



**Efficient  
Execution of  
Representative Payee  
Best Practices**

**White Paper**



# TABLE OF CONTENTS



<b>Introduction</b> .....	<b>4</b>
<b>Part One—Representative Payee Responsibilities &amp; Best Practices</b> .....	<b>4</b>
Accounting system basic requirements, 4	
People, processes, systems, and documentation, 5	
Four core management activities, 5-6	
Generated records, 6	
Security measures for the cash receipt process, 7	
Properly managing interest earned, 7	
Paying expenses and tracking disbursements, 8	
Beneficiary subsidiary ledger management and reconciliation, 9	
Bank reconciliation, 9	
<b>Part Two—Representative Payee System Benefits:     Save Time Without Sacrificing Accuracy &amp; Security</b> .....	<b>10</b>
Additional volume means more work, 10	
Automation is the answer to work volume, 10	
System capabilities check-list, 10	
Better stewardship of funds, 11	
<b>Part Three—AccuFund Representative Payee</b> .....	<b>12</b>
Automating allows you to increase the number of clients you manage, 13	
Functional make-up of representative payee system, 13-14	
Simplify custodial fiscal management tasks, 15	
Leverage technology to do more and worry less, 16	

# INTRODUCTION



If you're hesitating to read this white paper because your "To Do" list for today includes creating several new spreadsheets to track constituents' benefits and financial transactions – you are the very person who should read on.

Whether you are administering benefits from within a government agency or a social services organization, this white paper is written for you as a summary of best practices and a recommendation on how to best automate your organization, and improve management and execution of your clients' needs.

'Best Record Keeping Practices for Organizational Representative Payees,' a video on the official Social Security website, ([http://www.ssa.gov/payee/training\\_RKP.htm](http://www.ssa.gov/payee/training_RKP.htm)) stresses that to account adequately for funds your organization receives for each beneficiary, it's necessary to have certain separate and distinct accounting processes in place.

This white paper will first address the responsibilities and best practices aligned with SSA requirements and secondly describe features and functions needed in a representative payee system to help you save significant time, realize real-time clarity on all accounts, reduce direct cost and dramatically reduce errors and reliance on spreadsheets to manage accounts.



## **Part One—Representative Payee Responsibilities & Best Practices**

You are probably serving many beneficiaries; most organizations and agencies do. So it's important to have a system that meets the requirements to which you must comply.

### **Accounting System Basic Requirements**

There are four features an accounting system should have (at a minimum) as recommended by the SSA and they are:

- 1. The ability to track each beneficiary's Social Security benefits, Supplemental Security Income (also referred to as SSI benefits), and other funds received and how the funds are spent or saved;**
- 2. Retain adequate accounting records supporting beneficiaries' financial transactions;**
- 3. Know the amount of funds held on behalf of each beneficiary at all times;**
- 4. Include security processes to safeguard beneficiary funds.**

Every time you handle a fund, there is usually a need to create or keep a record of how you managed the funds.

# Representative Payee Responsibilities & Best Practices



## People, Processes, Systems, and Documentation

The four foundational elements that every representative payee organization structure requires are people, processes, systems, and documentation.



The **people** on your staff manage the day-to-day financial management tasks that arise from the handling of beneficiary funds. They handle the processing of all beneficiary transactions from intake to initiation and transaction authorization to recording and reporting. Besides being trained on the technicalities of the job they also have to work with their clients and case management staff and be empathetic to their needs and maintain fiscal responsibilities.

Standardized procedures you use for managing beneficiary funds make up your **processes**.



Specialized accounting software is the automated **system** you use to record and manage beneficiary funds. While spreadsheets can be used as a system for managing funds, they require an enormous amount of manual input, can contain numerous errors and require you to manually prepare each client's annual SSA benefit report.



The final element, **documentation**, is comprised of all the documents, reports, and other records (bank statements, cancelled checks, cash receipt records, bills, bank reconciliation records, etc.) that you will generate and obtain as a result of processes your organization delineates for managing funds.

## The 4 Core Management Activities

There are four core management activities that the SSA identifies and all of which you will want your Representative Payee or other specialized accounting systems to handle:

1. **The receipt and disbursement of funds;**
2. **Maintenance of supporting ledgers and other records;**
3. **Management of bank and other cash accounts;**
4. **System reporting to ensure compliance with program requirements.**

# Representative Payee Responsibilities & Best Practices



## The 4 Core Management Activities (continued)

The Representative Payee duties usually involve receiving beneficiary funds coming from different sources, at various times, and for different purposes. Social Security will send your organization beneficiary funds by check or by direct deposit into a bank account.

When you receive the funds, you will need to document the receipt of checks at the point of entry into your organization – it's the process of logging the check which includes assigning it to a beneficiary, inputting the amount of the check, recording the check number, and identifying the check issuer, the check number and the date. Once these steps have been completed, the check is routed so that a bank deposit ticket can be prepared and the check deposited on behalf of the beneficiary.

There are a number of routines that should be performed at this point, such as matching the payment with the beneficiary to ensure it is correctly assigned; confirming that the amount received is the correct amount expected for the beneficiary; double checking the accuracy of the amount of the check to what was logged, and re-calculating the amounts to be deposited and ensuring that the checks are being deposited into the right bank account (e.g. the beneficiary's checking or savings account).

Before the checks have been deposited, your process should include recording the benefit data into your Representative Payee or accounting system. It is important that the amounts are recorded in the same accounting period the funds were received; the correct amounts are recorded for each beneficiary; the appropriate beneficiary subsidiary ledger is credited, the total of all benefits received from Social Security agrees with the total recorded in your beneficiaries' ledgers and the batch total for the deposit agree.



## Generated Records

As the process is happening (as well as after the process is complete) there will be a number of records that you generate including; cash receipt logs, copies of benefit checks (for any physical checks received), cash receipt edit reports, cash receipt registers, bank deposit transmittals, records of updated beneficiary ledgers, bank transmittals and statements of interest earned. All of these should be retained as part of the permanent record.

There must be consistency in how all of these activities are performed, and internal controls must be in place to ensure the accuracy of information and safety of clients' funds. Your organization should have policies and procedures to ensure that someone - other than the preparer - certifies these documents are complete and accurate before they are filed.

# Representative Payee Responsibilities & Best Practices



## Security Measures for the Cash Receipt Process

Your software system should help you ensure accuracy of data in the processing of benefits. Other control procedures that you document and enforce within your organization may include: placing all un-deposited benefit checks in a locked cabinet or safe; a monthly review of the recording of beneficiary receipts by a third party (perhaps a supervisor); a periodic reconciliation of interest earnings on the bank statement to the amount allocated and posted to the beneficiary subsidiary ledgers; and monthly reconciliation of total cash receipts (checks and direct deposits recorded in beneficiary ledgers to deposits recorded by the bank).



## Properly Managing Interest Earned

Holding beneficiary funds in interest-bearing accounts is a routine occurrence. Therefore, interest should be recorded in the beneficiaries' accounts and subsidiary ledgers based on the frequency with which the interest is paid by the bank (e.g. monthly or quarterly). The amount of interest earned can be found on the bank statements, a time consuming process if done manually. Your accounting system should do the entire process from calculation to posting in a few moments.

# Representative Payee Responsibilities & Best Practices



## Paying Expenses and Tracking Disbursements

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Usually disbursements on behalf of beneficiaries take the form of care and maintenance, rent, utilities, insurance, medical bills, furniture purchases, other living expenses and checks, debit cards or cash to beneficiaries for out-of-pocket expenses.

Your organization must ensure the validity of a request for disbursement coming from the beneficiary or authorized requestor. The request should be in writing. Adequate documentation for all expenses (such as vendor invoices) should be a requirement prior to approval. There are some exceptions such as petty cash transactions and small amounts for the beneficiary's personal needs. At that point, the beneficiary's subsidiary ledger is checked to see if there are sufficient funds to cover the expense. If there are funds available, the request would then need to be authorized following a review of invoices, agreements and other supporting documentation.

All disbursements would be recorded in representative payee system in the appropriate accounting period. The invoices would be marked "paid" and the expenses and disbursement recorded in the appropriate ledgers.

Monthly review of the beneficiary's ledgers ensures completeness and accuracy of the account. This protects the beneficiary and also ensures that timely and accurate payments are made on their behalf.

Other security measures to assure sound management may include requiring two signatures if a disbursement exceeds a certain amount; issuing and signing checks only after the issuer and signer have reviewed supporting documentation; procedures to prevent check fraud; and defined periodic reviews of expense posting to subsidiary ledgers. Often a Representative Payee accounting system can strengthen fraud prevention and protection measures through a software tool that verifies checks presented for payment against a list of checks issued.



# Representative Payee Responsibilities & Best Practices



## **Beneficiary Subsidiary Ledger Management and Reconciliation**

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All detailed transactions you make on behalf of individual beneficiaries should be recorded in their subsidiary ledger. This information includes the type of transaction (deposits and disbursements), the transaction date, source of cash receipt, person or business a check is paid to, the amount credited or the amount debited and the remaining balance.

These transactions are tied to the beneficiary's bank account. Every cash-related transaction results in a change to the bank account balance.

## **Bank Reconciliation**

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The SSA allows beneficiary payees to use a broad range of banking arrangements to manage funds. Regardless of the arrangement, your procedures should include a monthly reconciliation of all bank accounts in order to maintain an accurate status of the accounts.

This is another aspect of representative payee activity that you can automate.

Monthly reconciliation of bank accounts is conducted to identify any discrepancies or errors that may have occurred during the monthly processing of transactions but were not detected at the time. Upon completion of the reconciliation of all bank accounts, you should ensure the adjustments are applied to the sum of the corresponding ledgers. Be sure to account for any differences.

As with other processes you manage, bank reconciliation has security measures that can and should be implemented including: a review of all cleared checks for propriety (amount, payee, endorsement, and adequacy of signature); identification of all un-reconciled balances; investigation and resolution of long outstanding reconciling items such as stale dated checks and deposits; and, most important, the review and approval of bank reconciliations by someone other than the person preparing the reconciliation.

Some banks allow download of paid checks to be downloaded more frequently and the accounting system may allow daily or weekly reconciliation to reduce the month end effort.

# Representative Payee System Benefits



## Part Two—Representative Payee System Saves Time; Increases Accuracy and Security

The difficulty in Representative Payee responsibilities comes with volume. With each new beneficiary you represent, there are dozens of tasks that must be completed to responsibly manage their funds.

Defined tasks - frequently repeated - are exactly the types of activities best handled by automation. In fact, automating these tasks not only saves you time, but dramatically reduces the likelihood of errors that are all too common with manual data entry.

In looking to automate these tasks, the key is to find a solution that was created specifically to handle the duties and reporting of Representative Payee accounting. Here is a checklist of eleven capabilities that your system should have:

✓	FEATURES AND CAPABILITIES
	Can generate SSA annual report based on consumer benefit period
	Manages multiple consumer types in one database, including SSA, SSI, SSDI, VA, retirees, trusts, and conservators
	Streamline benefit receipting with the import of recurring SSA income
	Client fields track key consumer information: intake, medical status, housing, etc.
	Track the issue and amount of consumer merchandise cards (grocery, pharmacy, etc.)
	Automatically generate and post fees by consumer
	Generate specified fixed fees for trust accounts and conservators
	Dramatically reduce reliance on Excel worksheets
	Pay vendors by EFT/direct deposit
	Print personal spending allowance checks as needed
	Utilized refillable debit cards to reduce cost and improve security of funds in client's

# Representative Payee System Benefits



## Better Stewardship of Funds

The goal of a Representative Payee system is, very simply, better stewardship of funds.

Having an automated system means that you enter data once and it is available throughout the system – when you need to run a report, when you need to reconcile, when you need to pay a bill.

Unburdened by creating yet another spreadsheet and manually entering data, you'll also enjoy greater accuracy of information.

Any system that requires as much work in retrieving information as your manual spreadsheet process did – is not worth the investment. The checklist above is meant to help you identify the functionality you should demand of any system that you would purchase.

Better stewardship of funds is a goal you have for your clients – but it is equally as important goal for your organization or agency when making the decision to purchase software.



## **Part Three—AccuFund Representative Payee System Designed to Automate the Best Practices You Need to Perform**

The AccuFund Representative Payee System is a standalone application designed specifically for use by social service agencies and government agencies that serve as fiscal guardians for clients or patients who are unable to manage their finances, for example the elderly, minors, mentally handicapped, or alcohol/drug dependent individuals.

AccuFund Representative Payee enables tremendous time savings for these organizations because it relieves them of the detail-intensive burden (described in the first half of this document) of coordinating accounting for individual clients.

Also known as custodial checking or trustee accounting, AccuFund Representative Payee provides you with a robust, flexible tools for tracking funds and paying bills for a large number of clients.

Client checking accounts are administered in one location and can be set up simply as either individual accounts or as a single consolidated account with virtual accounts for each client. The virtual, client-specific accounts allows you to minimize the costs of maintaining numerous bank accounts with the benefits of increasing interest-earning power and maximizing the funds you are charged with managing.

Although all client funds are in one physical account, a consolidated account allows you to easily identify where an individual client's funds are located and how much cash and interest belong to each client. You can still possess a client-centric system, as AccuFund Representative Payee gives you the ability to set up separate virtual bank accounts for each client and pull up any individual client's register and quickly see his or her balance.

AccuFund's allocation module gives you the means to automatically calculate clients' individual interest and earnings, and post the information to the system and accurately reflected in the client's balance.

# AccuFund Representative Payee System



## Automating with AccuFund Representative Payee Allows you to Increase the Number of Clients you Manage

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Manual systems tend to bottleneck with an influx of new clients. Each client account has many moving pieces, numerous transactions to manage, and setting up each new set of records, if done manually, can limit the number of clients you can effectively manage.

AccuFund Representative Payee smoothly handles hundreds to thousands of clients and large amounts of transactional data. Because all financial data, bank information, and the client database are in one location – all information is fully integrated and easily located and retrieved when you need it. Having the data in a single database provides better control, security and backup. This includes scanned images of client intake, lease copies, client budgets, etc. attached directly to the client's record.

Client reports can be generated based on any one of several criteria, such as by location, case manager or both. You have the ability to drill down from a client to a specific vendor, or from a vendor to a specific client, enabling you to ascertain a client/vendor relationship. It also allows you to quickly see the total amount of disbursements to a single vendor to look for potential fraud or volume discount opportunities for your clients.

## Functional Make Up of AccuFund Representative Payee Suite

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The AccuFund Representative Payee module tracks funds received from the Social Security Administration (and other agencies); pays bills for rent, utilities and other living expenses, and maintains funds in a single bank account for simplifying reconciliation. Representative Payee contains four core components from the AccuFund Accounting Suite:



**GENERAL LEDGER** – All transactions processed in Representative Payee are posted to the General Ledger on a real-time basis, allowing you to generate an up-to-the-minute financial statement for each client, regardless of whether you have established individual accounts for clients or have a co-mingled account. General Ledger supports multiple transaction types, such as actual, budget, memo entries, requested, budget revisions, and closing entries. It has all of the account balances and transaction detail for each client.

# AccuFund Representative Payee System



**ACCOUNTS PAYABLE** – Accounts Payable manages payment of each client’s bills, providing support for multiple checking accounts and full check production. Invoices payable are tracked for each checking account, which allows you to forecast cash requirements. For repeating bills, such as a client’s monthly rent, which are the same amount from month to month, recurring payments can be set up for automatic posting in the system for payment. Under “Bills,” you can pull up bills just created or monthly/recurring bills using the “New” function. When marking bills for payment, you can verify the balances of the accounts from which they are drawn. Accounts Payable will run all checks marked for payment at one time and can run checks for all co-mingled accounts at one time. Invoices may be entered into Accounts Payable as received, with the systems tracking due dates for cash management and check processing. The system will check for duplicate invoice number and warn you of their existence. Cash control features stop you from inadvertently over spending each client’s available funds.



**CASH RECEIPTS** – The Cash Receipts module records all funds the client receives from social service agencies, distributing to as many source or revenue accounts as necessary. It records the offset to cash not deposited and separates receipt and deposit functions. Cash Receipts ensures deposits are recognized in the Bank Reconciliation module for complete bank account reconciliation. Cash transactions received through direct deposit can be recorded as recurring activity or imported from a spreadsheet or a bank file if available. The AccuFund system includes recurring cash receipts to store the repeating receipts that occur monthly. **Also available is an import capability for receipts available electronically from a funding agency or bank.**



**BANK RECONCILIATION** – With the Bank Reconciliation module you can fully reconcile each checking account from bank to register and register to General Ledger. Accounts Payable checks, cash deposits, adjustments and account transfers can all be combined in a single, simple-to-use system, letting you maintain a complete history as well as reconciliation of all items. You can view the information on any bank account through the register screen and mark and individual check, deposit or cash adjustment to up the balance on that transaction type. Service charges and interest paid may also be entered here.

# AccuFund Representative Payee System



## Add-on Modules Available at Additional Expense

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**ALLOCATION MANAGEMENT** – Allocations can be utilized to allocate interest based on client balances and to calculate fees earned. In the case of fees earned, because it is rule-based the system will quickly calculate your appropriate fee.



**CLIENT ACCOUNTING** – This provides additional user defined fields to track any client related data you need including contacts, various ID numbers, etc.



**FIXED ASSET** – Provides an inventory of all items purchased for/by client for tracking purposes in an institutional setting.



**PURCHASE ORDERS** – If you need to reserve or encumber funds for a purpose to insure they don't get used, the purchasing module provides this functionality.

## The AccuFund Representative Payee System has Several Other Features that Simplify your Custodial Fiscal Management Tasks

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Other features that simplify custodial fiscal management include:

- Direct deposit/electronic funds transfer (EFT) available to pay clients' bills. All client accounts may be paid in a single EFT batch.
- Positive Pay – an automatic fraud detection tool that verifies checks presented for payment against a list of checks issued.
- A bank register can be created for each bank account.
- Several co-mingled accounts can be created for separate groups of clients.
- Expense control – a budget can be set up for each client and the system will limit expenses to budgeted amount.
- User-definable fields in the client record.
- Ability to attach scanned documents to the client record and transactional records throughout AccuFund. (Including SSA benefit confirmation, leases, intake forms)
- Customizable report designs.

# AccuFund Representative Payee System



## Leverage Technology to do More and Worry Less

With AccuFund Representative Payee System you are equipped to handle more clients, provide better stewardship of funds, quickly and easily access information, automate reporting, payments and reconciliations; saving processing time and money.

Built in security and tools for fraud prevention give you another level of controls and peace of mind when it comes to clients' funds.

Let us help you enjoy the confidence that comes with an automated system that saves you time while ensuring accuracy of client financial information.

*For Case Study examples showcasing real-world representative payee successes, contact AccuFund.*



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