposit records, the applicable trust accounting system, and disbursement supporting documentation.
- B. The Trust Fund Custodian and the Trust Fund Custodian’s Supervisor must sign and date the monthly bank reconciliation.
- C. A copy of the completed, signed Reconciliation and Client Account Balance Report shall be submitted to the Finance Bureau by the 15th of each following month.

V. Independent Review

- A. Independent Review of each Trust fund location shall be performed for each half of the calendar year. The reviews are due to the Finance Bureau Trust Fund Coordinator, following the end of each six-month period, by February and August 15th.
- B. An audit from the Bureau of Internal Review and Audit (BIRA) may replace an Independent Reviews if it covers the same period and if coordinated with the Finance Bureau.

VI. Dedicated Account

- A. Money specified by Social Security as “dedicated” is not allowed to be intermingled with other funds. A separate account is used to handle these funds.

The Finance Bureau Trust Fund Coordinator must be contacted in the event of an office receiving any such money. Access to the dedicated bank account may only be obtained through coordination with the Finance Bureau Trust Fund Coordinator.

- B. Permission must be received by Social Security before any payment may be issued. Written documentation (received via e-mail, letter, etc.) of this permission must be kept with the check.
- C. All other trust accounting policies and procedures apply.