



Department of Legislative Services
Office of Legislative Audits

Department of Human
Resources
Local Department Operations

Report dated May 16, 2012



Department of Legislative Services Office of Legislative Audits

Audit Overview

- The Local Department Operations (LDO) is one of seven budgetary units of the Department of Human Resources (DHR). It consists of the funds for activities (e.g., Temporary Cash Assistance) administered by the State's 24 local departments of social services (LDSS).
 - The LDO's fiscal year 2011 expenditures totaled approximately \$2 billion, which included \$1.5 billion in assistance program expenditures and \$500 million in operating expenditures (primarily employee salaries and benefits).
 - State law requires DHR to audit each LDSS every three years. Audits are performed by DHR's Office of the Inspector General (OIG).
 - During the prior OLA audit, we determined that the OIG audits were not conducted timely or in accordance with applicable audit standards, and the audits did not fully address significant LDSS operational risks.
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Audit Overview (continued)

- During the current OLA audit, we concluded that the OIG's audit coverage of the LDSSs provided a sufficient basis for us to rely on its work.
 - Consequently, OLA did not conduct audits of the LDSSs, which differed from our preceding audit, where we made field visits to three LDSSs and audited LDSS operations in a number of areas, including those overseen by the Family Investment Administration and the Social Services Administration.
 - The prior OLA audit report contained 13 findings, including 3 specific to OIG operations and 10 related to the LDSSs visited.
 - Our current audit disclosed that DHR satisfactorily addressed the findings related to OIG operations along with 7 of the 10 LDSS specific findings. Therefore, 3 of the 6 findings contained in the current OLA audit report were repeated based on our review of the results of the OIG's LDSS audits.
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Key Audit Issues

- The individual LDSSs continued to have a significant number of deficiencies and repeat findings based on the results of the last OIG audit cycle.
- We summarized the findings contained in the most recently issued OIG audit report for each of the 24 LDSSs as of June 30, 2011. For our report, we grouped the findings by critical functional areas relating to LDSSs' administration of:
 - Programs and policies of the Social Services Administration
 - Programs and policies of the Family Investment Administration
 - Budget and finance operations
 - Information system security



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Key Audit Issues (continued)

Overview of the 373 LDSS Findings

Functional Area	Number of	
	LDSSs	Findings
Social Services Administration (e.g., foster care)	23	101
Family Investment Administration (e.g., temporary cash assistance, federal food supplement program)	20	79
Budget & Finance (e.g., bank accounts, credit & gift cards)	22	114
Information Systems (e.g., access to benefit systems)	17	36
Other (e.g., MSDE child care activities)	20	43

- Exhibits 1 and 2 in the OLA audit report present summaries of the number of OIG findings for each LDSS, as well as selected audit findings by functional area.



Findings from the OIG Audit Reports

The Office of the Inspector General's (OIG) audits of the 24 LDSSs contain a significant number of reportable conditions, including many repeat findings. **(Finding 1)**

- Those reports collectively contained 373 findings, including 77 findings deemed to be repeat conditions from the preceding OIG report.
- The number of findings resulting from each LDSS audit ranged from 3 (one LDSS) to 40 (two LDSSs).
- The percentage of all findings deemed by the OIG to be repeated from the preceding OIG audit was 21%, although nine had no repeats. For those with repeats, the range was from 7% (three LDSSs) to 45% (one LDSS).



LDSS Audit Findings

The OIG reports for 23 LDSSs had 101 findings relating to activities subject to the Social Services Administration's (SSA) oversight. **(Finding 2)** These findings were primarily related to foster care, which provides short-term care and supportive services to children who are unable to live at home because of abuse/neglect.

- Certain foster care case files were missing documentation that required services including monthly caseworker contact with the child and the delivery of medical and educational services were provided.
- Initial eligibility for federal funding was not timely determined for certain children in a State-funded foster care program. This could prevent the child being moved into a program that is funded jointly with federal and State funds. (Repeat OLA Finding)

During FY 2011, the average monthly foster care and adoption caseload was 6,860 & 7,800, respectively. Related expenditures totaled \$299 million.



LDSS Audit Findings (continued)

The OIG reports for 20 LDSSs contained 79 findings related to programs of the Family Investment Administration (FIA), including the Temporary Cash Assistance (TCA) and the federal Food Supplement Program (FSP). **(Finding 3)**

- Critical duties were not properly segregated for the electronic debit cards used by recipients to access TCA and FSP benefits. As a result, there was a lack of assurance that the benefits were being used by the intended recipient(s).
- The required number of public assistance case files were not subject to supervisory review, in accordance with FIA quality assurance policies. The reviews help ensure the accuracy and propriety of assistance payments and to help reduce and eliminate program errors.

During FY 2011, total FSP payments were \$993 million (federally funded) and TCA payments were \$152 million (joint federal & State funding).



LDSS Audit Findings (continued)

The OIG reports for 22 LDSSs contained 114 findings pertaining to budget and finance-related areas such as bank accounts, corporate purchasing cards (CPC), and prepaid gift cards. **(Finding 4)**

- Bank accounts maintained by certain LDSSs to pay for certain expenditures were not reconciled timely.
- Accountability and approval of certain CPC transactions was not established or documented.
- Accountability of prepaid gift cards was not established. For example, physical inventories of prepaid gift cards were not documented.

As a result of these conditions, unauthorized disbursements may not be detected or detected timely.



LDSS Audit Findings (continued)

OIG reports for 17 LDSSs contained 36 findings related to information system security controls for critical systems, such as the system used to record, authorize and disburse TCA and FSP benefits. **(Finding 5)**

- Controls over the granting of user access to critical systems need improvement. For example, authorization documents for employee access were missing or were not completed, and certain employees were granted access capabilities that were not required for their duties.
- Employees' assigned access capabilities were not properly monitored. For example, the logonids of certain former employees were not deleted and employee access was not periodically reviewed for continued appropriateness.

Based on these conditions, assurance was lacking that employee access was necessary and appropriate and could result in unauthorized changes to critical data without detection.



LDSS Audit Findings (continued)

Medicaid eligibility determinations for long-term care recipients were not always proper. Through an interagency memorandum of understanding between DHR and the Department of Health and Mental Hygiene, the LDSSs perform the eligibility determination for the majority of Medicaid recipients. **(Finding 6)**

- The OIG conducted a targeted review to follow-up on a finding in our preceding audit report which noted that one LDSS did not always properly perform or document the eligibility determinations for Medicaid long-term care recipients.
- The OIG's review noted that the finding had not been resolved in that certain case records could not be located, certain eligibility documentation was missing and real property searches were generally not conducted to assist in determining if financial resources were within the limit established by State regulation.



Conclusion

DHR, including the Office of the Secretary and the management of the relevant administrations within the Department, should actively monitor OIG audit findings and LDSSs' actions taken to ensure that deficiencies are corrected and recommendations are implemented. Specifically, DHR should

- Ensure that LDSSs comply with all SSA program requirements, such as, maintaining complete and accurate foster care case files.
- Ensure that LDSSs comply with all FIA program requirements, such as establishing appropriate controls over electronic debit cards.
- Establish appropriate accountability and control over fiscal operations and information system access.
- Ensure that LDSSs properly perform Medicaid eligibility determinations.