Fiduciary Fund Restructuring

CASE STUDY: SSA REPRESENTATIVE PAYEE GENERAL LEDGER REMEDIATION

KT Bookkeeping
Specialized Non-Profit Accounting

EXECUTIVE SUMMARY & OPERATIONAL BACKGROUND

A regional 501(c)(3) human services organization serving vulnerable adults acted as an authorized organizational Representative Payee. Monthly participant Social Security benefit disbursements were systematically deposited and booked into general operating income accounts (4000 series). This practice commingled trust assets with operational cash, severely compromising federal regulatory compliance and distorting public financial reporting.

INSTITUTIONAL EXPOSURE PRIOR TO REMEDIATION

1. Federal SSA Sanctions
Violation of SSA Pub 05-10076 & POMS GN 00502.114. Commingling fiduciary funds into operations exposes organizations to immediate revocation of payee status and mandatory repayment audits.

2. Distorted IRS Form 990
Inappropriate revenue recognition artificially inflated top-line gross receipts, misrepresenting true public support ratios, grant eligibility calculations, and functional program expense benchmarks.

3. Audit Deficiency Findings
Lack of discrete subsidiary ledgers made verifying individual client balances time-prohibitive, leading to extended audit fieldwork and internal control management letter deficiencies.

Closed-Loop Fiduciary Ledger Pipeline



ENGINEERING THE REMEDY

- **Operating Income Elimination:** Stripped historical benefit deposits out of the 4000 series Statement of Activities, shifting all tracking exclusively to the balance sheet.
- **Sub-Ledger Architecture:** Configured dedicated liability accounts (`2150-xxx`) per participant. Deposits credit specific balances; approved living expenses debit individual ledgers.
- **Reconciliation Protocol:** Instituted a mandatory monthly roll-forward ensuring custodial cash ties directly to the aggregate liability sum: `Custodial Cash Balance = ∑(Individual 2150-xxx Balances)`

QUANTIFIED OUTCOMES

• **Immediate Regulatory Alignment:** Restored complete compliance with federal payee segregation standards without disruption to participant care.

• **Audit-Ready Transparency:** Individual monthly sub-ledger reports now generate on demand in under 30 seconds for SSA reviews and CPA field auditors.

• **990 Reporting Integrity:** Cleaned balance sheet and removed synthetic revenue, aligning reporting with true organizational public support.

KT Bookkeeping — Specialized General Ledger Restructuring, Fiduciary Account Segregation & CPA Pre-Audit Cleanups.

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