

Management Letter**Department of Human Services**  
**Fiscal Year Ended June 30, 2003**

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## Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota state government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

The division has a staff of approximately forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

Through its Program Evaluation Division, OLA conducts several evaluations each year.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of representatives and senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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All OLA reports are available at our Web Site: <http://www.auditor.leg.state.mn.us>

If you have comments about our work, or you want to suggest an audit, investigation, or evaluation, please contact us at 651-296-4708 or by e-mail at [auditor@state.mn.us](mailto:auditor@state.mn.us)

# Department of Human Services

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### Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Jeanine Leifeld, CPA, CISA	Audit Manager
Chris Buse, CPA, CISA, CISSP	Information Technology Audit Manager
Susan Rumpca, CPA	Auditor-in-Charge
Mark Mathison, CPA, CISA	Auditor-in-Charge
Susan Kachelmeyer, CPA, CISA	Team Leader
Carl Otto, CPA, CISA	Team Leader
Ching-Huei Chen, CPA	Auditor
George Deden, CPA	Auditor
Gena Hoffman	Auditor
Marisa Isenberg	Auditor
Steve Johnson, CPA, CISA	Auditor
Susan Mady	Auditor
Kristen Poore, CPA	Auditor
Alan Sasse, CPA	Auditor
Ellen Sibley, CPA, CIA	Auditor
April Snyder	Auditor
Cheryl Mullan	Audit Intern

### Exit Conference

We discussed the findings and recommendations in this report with the following staff of the Department of Human Services on March 5, 2004:

Dennis Erickson	Assistant Commissioner
David Ehrhardt	Internal Audit Director
Kate Wulf	TSS Division Director
Rita Sjoberg	TSS SMPC Manager
Norma Pearson	TSS Technical Unit Supervisor
Jon Darling	Financial Management Division Director

**Department of Human Services**

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## Report Summary

### Key Findings:

- The Department of Human Services used approximately \$8.8 million of federal Medical Assistance funds for services not allowed by the program. The funding source problem occurred because of a programming error in MMIS II, the medical claims processing system. (Finding 1, page 4)
- The department did not comply with federal regulations when allocating salaries to some federal programs. The department charged salaries to various federal programs based on job descriptions and budget information, but never compared the employees' actual activities to the budgeted estimates. (Finding 2, page 5)
- The department did not provide adequate tools to monitor certain high-risk eligibility transactions. (Finding 3, page 6)
- The department did not ensure that counties timely resolved income discrepancies identified as part of the benefit eligibility process, as required by federal regulations. (Finding 4, page 7)
- Prior to our review, the department did not draw nearly \$959,000 in federal funds for allowable MAXIS computer system costs. Although the department made the necessary calculations to allocate MAXIS computer system costs to the various federal programs, it did not perform reconciliations to ensure that federal funds drawn and recorded in the state's accounting system matched allocated costs. (Finding 5, page 8)
- The department did not adequately control incoming receipts collected by the Special Recovery Unit. (Finding 6, page 8)
- The department did not comply with federal regulations by performing the required number of nursing home audits for Medical Assistance. The department audited the cost reports for 4.9 percent of all cost-based homes, which is less than the required 15 percent. (Finding 7, page 9)
- The password for one account with access to selected production data was stored unencrypted in certain computer programs. (Finding 8, page 9)

**Management letters** address internal control weaknesses and noncompliance issues found during our annual audit of the state's financial statements and federally funded programs. The scope of work in individual agencies is limited. During the fiscal year 2003 audit, our work at the Department of Human Services focused on major public assistance programs, including Medical Assistance, Temporary Assistance for Needy Families, and Food Stamps; and on certain grant programs, including federal Social Services, Community Social Services, and Child Support administrative grants. We reviewed Medical Assistance recoveries and drug rebates, and included the allocation of computer system and other costs in our scope. Finally, we performed procedures on major federally funded programs administered by the department to determine whether the department complied with certain federal requirements. The department's response is included in the report.

## **Department of Human Services**

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## OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

Representative Tim Wilkin, Chair  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Kevin Goodno, Commissioner  
Department of Human Services

We have performed certain audit procedures at the Department of Human Services as part of our audit of the financial statements of the State of Minnesota as of and for the year ended June 30, 2003. We have also audited certain federal financial assistance programs administered by the Department of Human Services as part of our audit of the state's compliance with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2003. We emphasize that this has not been a comprehensive audit of the Department of Human Services.

The scope of our audit work at the Department of Human Services included activities that were material to the state's basic financial statements. These activities included payments to counties for the administration of various programs, payments made through the MAXIS system for family support programs, medical program expenses, Medical Assistance recoveries and drug rebates, and allocated computer system and other costs. We performed certain audit procedures on these activities as part of our objective to obtain reasonable assurance about whether the State of Minnesota's financial statements for the year ended June 30, 2003, were free of material misstatement.

Table 1 identifies the State of Minnesota's major federal programs administered by the Department of Human Services. We performed certain audit procedures on these programs as part of our objective to obtain reasonable assurance about whether the State of Minnesota complied with the types of compliance requirements that are applicable to each of its major federal programs.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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**Table 1**  
**Major Federal Programs**  
**Administered by the Department of Human Services**  
**Fiscal Year 2003 (in thousands)**

<u>Program Name</u>	<u>CFDA #</u>	<u>Federal Expenditures</u>
Medical Assistance Cluster:		
Medical Assistance	93.778	\$2,724,769
State Health Care Providers' Survey	93.777	\$ 3,644
Food Stamps Cluster:		
Food Stamps	10.551	\$ 219,021
Food Stamps Administration	10.561	\$ 39,611
Temporary Aid for Needy Families (TANF)	93.558	\$ 322,702
Child Support Enforcement	93.563	\$ 103,358
Foster Care IV-E	93.658	\$ 80,251
Social Services Block Grant (Title XX)	93.667	\$ 49,105
Substance Abuse	93.959	\$ 21,199

Note: We also audited the department's cash management practices and other general compliance requirements related to federal assistance.

Source: Selected accounting transactions within the Minnesota Accounting and Procurement System (MAPS) for fiscal year 2003.

## Conclusions

Our December 5, 2003, report included an unqualified opinion on the State of Minnesota's basic financial statements. In accordance with *Government Auditing Standards*, we have also issued our report, dated December 5, 2003, on our consideration of the State of Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. In March 2004, we will issue our report on compliance with requirements applicable to each major federal program and internal control over compliance in accordance with OMB Circular A-133.

As a result of our audit work, we identified the following weaknesses in internal control or instances of noncompliance with federal program requirements at the Department of Human Services:

### **1. The Department of Human Services used Medical Assistance funds for unallowable services.**

Over a three-year period, the department used about \$8.8 million of federal Medical Assistance (CFDA 93.778) funds for services not allowed by the program. During portions of fiscal years 2001 through 2003, the department incorrectly used Medical Assistance funds to pay for certain chemical dependency program services. Eligible vendors provided services to eligible recipients; however, the department should have used state Consolidated Chemical Dependency Treatment Fund (CCDTF) money to pay for the services, rather than Medical Assistance funds.

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The funding source problem occurred during the migration of the department's CCDTF subsystem activity into MMIS, the department's medical claims processing system. During the conversion, the department incorrectly programmed chemical dependency funding logic edits in MMIS. As a result of these programming errors, MMIS incorrectly charged certain chemical dependency claims to Medical Assistance.

The department first identified the MMIS programming error in fiscal year 2002 and began taking steps to correct it. The department identified certain chemical dependency-related room and board charges as unallowable and reallocated approximately \$1.9 million of these charges from federal to state funding. By June 2002, the department identified approximately \$6.9 million of additional federal funding errors for services provided by 32 Institute for Mental Disease (IMD) providers. As of February 2004, the department has not reimbursed Medical Assistance.

In fiscal year 2003, the department developed a plan to add edits in MMIS to prevent Medical Assistance from funding any chemical dependency services provided by an IMD. However, these edits will not prevent unallowable charges to Medical Assistance if users make retroactive funding changes.

### *Recommendations*

- *The department should use federal Medical Assistance funds only for allowed activities and allowable costs in accordance with federal requirements.*
- *The department should reimburse the federal government for unallowable program services paid using federal Medical Assistance funds.*
- *The department should periodically identify chemical dependency claims with retroactive changes to ensure appropriate funding.*

## **2. The Department of Human Services did not comply with federal regulations when allocating salaries to some federal programs.**

The department did not comply with federal regulations when distributing salaries to some federal programs, such as the Foster Care Title IV-E Program (CFDA 93.658) and the Social Services Block Grant Program (CFDA 93.667). The department charged salaries to certain federal programs based on job descriptions and budget information. However, it never compared the employees' actual activities to the budgeted estimates to confirm that its original allocations were accurate.

U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, identifies standards for time distribution and payroll documentation. OMB Circular A-87 states that employees who work on multiple federal programs must have a salary distribution supported by personnel activity reports or equivalent documentation. This documentation must reflect the actual activity of each employee and

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account for the total activity for which each employee is compensated. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal programs. In addition, where employees are expected to work solely on a single federal program, charges for their salaries must be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification.

By periodically comparing estimated and actual time spent on the federal programs, the department will be able to adjust salaries charged to the federal programs to ensure that the charges are in proportion to the work performed on those programs.

### *Recommendation*

- *The department should provide the appropriate documentation to support its distribution of employee salaries to federal programs in accordance with OMB Circular A-87.*

### **3. The Department of Human Services did not provide adequate tools to monitor certain high-risk eligibility transactions.**

Managers and supervisors did not have effective tools to scrutinize high-risk eligibility override transactions. County employees use the department's centralized computer system, MAXIS, to determine recipient eligibility for several different state and federal programs, including Medical Assistance (CFDA 93.778), Temporary Assistance for Needy Families (CFDA 93.558), and Food Stamps (CFDA 10.551). Due to changes in eligibility requirements and other factors, there are certain times when MAXIS does not produce accurate eligibility determinations. When these circumstances arise, most county caseworkers and 30 employees in the Department of Human Services can enter transactions to override the eligibility determinations produced by the system. Through September 2003, the department provided MAXIS reports that allowed county managers and supervisors to identify cases where workers had overridden the system-produced eligibility results. The reports gave supervisors an effective way to scrutinize the propriety of these overridden transactions. However, the report was discontinued in October 2003 due to technical problems.

The risk of errors or irregularities increases when individuals have the ability to bypass established controls and there is no independent oversight. At two counties we visited, we asked supervisors how they monitored eligibility override transactions without standard reports or other tools. In each case, county supervisors told us they did not have dedicated procedures to regularly review case files for which the normal eligibility determination process was overridden.

### *Recommendation*

- *The department should develop tools and procedures to help supervisors scrutinize the propriety of eligibility override transactions.*

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### 4. PRIOR FINDING PARTIALLY RESOLVED: The Department of Human Services did not ensure that counties timely resolved income discrepancies identified as part of the benefit eligibility process.

The department did not make sure that counties timely resolved income discrepancies identified by the Income Eligibility and Verification System, as required by federal regulations. For the Medical Assistance (CFDA 93.778) and Temporary Assistance for Needy Families (TANF, CFDA 93.558) programs, the federal government requires the state to “coordinate data exchanges” with other federally assisted benefit programs. This includes comparing income information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service. The department uses the Income Eligibility and Verification System to analyze income and confirm eligibility for participants.

Discrepancies occur when the income amounts recorded in the various programs differ by more than a pre-established target amount. Since individuals apply for assistance at county social service offices, the department relies on the counties to review and resolve income disparities. The department identifies discrepancies through the Income Eligibility and Verification System and forwards the information to county social service offices. The state is required by federal law to resolve at least 80 percent of the case discrepancies within 45 days. The department produces follow-up reports to monitor the counties’ response time in resolving the income discrepancies.

The department has taken steps to increase the timeliness of income discrepancy resolution. These steps include issuing an instructional bulletin to the counties with suggestions for improving performance, providing training resources for county staff, discontinuing some optional matches, working more closely with the largest counties, and following up with county financial workers who are not timely with the resolution of income discrepancies. However, the department continues to not meet the timeliness requirements established by the federal government. For the quarter ending June 30, 2003, 73.9 percent of the TANF-MFIP and 76.5 percent of the health care verifications were timely resolved. This is an improvement over the same period last year, when only 68.6 percent of the TANF-MFIP and 67.8 percent of the health care verifications were timely resolved. However, it still falls short of the 80 percent resolution rate required by federal law. By not timely resolving income discrepancies, the department is at risk of providing assistance payments to ineligible recipients.

#### *Recommendation*

- *The department should work with the county social service agencies to resolve Income Eligibility Verification System discrepancies in a timely manner.*

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### 5. PRIOR FINDING PARTIALLY RESOLVED: The Department of Human Services did not draw federal funds for all allowable costs.

Prior to our review, the department did not draw nearly \$959,000 in federal funds for allowable MAXIS computer system costs. Although the department made the necessary calculations to allocate MAXIS costs to the various federal programs, it did not perform reconciliations to ensure that the federal funds drawn and recorded in the state's accounting system (MAPS) matched allocated costs. Adding to this problem was the fact that the department did not always record all entries relating to these cost allocations in MAPS. For example, in one instance the department failed to reallocate over \$151,000 as the Medical Assistance program's share of the computer system costs.

The MAXIS computer system determines eligibility for many of the department's public assistance programs. MAXIS costs are originally paid from state funds. The department later allocates MAXIS costs to the programs that use the system, based on each program's percentage of use. The department then draws federal funds to reimburse the state for the federal program share of the costs. During fiscal year 2003, the department did not draw \$890,000 in federal Medical Assistance funds and \$69,000 in federal Temporary Assistance to Needy Families (TANF) funds.

During fiscal year 2003, no one compared total computer cost expenditures to actual federal draws. As a result, the department never requested the federal funds to reimburse the entire allowable federal share of those costs. We notified the department of these errors during the audit. As of September 2003, the department drew the appropriate federal dollars and properly recorded the accounting transactions in MAPS.

#### *Recommendation*

- *The department should reconcile actual allocated costs to the federal draws recorded in MAPS to ensure it draws federal funds for all eligible costs and records all transactions in MAPS.*

### 6. PRIOR FINDING NOT RESOLVED: The Department of Human Services did not adequately control receipts collected by the Special Recovery Unit.

The department did not adequately control collections into the Special Recovery Unit. The Special Recovery Unit is responsible for monitoring and collecting certain Medical Assistance (CFDA 93.778) recoveries. For receipts relating to the Surveillance and Integrity Review Section, one Special Recovery Unit employee handles receipts, posts receipts to the accounts receivable records, follows up on outstanding receivables, and reconciles receipts to the accounts receivable records. This lack of separation of duties increases the risk of theft and loss.

Although the department attempted to address this issue, it has not adequately mitigated its risk of loss. In an attempt to resolve the control weakness, the department gave computer system

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access to Surveillance and Integrity Review Section employees. This access gave employees the ability to view receipts processed by the Issuance Operations Center (IOC), the unit that deposits receipts forwarded by the Special Recovery Unit. However, Surveillance and Integrity Review Section employees never used this access to review receipt activity. In addition, a review of this activity would only show receipts processed by the IOC and would not detect any receipts that were received by the Special Recovery Unit but were misplaced or stolen.

### *Recommendation*

- *The department should either separate duties to ensure that one Special Recovery Unit employee does not have access to both receipt collections and the related accounting records, or it should perform independent reviews to ensure the accuracy and completeness of the accounting records.*

## **7. The Department of Human Services did not comply with federal regulations by performing the required number of nursing home audits.**

The department did not audit the number of nursing home cost reports required by the Medical Assistance (CFDA 93.778) state plan and by Minn. Stat. Section 256B.27, subd. 2a. The department audited the cost reports at 5 of 103 cost-based homes during fiscal year 2003. The federal government requires the state to audit nursing homes that provide services to Medical Assistance participants. The state plan is the agreement approved by the federal government that specifically delineates the rules for these audits. According to the state plan and the related statute, the department must audit the cost reports of at least 15 percent of the cost-based nursing homes whose residents received Medical Assistance. However, during fiscal year 2003, the department only audited about 4.9 percent of all cost-based homes.

### *Recommendation*

- *The department should comply with the provisions of the statute and state plan and perform audit work at the required number of cost-based nursing home facilities.*

## **8. One account with clearance to some production data was not properly protected.**

The password for one account with access to selected production data was stored unencrypted in certain computer programs. With this information, unscrupulous individuals with access to the State of Minnesota's mainframe computer could take control of the account to gain unauthorized access to data and potentially disrupt business processes. Significant weaknesses in the Department of Administration's security controls over certain mainframe computer programs compounded this risk. At the time of our audit, most people with access to the central mainframe computers could view this account and password, and many other critical state agency computer programs. Very few people with mainframe clearances need such access to fulfill their job duties.

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### *Recommendations*

- *The department should search for ways to structure its computer programs so that there is no longer a need to store unencrypted passwords.*
- *The department should work with the Department of Administration to limit access to its computer program libraries to only those people who need such access to fulfill their job duties.*

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Human Services. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 18, 2004.

/s/ *James R. Nobles*

James R. Nobles  
Legislative Auditor

/s/ *Claudia J. Gudvangen*

Claudia J. Gudvangen, CPA  
Deputy Legislative Auditor

End of Fieldwork: February 9, 2004

Report Signed On: March 12, 2004

## Department of Human Services

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### Status of Prior Audit Issues As of February 9, 2004

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#### Prior Financial Audit Division Audits

**March 7, 2003, Legislative Audit Management Letter (Report 03-11)** examined the Department of Human Services' activities and programs material to the State of Minnesota's *Comprehensive Annual Financial Report* or the Single Audit for the year ended June 30, 2002. The scope included the administration of the Medical Assistance and other health care programs, the various income maintenance programs, and other federal and state programs. The report contained nine findings. We have repeated the unresolved issues in this report as Findings 4 through 6.

#### Other Office of the Legislative Auditor Coverage

**February 18, 2004, Program Evaluation Report on Medicaid Home and Community-Based Waiver Programs for Persons with Mental Retardation or Related Conditions (Report 04-03)** addressed the following questions:

- 1) How much does Minnesota spend on the Medicaid Home and Community-Based Waiver Programs? What factors drive spending?
- 2) How well does Minnesota's system for allocating MR/RC Waiver program resources to counties work?
- 3) Does the state have sufficient controls to ensure that funds are spent appropriately for the component of the MR/RC Waiver program known as Consumer-Directed Community Supports?

The report contained several findings and recommended that the department modify its method of allocating MR/RC Waiver funds, set additional controls to ensure appropriate spending of funds, and evaluate county compliance with state rules.

#### Other Audit Coverage

**November 2003, Department of Human Services Food Support Quality Control Error Report** is published annually by the Program Assessment and Integrity Division and sent to the U.S. Department of Agriculture. It contains a summary of errors and questioned costs uncovered through the department's food support quality control activities for the federal fiscal year through July 2003.

#### State of Minnesota Audit Follow-Up Process

The Department of Finance, on behalf of the Governor, maintains a quarterly process for following up on issues cited in financial audit reports issued by the Legislative Auditor. The process consists of an exchange of written correspondence that documents the status of audit findings. The follow-up process continues until Finance is satisfied that the issues have been resolved. It covers entities headed by gubernatorial appointees, including most state agencies, boards, commissions, and Minnesota state colleges and universities. It is not applied to audits of the University of Minnesota, any quasi-state organizations, such as metropolitan agencies or the State Agricultural Society, the state constitutional officers, or the judicial branch.

## **Department of Human Services**

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## Minnesota Department of **Human Services**

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March 11, 2004

James R. Nobles, Legislative Auditor  
Office of the Legislative Auditor  
Centennial Office Building  
658 Cedar Street  
St. Paul, MN 55155

Dear Mr. Nobles:

The enclosed material is the Department of Human Services response to the findings and recommendations included in the draft audit report of the financial and compliance audit conducted by your office for the year ended June 30, 2003. It is our understanding that our response will be published in the Office of the Legislative Auditor's final audit report.

The Department of Human Services policy is to follow up on all audit findings to evaluate the progress being made to resolve them. Progress is monitored until full resolution has occurred. If you have any further questions, please contact David Ehrhardt, Internal Audit Director, at (651) 282-9996.

Yours sincerely,

*/s/ Kevin Goodno*

Kevin Goodno  
Commissioner

Enclosure

cc: Jeanine Leifeld  
Susan Rumpca

**Department of Human Services  
Response to the Legislative Audit Report  
For the Year Ended June 30, 2003**

**Audit Finding #1**

The Department of Human Services used Medical Assistance funds for unallowable services.

**Audit Recommendation #1-1 and #1-2**

*The department should use federal Medical Assistance funds only for allowed activities and allowable costs in accordance with federal requirements. The department should reimburse the federal government for unallowable program services paid using federal Medical Assistance funds.*

**Department Response #1-1 and #1-2**

The department agrees with the recommendations. We will use the recently implemented MMIS edit that ensures that federal Medical Assistance funds are only used for individuals in eligible facilities. We will also continue the process of reimbursing the federal government for funds used for unallowable program services. We anticipate that the majority of this work will be completed by June 30, 2004, but this is ultimately dependent on county actions to change eligibility for identified individuals.

**Audit Recommendation #1-3**

*The department should periodically identify chemical dependency claims with retroactive changes to ensure appropriate funding.*

**Department Response #1-3**

The department agrees with the recommendation. We will implement an annual process to identify chemical dependency claims with retroactive Medical Assistance eligibility. A report will be sent to counties requesting that individuals for whom those claims were made, be moved off of Medical Assistance for the time period that they were in IMDs.

**Person Responsible:** Donald R. Eubanks, Director, Chemical Health Division

**Estimated Completion Date:** June 30, 2004

**Audit Finding #2**

The Department of Human Services did not comply with federal regulations when allocating salaries to some federal programs.

**Department of Human Services  
Response to the Legislative Audit Report  
For the Year Ended June 30, 2003**

**Audit Recommendation #2**

*The department should provide the appropriate documentation to support its distribution of employee salaries to federal programs in accordance with OMB Circular A-87.*

**Department Response #2**

The department agrees with the recommendation. Most department central office staff salaries are allocated to benefiting programs according to our federally approved cost allocation plan methodology. Less than 5% of department central office staff are direct charged to more than one federal grant or federal/state combination of grants.

The department will institute semi-annual direct charge certification procedures for employees who are direct charged to only one federal grant. The department will develop and implement appropriate charging procedures for those employees whose work benefits more than one federal grant or federal/state combination of grants.

**Person Responsible:**        Jon Darling, Director, Financial Management Division

**Estimated Completion Date:**        June 30, 2004

**Audit Finding #3**

The Department of Human Services did not provide adequate tools to monitor certain high-risk eligibility transactions.

**Audit Recommendation #3**

*The department should develop tools and procedures to help supervisors scrutinize the propriety of eligibility override transactions.*

**Department Response #3**

The department agrees with the recommendation. We are redesigning a report to run from the DHS data warehouse. The counties will have the redesigned report by the end of June.

**Person Responsible:**        Kate Wulf, Director, TSS Division

**Estimated Completion Date:**        June 30, 2004

**Department of Human Services  
Response to the Legislative Audit Report  
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**Audit Finding #4**

**PRIOR FINDING PARTIALLY RESOLVED:** The Department of Human Services did not ensure that counties timely resolved income discrepancies identified as part of the benefit eligibility process.

**Audit Recommendation #4**

*The department should work with the county social service agencies to resolve Income Eligibility Verification System discrepancies in a timely manner.*

**Department Response #4**

The department agrees with the recommendation. The Department is committed to working with counties to insure the timely resolution of IEVS matches. Therefore, the Department will implement the following corrective actions with the goal of meeting the federal 80% timeframe by December 31, 2004.

- The Department will continue to work with individual counties not meeting the federal timeliness requirement to improve their performance.
- The Department will continue to emphasize to counties the importance of resolving IEVS matches timely. As part of the Food Support Management Evaluation plan for FFY 2004, each county being reviewed will receive information on how they as a county are doing with IEVS match resolution. This will not only identify counties with problems but will recognize those that are doing well.
- The Department will provide training to staff involved with resolving IEVS matches to insure they understand the process for resolving matches and the importance of timely resolution.

**Person Responsible:** Ramona Scarpace, Director, Program Assessment and Integrity Division

**Estimated Completion Date:** December 31, 2004

**Audit Finding #5**

**PRIOR FINDING PARTIALLY RESOLVED:** The Department of Human Services did not draw federal funds for all allowable costs.

**Audit Recommendation #5**

*The department should reconcile actual allocated costs to the federal draws recorded in MAPS to ensure it draws federal funds for all eligible costs and records all transactions in MAPS.*

**Department of Human Services  
Response to the Legislative Audit Report  
For the Year Ended June 30, 2003**

## Department Response #5

The department agrees with this recommendation and has taken the following steps:

1. All federal funds have been drawn and the accounting transactions recorded in MAPS.
2. A permanent replacement staff person has been hired to do the MAXIS accounting work including MAXIS federal funds draws and reconciliation's.
3. We have changed the timing and the way we reconcile federal draws. Effective August 31, 2003 anytime we do a MAXIS draw we check to see that prior draws were received correctly. We are also doing a reconciliation every quarter in conjunction with the quarterly cost allocation of MAXIS costs. Any errors discovered at either time will be corrected immediately.

**Person Responsible:** Jon Darling, Director, Financial Management Division

**Estimated Completion Date:** Completed

## Audit Finding #6

**PRIOR FINDING NOT RESOLVED:** The Department of Human Services did not adequately control receipts collected by the Special Recovery Unit.

### Audit Recommendation #6

*The department should either separate duties to ensure that one Special Recovery Unit employee does not have access to both receipt collections and the related accounting records, or it should perform independent reviews to ensure the accuracy and completeness of the accounting records.*

## Department Response #6

The department agrees with the recommendation. Current procedure calls for the IOC to send SIRS a copy of the Daily Register Report whenever a check is posted under the SIRS deposit codes. The Daily Register Report lists the remitter's name and the amount of the check. A copy of the Daily Register is then given to the investigator to review and then place in the case file, thereby verifying the check that was sent to the Special

Recovery Unit was deposited. In addition SIRS will keep a separate file, for review, of all Daily Registers received for a period of one year.

**Persons Responsible:** Vicki Kunerth, Director, Performance Measurement and Quality Improvement Division  
Larry Woods, Director, Healthcare Operations Division

**Estimated Completion Date:** March 31, 2004

**Department of Human Services  
Response to the Legislative Audit Report  
For the Year Ended June 30, 2003**

**Audit Finding #7**

The Department of Human Services did not comply with federal regulations by performing the required number of nursing home audits.

**Audit Recommendation #7**

*The department should comply with the provisions of the statute and state plan and perform audit work at the required number of cost-based nursing home facilities.*

**Department Response #7**

The department agrees with the recommendation. The following corrective actions will be implemented to ensure that the required field audits are completed each year.

**Business redesign**

We have not adjusted our field audit operations to account for the reduction in field audit staff. We will establish new procedures that will eliminate down time between audits thus raising the number of audits completed each year. The audit staff will be expected to begin their next audit, by making contact and arranging for a start date, before they complete the write-up work for the one in progress.

**Management tools**

We plan to reinstate a report of field audits completed that shows the auditee name, reporting periods that were audited, length of the field work, the auditors involved, date of completion, etc. This tool will allow us to review our progress in meeting the 15% requirement and help us schedule audits

**Performance standards**

Since the auditor's position descriptions contain performance standards for the quantity of audits completed, we will begin to review quantity and quality of audits completed as a part of an on-going performance management process.

**Supervision**

We are also revising our supervisor's responsibilities to provide more accountability from the audit staff to include activity sheets that show work completed and in progress, a weekly progress report for all audit activity, and closer monitoring of the scheduling of audits.

**Person Responsible:** Robert Held, Director, Nursing Facility Rates and Policy Division.

**Estimated Completion Date:** March 31, 2005

**Department of Human Services  
Response to the Legislative Audit Report  
For the Year Ended June 30, 2003**

**Audit Finding #8**

One account with clearance to some production data was not properly protected.

**Audit Recommendation #8-1**

*The department should search for ways to structure its computer programs so that there is no longer a need to store unencrypted passwords.*

**Department Response #8-1**

The department agrees with the recommendation. We are already working with the Department of Administration to implement a solution.

**Audit Recommendation #8-2**

*The department should work with the Department of Administration to limit access to its computer program libraries to only those people who need such access to fulfill their job duties.*

**Department Response #8-2**

The department agrees with the recommendation. The department agrees to work with the Department of Administration to limit access to its computer program libraries to only those people who need such access to fulfill their job duties.

**Person Responsible:**                   Kate Wulf, Director, TSS Division

**Estimated Completion Date:**           December 31, 2004