



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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March 8, 2005

Jones County Board of Supervisors  
Jones County Courthouse  
500 West Main St.  
Anamosa, IA 52205

To the Members of the  
Jones County Board of Supervisors:

Jones County has been designated the "protective payee" by the Social Security Administration (SSA) for specified individuals who need assistance managing their day to day finances. The staff of the Jones County Community Services Department provides the assistance required by these individuals. In addition, some individuals, while not designated by SSA, have voluntarily requested the County's assistance. The Department's Director, Case Manager and Administrative Assistant each have authority to issue checks from the protective payees' accounts. However, the daily responsibility for maintaining the accounts, making the payees' deposits and paying their bills was assigned to the Administrative Assistant, Debra Henson. Ms. Henson also was responsible for other administrative functions such as opening the mail, preparing claims for the Department and greeting visitors to the office.

While opening the mail on September 13, 2004, the Director discovered four bank overdraft notices for two separate protective payee checking accounts. The Director had opened the mail that day because Ms. Henson was not in the office. The Director brought the bank overdraft notices to Ms. Henson's attention when she returned to the office on September 14. However, Ms. Henson was not able to provide an explanation for the bank overdraft notices. When the Department closed that day, the Director secured all records to ensure their safe keeping. According to a representative of the Sheriff's Office, Ms. Henson attempted to gain after-hours access to the Department on September 14, but was not successful.

According to the Director, on September 15, 2004, Ms. Henson came into the Community Services Office, gathered her personal items and gave her key to the Director. Ms. Henson began employment with the County on November 5, 2001. In her position, she was to comply with the Protective Payee Procedures developed by the County. A copy of the procedures has been included in **Attachment A**.

As a result of the concerns identified by the Director, and at your request, we conducted certain tests and procedures to selected financial transactions within the protective payee accounts for the period July 1, 2003 through September 17, 2004. Based on discussions with the Director and a review of relevant information, we performed the following procedures.

- (1) Evaluated internal controls over the protective payee accounts to determine whether adequate policies and procedures were in place and operating effectively.

- (2) Examined bank statements for each protective payee's account to identify any unusual activity.
- (3) Reviewed protective payees' bank statements and identified any bank overdraft fees resulting from dishonored checks or other services.
- (4) Scanned active protective payees' files and check registers for support and to determine if disbursements were appropriate. We also scanned for any unusual vendors, amounts or frequencies of payment.
- (5) Confirmed with the Jones County Treasurer the monthly maintenance fee assessed to each protective payee.
- (6) Identified each protective payee's source of income including the type and amount to be received. We scanned deposits made to each active protective payee's account to determine reasonableness and completeness.
- (7) Confirmed Social Security benefits paid to each protective payee to determine if they were properly deposited to the protective payee's account.
- (8) Examined Debra Henson's personal checking and savings accounts for the time period of November 5, 2001 through September 23, 2004.
- (9) Obtained a listing of payments made by the County Auditor on behalf of the Community Services Department to identify any unusual vendors, amounts or frequencies of payment. We also compared actual expenditures to budgeted amounts.

Except for bank overdraft fees of \$130.00, the procedures we performed did not identify any unusual disbursements from the protective payee accounts. In addition, we were able to determine Social Security benefits mailed to Jones County for the protective payees were properly deposited. However, we identified the following items and have made recommendations to address each of the concerns identified.

- (A) Segregation of Duties – Per Jones County's Protective Payee Procedures, bank statements are to be opened and accounts are to be reconciled each month by the Administrative Assistant.

The Administrative Assistant consistently opened all mail, including bank statements. According to the Director, Ms. Henson would even come into the office on her scheduled days off specifically to open the mail. However, based on our review of the protective payees' bank statements and check registers, it appears the accounts were not reconciled. Bank service fees, sales tax, check charges and interest earned were not consistently recorded in check registers to reflect the proper account balances and the registers were not properly reconciled to the balances reported by the bank.

As a result of the lack of proper, timely reconciliations, three of the protective payee accounts reviewed incurred \$130.00 of bank overdraft fees, which are summarized in **Attachment B**.

Recommendation – A person independent of any responsibility for maintaining the protective payee accounts should open the bank statements and reconcile the balances recorded in check registers to the statements in a timely manner to ensure accurate balances are recorded and to prevent the occurrence of bank overdraft fees.

- (B) Random File Audits – Per Jones County’s Protective Payee Procedures, files supporting payments made from protective payee accounts are to be reviewed at random, at least one file per month, by the Director or Case Management Supervisor. According to the Director and based on our observation of the files, random reviews were not performed.

Recommendation – To ensure any unusual transactions or discrepancies between bank and book balances are identified in a timely manner, files should be periodically reviewed by the Director or Case Management Supervisor. The reviews should ensure each protective payee’s file is reviewed once every six months or more frequently, if necessary.

- (C) Maintenance Fees – Monthly maintenance fees of \$30.00 are assessed to each protective payee account unless fees have been waived by the Director. Fees may be waived if the protective payee’s income is not sufficient to allow for the charge, the protective payee is incarcerated or the protective payee does not have a regular source of income.

Maintenance fees were not assessed to one protective payee for July, August and September of 2004. A waiver was not included in the protective payee’s file. According to the Director, she had no recollection of waiving the fee for the protective payee.

In addition, maintenance fees were not paid by another protective payee for April, May and August of 2004. A waiver was not included in the protective payee’s file. According to the Director, these fees were being paid by a nursing home on the protective payee’s behalf and she had no recollection of waiving the fee. No follow up was done by the County to determine why fees were not received.

Recommendation – To ensure maintenance fees are properly charged to each protective payee, a schedule of the monthly fees due should be prepared and used to track when the payments are made. A party independent of the payment should trace the payments to deposit with the County Treasurer.

In addition, all waived maintenance fees should be approved by the Director and documented in the protective payee’s file. The documentation should include the Director’s approval, the reason for the waiver and the time period for which the waiver is effective.

- (D) Late Fee on Rent Payment – The Administrative Assistant prepares and mails rent checks to each protective payee’s landlord at the beginning of each month. One protective payee incurred a \$15.00 late fee on a rent payment because the payment was not made in full due to an increase in the amount of rent.

Recommendation – Current information should be kept on hand pertaining to the protective payee’s living arrangements. The Administrative Assistant should make a note of each protective payee’s lease term so the timing of increases can be expected and identified.

- (E) Late Fees on Bills – Some of the protective payees’ bills are mailed directly to the County for payment by the Administrative Assistant. Other bills are mailed first to the protective payees’ homes and later submitted to the County for payment. The following concerns were identified:

- For one protective payee, late fees were frequently incurred for services provided by one particular vendor. It was determined the vendor’s billing was mailed to the protective payee each month rather than the County.

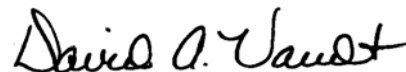
- For the same protective payee, payments made to two vendors frequently included a late fee charge even though the payment was made before the date due. The extra amount paid was credited to the protective payee's account which decreased the balance due on subsequent billings.
- For a second protective payee, late fees were paid on billings mailed to the County by the protective payee's internet service provider.

Recommendation – Bills should be organized when they are received so they will not be overlooked and can be paid on time. A listing of recurring monthly payments should be maintained and protective payee accounts should be scanned to ensure all payments have been made in a timely manner to avoid any late payment fees.

- (F) Electronic Check Retention – Chapter 554D.114 of the *Code of Iowa* requires retention of cancelled checks, including an image of both the front and the back of each cancelled check. Three of the financial institutions holding protective payee accounts do not provide images of the front and the back of the payees' redeemed checks. One of the institutions provides images of only the front of the redeemed checks.

Recommendation – The Jones County Community Services Department should obtain and retain an image of both the front and back of each cancelled check as required by the *Code of Iowa*.

We would like to acknowledge the assistance and many courtesies extended to us by Jones County officials and employees during the course of our investigation. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State

cc: Jones County Attorney  
Jones County Auditor  
Director, Jones County Community Services Department

Jones County Community Services  
PROTECTIVE PAYEE PROCEDURES

Jones County Community Services is assigned to be protective payee for consumers defined by the Social Security Administration as needing assistance with managing their finances.

Protective Payee is to manage Social Security funds to make sure that essential living expenses are met.

- Food
- Shelter
- Utilities

Money after the basic needs are met is available at the discretion of the consumer.

Jones County Community Services will assign the Administrative Assistant to have interactions and manage financial matters of Protective Payee Accounts. Checks for expenses will be prepared by Administrative Assistant. Checks will be signed by Administrator – Jacki Luckstead  
Or by case management supervisor - Deborah Schultz  
Or by Administrative Assistant

Bank statements will be opened and accounts rectified each month by Administrative Assistant.

Files will be audited at random, at least 1 per month, by Administrator-Jacki Luckstead or by Case Management Supervisor-Deborah Schultz

**Jones County**  
**Bank Overdraft Fees Incurred on Protective Payee Accounts**  
**For the period July 1, 2003 through September 17, 2004**

**Protective Payee A**

<b>Date</b>	<b>Bank Overdraft Charge</b>
08/13/03	\$ 22.50
01/14/04	22.50
03/09/04	22.50
09/09/04	22.50
09/17/04	22.50
Total	\$ 90.00

**Protective Payee B**

<b>Date</b>	<b>Bank Overdraft Charge</b>
03/02/04	\$ 20.00

**Protective Payee C**

<b>Date</b>	<b>Bank Overdraft Charge</b>
08/21/03	\$ 20.00
Total Bank Overdraft Charges	\$ 130.00