DEPARTMENT OF SOCIAL SERVICES
RICHMOND, VIRGINIA

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001

APA
Auditor of
Public Accounts
COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Department of Social Services for the year ended June 30, 2001, found:

- amounts reported in the Commonwealth Accounting and Reporting System and the Department's accounting records were fairly stated;

- internal control matters that we consider reportable conditions; however, we do not consider any of these to be material weaknesses;

- instances of non-compliance with federal requirements and other instances of non-compliance that are required to be reported;

- adequate corrective action of one prior audit finding; inadequate corrective action of nine prior audit findings which are repeated in this report and are designated on the following page.

Overall, there are several recurring issues that contributed to the internal control findings discussed in this report. We found that communication between divisions needs improvement, which resulted in several of this report's internal control findings. We also found several instances where the Departments had adequate procedures; however, individual supervisors did not follow the procedures and were not holding staff accountable for not adhering to the procedures. The lack of qualified or trained staff attributed to some of the internal control findings. Finally, inadequate monitoring and supervising of benefit and service programs administered at the local level is also a contributing factor. On the next page is a listing of findings by Division and we include the detailed discussion of the internal control findings and recommendations in the section entitled "Agency Information and Internal Control And Compliance Findings."

STATUS REPORT ON THE ELECTRONIC BENEFITS TRANSFER PROJECT

The Federal Government, as part of federal welfare reform legislation, is requiring that all states provide food stamp benefits to recipients using electronic methods by October 1, 2002. Electronic Benefits Transfer (EBT) is the common name for this benefit process. Although the Department began planning for this project in 1994, the original request for proposal (RFP) issued in January 1997 had to be canceled. The Department reissued the RFP in August 1999 and completed negotiations and finalized a contract for the development of an EBT system in January 2001.

Since then, the Department has made significant progress towards implementing EBT by the federal deadline. In October 2001, the Department received Federal approval to begin pilot operations of the EBT system in Fairfax and Warren counties. These counties completed the conversion to electronic benefits in November 2001. The Department completed the initial rollout to the Northern Virginia region in March 2002. The Department plans the statewide rollout of EBT be completed in July 2002.

SUMMARY OF INTERNAL CONTROL AND COMPLIANCE FINDINGS

The following is a summary of the audit findings listed by division. Those findings that were reported in our previous audit report are indicated with an asterisk (*).

Affects all Divisions

- Improve Program Monitoring Structure and Procedures

Division of Benefit Programs

- Monitor System Overrides for Food Stamp Benefits
- Complete Triennial Reviews
- Improve Use of Income Eligibility Verification System *
- Improve Benefit Overpayment Monitoring and Collections Procedures
- Improve Medicaid Quality Control Process (prior year finding entitled "Improve Controls over the Medicaid Eligibility Determination Process") *

Divison of Service Programs

- Improve OASIS Functionality and Support

Division of Child Support and Enforcement

- Strengthen Child Support Receipting Process

Division of Finance

- Improve Use of Financial System to Ensure Reliability
- Properly Identify Accounts Payable (reported in prior year finding entitled "Improve Financial Reporting to the Department of Accounts") *
- Properly Charge Payroll Costs to Federal Programs *
- Perform Reconciliation of Financial Systems
- Improve Procedures over the Revenue Maximization Process
- Improve Internal Controls for Revenue Processing
- Improve Internal Controls over Payroll *

Office of General Services

- Properly Maintain Fixed Asset Information (prior year finding entitled "Improve Procedures over Equipment") *
- Develop and Enforce Policies and Procedures over Controllable Assets
- Improve Lease Accounting Procedures *
- Improve Policies and Procedures for Small Purchase Charge Card Program

Division of Information Systems

- Finalize Policies and Procedures for Oracle Security Controls (prior year finding entitled "Improve Internal Controls over Oracle Databases)*
- Improve Documentation for System Modifications *
- Update Systems Development Methodology

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Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

February 14, 2002

The Honorable Mark R. Warner Governor of Virginia State Capitol Richmond, Virginia	The Honorable Vincent F. Callahan, Jr. Chairman, Joint Legislative Audit and Review Commission General Assembly Building Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Social Services** for the year ended June 30, 2001. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Department's accounting records, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Federal Grants	Revenue
Expenditures	Payroll
Accounts Payable	Fixed Assets

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the Department's accounting records. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and the Department's accounting records.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. Reportable conditions are discussed in the section entitled "Agency Information and Internal Control and Compliance Findings." We believe that none of the reportable conditions are material weaknesses.

The results of our tests of compliance with applicable laws and regulations disclosed instances of noncompliance that are required to be reported under Government Auditing Standards. Instances of noncompliance discussed in the section entitled "Agency Information and Internal Control and Compliance Findings."

The Department has not taken adequate corrective action with respect to all of the previously reported findings. Accordingly, we included these findings in the section entitled "Agency Information and Internal Control and Compliance Findings." The Department has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on March 25, 2002.

AUDITOR OF PUBLIC ACCOUNTS

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AGENCY INFORMATION AND INTERNAL CONTROL AND COMPLIANCE FINDINGS

Introduction

The Department provides benefits and services to help low-income families move from dependence to self-sufficiency. The Department provides these benefits and services through a variety of locally administered and state-supervised programs. The Department provides funds to 122 local social service agencies for service delivery and eligibility determinations for many of these programs.

The Department's funding is a combination of general, federal, and special funds. In fiscal year 2001, the Department's total budget was over $1.3 billion. The following tables show the original budgeted appropriations, adjusted appropriations and expenses by fund, as well as fiscal 2001 expenses by type. The tables do not include food stamp distributions, considered a non-monetary transaction.

	Original appropriations	Adjusted Appropriations	Expenses
Special revenue funds	$ 402,375,012	$ 474,658,355	$ 445,715,453
Federal funds	543,615,569	588,424,112	524,124,613
General fund	272,409,255	273,756,328	273,948,320
Fraud fund	2,308,500	2,308,500	1,263,845
Total	$ 1,220,708,336	$ 1,339,147,295	$1,245,052,231

Expenses by Category	
Payments to Localities	$ 501,214,893
Child Support Payments	417,364,778
TANF Payments	90,863,203
Payroll and fringe benefits	77,024,780
Transfer Payments to Other Organizations*	48,709,086
Other Payments to individuals	34,531,480
Data Processing	31,474,275
Other Contractual Services	29,032,620
Other expenditures**	14,837,116
Total	$1,245,052,231

Source: Commonwealth Accounting and Reporting System and the Department's Financial Accounting and Analysis System (FAAS)
* includes payments to community service agencies, intergovernmental and nongovernmental organizations
** includes payments for postal services, telecommunications, printing, maintenance, clerical services, equipment, and office rentals

The Department has a central office in Richmond, five regional offices and 22 child support enforcement district offices across the state. Statewide, the Department has approximately 1,500 employees. The Department has experienced many organizational and personnel changes over the last few years, many of which have occurred in upper management positions. As of January 2002, the Department had a new Acting Commissioner named as well as a new Acting Deputy Commissioner for Administration, Policy and Finance.

The Department has four main organizational areas – Child Support Enforcement; Administration, Policy, and Finance; Program Operations; and Regional Operations. The organizational chart below shows the organizational areas and the divisions therein. This report discusses the operation of various divisions, and our findings. We have indicated the divisions discussed in our report with an asterisk (*) in the following chart.

Child Support Enforcement *	**Administration, Policy, and Finance**	**Program Operations**	**Regional Operations**
Program and Staff Support Program Administration and Support DCSE District Offices	Appeals and Fair Hearings Finance * General Services * Information Systems * Policy, Research, Legislative Affairs	Benefit Programs * Community Programs Electronic Benefits Transfer Interdepartmental Regulation Licensing Program Integrity Service Programs *	Communications Training Regional Offices

In addition to the information on the specific divisions discussed later, we are including the following audit finding that affects several divisions.

Improve Program Monitoring Structure and Procedures

Finding

The Department should improve program monitoring procedures to ensure they have standard and consistent procedures to adequately monitor benefit and service programs. Based on inquiry of personnel at the central office and local offices, there is a lack of standard and consistent program monitoring procedures.

The Department relies heavily on localities' audits performed by CPA firms as a form of quality control. This function is not adequate for monitoring and ensuring federal and state compliance. The scope of the single audits performed by the CPA firms is very broad and many social service programs do not come within the scope of the audit.

Adequate communication does not exist between the Department's regional and program operations divisions and localities. Regional specialists perform reviews of benefit and services programs, which primarily address eligibility determinations. Central office's program managers are essentially removed from the review process and unaware of deficiencies in the control environment of the localities. In addition, there is no central tracking system in place to keep program managers informed of the status and results of reviews.

Recommendation

We recommend the Department review its approach to program monitoring and reliance it can place on local audits of social service programs. The Department should establish standard monitoring procedures that it can consistently apply in all program areas. It is our understanding the Department has made organizational changes in fiscal year 2002 that will improve their monitoring process.

DIVISION OF BENEFIT PROGRAMS

The Division of Benefit Programs is responsible for the Food Stamps, Temporary Assistance for Needy Families (TANF), Energy Assistance, and Employment Services programs. The Division also oversees local social agencies eligibility determinations for the Medicaid program.

Automated System Support

The Division provides the local social service agencies access to several automated systems to assist in determining eligibility and benefit calculations. These systems include Application Benefit Delivery Automation Project, Energy Assistance, and the test piloting of the Electronic Benefits Transfer. The Energy Assistance system determines eligibility and benefit amounts for the energy assistance programs.

The local social service agencies determine eligibility and benefit calculations for TANF and Food Stamps using the Application Benefit Delivery Automation Project (ADAPT) system. ADAPT also has a Medicaid eligibility module, which the Department is currently piloting in five local social service agencies. The Department began implementation of the Medicaid module in July 1999; however, over two years later, the module is still awaiting statewide implementation. The Department has delayed implementation of the Medicaid module due to other priorities, such as the Electronic Benefit Transfer project discussed later in this section. The Department expects to complete the statewide implementation of the Medicaid module of ADAPT in January 2004. The total project cost of ADAPT is estimated at $71 million, $23 million for development and $48 million for recurring costs. Through June 30, 2001, total costs are $54 million, with $22 million for development and $30 million for recurring costs.

The Federal Government, as part of federal welfare reform legislation, is requiring that all states provide food stamp benefits to recipients using electronic methods by October 1, 2002. Electronic Benefits Transfer (EBT) is the common name for this benefit process. Although the Department began planning for this project in 1994, the original request for proposal (RFP) issued in January 1997 had to be canceled. The Department reissued the RFP in August 1999 and completed negotiations and finalized a contract for the development of an EBT system in January 2001.

Since then, the Department has made significant progress towards implementing EBT by the federal deadline. In October 2001, the Department received Federal approval to begin pilot operations of the EBT system in Fairfax and Warren counties. These counties completed the conversion to electronic benefits in November 2001. The Department completed the initial rollout to the Northern Virginia region in March 2002. The Department plans the statewide rollout of EBT be completed in July 2002.

The Department has a contract with a national company that provides credit and debit card services and will adapt these systems for the Department's EBT system. The contractor receives payment based on a cost per case per month calculation, which covers both operation and implementation costs. In addition to this contractor, the Department is using other consultants to assist them. For fiscal year 2001, the Department spent approximately $325,000 on the EBT project. The Department projects EBT expenses of $3.3 million and $7.5 million in fiscal year 2002 and 2003 respectively. The EBT system is funded 50 percent federal and 50 percent state.

Food Stamps

The Food Stamps program supplements the food budget for eligible families with federally funded coupons redeemable at grocery stores for basic foods. Food stamp caseload and issuances have decreased since welfare reform, as shown in the following table.

Year	Average Monthly Cases	Total Issuances
1995	233,389	$445,294,698
1996	234,853	448,762,838
1997	215,871	401,947,050
1998	176,044	319,178,526
1999	160,147	283,840,100
2000	151,324	269,121,964
2001	148,610	262,942,699

Source: ADAPT Monthly food stamp participation report

Although ADAPT will determine eligibility and benefit amounts for the Foods Stamp program, local social service agencies have the ability to override the system determined benefit amount. It is important for the Department to have adequate internal controls over ADAPT to ensure recipients are eligible for the amount of benefits they receive.

Monitor System Overrides for Food Stamp Benefits

Finding

The Department does not adequately monitor localities' ability to override food stamp benefits calculated by the Application Benefit Delivery Automation Project (ADAPT). As a result of our verbal recommendation last year, the Department developed a report identifying who performed benefit overrides and when; however, three of five regions were not reviewing the report.

Recommendation

The Department should improve its internal control for benefit overrides by establishing policies and procedures identifying when it is appropriate to perform an override. The Department should periodically monitor overrides performed at the local level for patterns, potential errors, or unusual activity.

The Department continues to face federal sanctions for exceeding acceptable food stamp error rates over the last several years. The United States Department of Agriculture (USDA) is the federal agency responsible for imposing the sanction on the Department. USDA negotiates settlement agreements with sanctioned states that permit states to reinvest a portion of sanction money on program improvement activities. Federal regulations allow USDA to set aside a portion of the sanction, pending the state's performance in future years. The Department's total sanctions since 1994 are $16.4 million. The Department has implemented new procedures to address the food stamp error rate. As a result, the error rate for 2000 decreased to 8.66 percent, which was below the national average of 8.91 percent. Based on the decrease in the error rate, the Federal Government waived $7.2 million of the sanctioned amount.

The Department has developed a reinvestment plan for the program and has a settlement agreement with the federal government. The Department has reinvested $4.4 million, thereby, reducing the federal sanction it now faces to $4.8 million. The Department's timely performance of triennial on-site quality control reviews may assist in the maintenance of the error rate below the national average.

Complete Triennial Reviews

Finding

The Department does not properly conduct triennial on-site reviews for the food stamp program. The Code of Federal Regulation 7 Section 274.1 requires that the Department perform a triennial on-site review, including physical inventory of each coupon issuer and bulk storage site to assure that day-to-day operations of all coupon issuers comply with regulations. We tested 14 localities and found three incomplete reviews and three untimely reviews.

Recommendation

In accordance with federal regulations, the Department should perform triennial reviews of all coupon issuers and bulk storage sites. Upon statewide implementation of Electronic Benefits Transfer system, the Department needs to maintain accountability of the electronic vault cards held at the local agencies. The local agencies will use these vault cards to make benefits available to recipients.

Temporary Assistance for Needy Families

The Temporary Assistance for Needy Families (TANF) program is part of the state and federal welfare reform efforts. TANF has both eligibility and work provisions. The eligibility provisions require parents to cooperate with child support enforcement agencies, immunize their children, and ensure their children attend school. Families receive cash assistance and services up to 24 months. The average amount of monthly assistance under the TANF program is $260 and there is a five-year lifetime limit under the welfare reform program.

TANF also provides employment incentives under the work component called, the "Virginia Initiative for Employment not Welfare" (VIEW). VIEW requires all able-bodied adults to work and provides increased support services to obtain employment. Support services include job training and placement services, transportation services, and child care assistance. The following table shows TANF and welfare reform related activity over the last five years. With the implementation of welfare reform, TANF caseloads and payments have significantly decreased while VIEW participants have increased.

Year	TANF Average Monthly Cases	TANF Annual Payments	VIEW Cumulative Active Participants
1997	56,256	$ 164,236,290	8,905
1998	44,091	131,117,010	24,724
1999	37,798	112,287,174	34,773
2000	32,871	95,392,564	42,728
2001	29,043	91,243,765	50,230

Source: Virginia Department of Social Services Information Resource Book

The federal government requires states to participate in a nationwide data exchange initiative with other federally assisted benefit programs. The Department must exchange income and benefit data when making eligibility determinations for TANF and other federally assisted benefit programs. The purpose of these measures is to increase the accurate determination of benefit amounts and reduce the occurrence of overpayments.

Improve Use of Income Eligibility Verification System

Finding

We previously reported the Department did not consistently use the Income Eligibility Verification System (IEVS) to verify income for TANF recipients. The Department must coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specifically, the State must request the following information: wage, unemployment compensation for Virginia Employment Commission, Social Security Administration data, Immigration and Naturalization Service, and unearned income from the IRS.

In following up on this issue, the information the Department reports in IEVS is generated from the Virginia Client Information System (VACIS), which is no longer the system of record for TANF. Realizing the information is not accurate; the Department has discontinued using IEVS to verify income for TANF recipients.

Recommendation

The Department is working to establish a system to participate in IEVS in accordance with federal requirements. The Department could face federal sanctions of up to two percent of the State Family Assistance Grant (SFAG) for failure to participate in IEVS.

Although automated systems determine eligibility and benefit calculations for TANF as well as Food Stamps, there are situations either through agency error, client error, or fraud, when a household receives an overpayment of benefits. If a household receives an overpayment of benefits the state must establish a claim against that household and demand repayment. The Department has several methods to collect on overpayment claims including repayment by the client, a reduction of future benefits, tax intercept, and civil court proceedings. For fiscal year 2001, the Department reported nearly $20 million in food stamps and TANF overpayments.

Improve Benefit Overpayment Monitoring and Collections Procedures

Finding

The Department does not adequately maintain an overpayment tracking system for the Temporary Assistance for Needy Families (TANF) or Food Stamps benefits programs. This lack of information has inhibited collection efforts.

The Department has three systems it uses to record benefit overpayment activity for TANF and Food Stamps. Those are the Virginia Client Information System (VACIS), Application Benefit Delivery

Automation Project (ADAPT), and Food Stamp Claims Tracking System (FSCTS). With overpayment activity scattered among many systems, the Department cannot effectively monitor overpayments or pursue collection. For over half of the 15 Food Stamp and TANF overpayments tested, the Department did not consistently pursue collection efforts. Some of these overpayments have been delinquent since 1996.

Additionally, the Department does not accurately report accounts receivable balances to the Department of Accounts, and overpayment information to the federal government.

Recommendation

The Department should consolidate overpayment activity for each benefit program in one system. Management should develop adequate procedures for tracking and monitoring overpayments to increase collections and ensure accuracy of financial information.

Medical Assistance Program

The Medical Assistance Program (Medicaid) provides medical services to low-income persons who are: age 65 or over; blind; disabled; members of families with dependent children; qualified pregnant women; or qualified children. The Department has an agreement with the Department of Medical Assistance (DMAS) to determine an individual's eligibility and to operate a system to review that persons determining eligibility are properly performing their duties.

The Department makes Medicaid eligibility determinations by using local social service agencies, the state's Mental Health, Mental Retardation and Substance Abuse hospitals, and individuals under contract at other medical facilities. The Department sends the eligibility determinations to the Department of Medical Assistance Services, which uses this information to determine that only eligible participants receive Medicaid services.

The Department of Medical Assistance Services contracts with the Department to conduct a Medicaid Quality Control review as required by the federal government. The Quality Control process verifies the accuracy of the Medicaid eligibility process and operates separately from Benefit Program Operations, the division responsible for Medicaid eligibility determination. The Departments need to work together to improve the Quality Control function.

Improve Medicaid Quality Control Process

Finding

We found the following deficiencies with the Medicaid Quality Control Process:

- A current Memorandum of Understanding outlining DMAS and DSS's roles and responsibilities does not exist for the Medicaid Quality Control review performed by DSS. A MOU is required for each review performed by DSS.

- The Department has implemented a new Medicaid Quality Control Pilot that has not been federally approved.

- The Quality Control unit is not completing reviews timely. We noted eight of fifteen (53 percent) reviews were not completed timely. The reviews were completed from one to ninety-seven days past the deadline.

- The Departments are unable to determine if the accuracy of eligibility determinations has improved because DSS no longer computes a Medicaid error rate.

- Corrective action has not been taken for errors identified during the Quality Control reviews.

Recommendation

The Department should implement and comply with a current Memorandum of Understanding with the Department of Medical Assistance Services. The Department's reviews should be completed timely and errors identified should be corrected in DMAS's Medicaid Management Information System. The Department should calculate an error rate to measure the progress the Medicaid Quality Control function is making toward the reduction of eligibility determination errors.

DIVISION OF SERVICE PROGRAMS

The Division of Service Programs is composed of five units that administer various programs and services dedicated to children and families. The five units are: Foster Care, Adoptions, Child Day Care, Child Protective Services, and Adult Protective Services. These units provide many services including foster care and adoption services, child protective services, child day care, adult protective services, independent adoption, family counseling, prevention of abuse and neglect, and licensing. Below are caseload statistics for these services for the last five years.

Year	Foster care	Adoption	Child Day Care	Child Protective Services	Adult Protective Services
1997	7,446	2,704	21,981	6,813	5,992
1998	7,756	2,944	25,505	6,567	6,085
1999	7,572	3,191	35,668	5,559	6,330
2000	7,585	3,617	29,191	6,365	6,702
2001	7,585	3,946	49,599	5,963	7,055

Source: Department caseload reports

Note: Protective services caseloads include only substantiated complaints

Social workers manage these case services using the Virginia Client Information System (VACIS) and On-line Automated Services Information System (OASIS). VACIS maintains case and client management information for child day care, adult protective services, independent adoption, family counseling, and prevention of abuse and neglect. OASIS maintains case and client management information for foster care, adoption, and child protective services cases. The Department is working on expanding the functionality of OASIS to include child day care and adult protective services cases. The Department's budget for the OASIS project is $15.5 million through fiscal year 2002, and they have spent $14.7 million as of June 30, 2001.

The Department purchased OASIS from another state and has experienced system's difficulties since implementation. The Joint Legislative Audit and Review Commission reviewed the system and issued a report in February 2000. In response to issues in the report, the Department formed an OASIS Steering

Committee and named a new project director in August 2001. The OASIS Steering Committee and the new project director need to address the following issues.

Improve OASIS Functionality and Support
Finding <u>System Documentation</u> The Department acquired OASIS from another state, but did not customize the system to meet the specific needs of Virginia's child protective services, foster care, and adoption programs. To customize the system requires that programmers and system analysts have documentation of the system to make changes. The system documentation is inadequate to provide the information necessary to customize the system. <u>System Inefficiencies</u> OASIS does not interface with other user systems such as ADAPT and APECS. As a result, users spend time entering the same information into multiple systems. <u>OASIS System Hardware</u> OASIS system users are experiencing continuous hardware problems. The OASIS application runs on individual computers, not on a mainframe. OASIS upgrades have caused response degradation because the computers are becoming obsolete and are no longer able to run the application effectively. Users are experiencing severe delay times, crashing hard drives, and other hardware problems when using the OASIS application. *Recommendation* If the Department plans to continue to use OASIS as its statewide case management system, then management needs to address each deficiency. Increased communication with localities and all other users is key in identifying the problems. The Department should also consider the costs associated with continuing to develop the system to meet the needs of the state versus replacement of the system.

DIVISION OF CHILD SUPPORT ENFORCEMENT

The Division of Child Support Enforcement (DCSE) has 22 district offices statewide, and private companies' operate four offices. DCSE has the authority to issue administrative child support and medical support orders, enforce those orders, and establish paternity. DCSE can enforce orders through wage withholding, seizing of assets, suspension of drivers' licenses, and state and federal income tax offsets.

DCSE uses the Automated Program to Enforce Child Support (APECS) system to track financial and case management information for child support cases. The Department is continuing to modify APECS for changes required for welfare reform and to improve performance. The Division recently reviewed its caseload and purged old and inactive cases from APECS. The Division has also implemented many performance management strategies that have resulted in significant increases in overall collections. The following table shows the total collections and caseload data over the last three years.

	1999	2000	2001
TANF			
Regular Collections	$ 31,241,236	$ 29,578,369	$ 29,669,650
IRS Intercept	7,081,246	6,483,824	6,640,817
State Tax Intercept	400,125	431,791	333,201
VEC	182,024	110,440	183,870
Total TANF	38,904,631	36,604,425	36,827,538
NON-TANF			
Regular Collections	288,292,203	334,161,724	376,354,623
IRS Intercept	16,085,800	16,791,200	18,833,923
State Tax Intercept	2,092,979	2,548,991	2,010,767
VEC	1,202,989	998,169	1,957,709
Total NON-TANF	307,673,971	354,500,084	399,157,022
Total Collections	$346,578,602	$391,104,509	$435,984,560
Total Caseload	422,000	395,000	389,000

Source: APECS

The Division funds operations with a combination of state and federal funds. The federal funds come from three sources - a federal grant for administrative costs, incentive payments based on collections, and collections retained from child support payments received for TANF recipients. Several recent federal changes have caused DCSE to experience budget deficits and increased budget instability. Federal law now requires states to provide past-due child support payments to custodial parents who are former welfare recipients. Previously, a state could retain these funds as an offset to welfare payments. Additionally, welfare caseload declines have reduced revenue the Division can retain for administration of support enforcement.

As a result, DCSE had a $7 million deficit in fiscal year 2000 and a $1.25 million deficit in fiscal year 2001. DCSE has projected a budget deficit of $2.7 million in fiscal year 2002 and $3.4 million in fiscal year 2003. The General Assembly appropriated general funds to address some of these projected deficits, but the deficits could increase. The following table shows the division's income and expense information for fiscal years 2000 and 2001, as well as their projections for 2002 and 2003.

Income	Actual 2000	Actual 2001	Projected 2002	Projected 2003
Incentive payments for collections	$ 6,600,000	$ 6,600,000	$ 7,260,000	$ 7,986,000
State share of retained collections	17,368,649	17,580,727	17,857,157	17,689,431
Total income	23,368,649	24,180,727	25,117,157	25,675,431
Expenses				
State share of operating expenses	24,082,730	23,479,063	24,629,638	25,856,697
$50 disregard payments	3,375,983	2,732,191	2,700,000	2,700,000
Other expenses and adjustments	2,951,963	(774,831)	518,128	517,700
Total expenses and other adjustments	30,410,676	25,436,423	27,847,766	29,074,397
Net collections under expenses	($ 7,042,027)	($1,255,696)	($ 2,730,609)	($ 3,398,966)

Source: APECS and various financial reports

Strengthen Child Support Receipting Process

Finding

The Department should improve internal controls over the DCSE receipting process. The receipting process does not occur in a secure area that limits access to unauthorized personnel. At the Central Office, seven individuals have authorized access to the safe and six play a direct role in the receipting process. In addition, during our review of two district offices, we found untimely preparation of deposits, and no immediate endorsement and logging of checks.

Recommendation

The Department should strengthen the physical security for DSCE collection at central office. DCSE should also monitor collections at district child support offices to ensure compliance with policies and procedures.

DIVISION OF FINANCE

The division maintains the Department's financial information and the strategic planning and budgeting functions. The division manages the Department's financial information using the Financial Accounting and Analysis System (FAAS). FAAS is an Oracle system that processes requisitions, purchase orders, and invoices. It generates standard and ad hoc financial reports and interfaces with the Commonwealth Accounting and Reporting System (CARS). FAAS also provides financial information used for federal and state reporting.

Improve Use of Financial System to Ensure Reliability

Finding

The Department should improve the use of the FAAS to ensure reliability of financial information and improve efficiency. We found the following specific issues with the Department's use of FAAS.

- There were numerous transactions that were incorrectly coded to the wrong project codes, cost codes, and object codes. These coding errors result in financial activities being reported in the wrong activities and could lead to management making incorrect decisions, because it receives inaccurate financial reports. The Department could enhance system edit checks to reduce the number of coding and data entry errors.

- Finance processed transactions and paid bills without the approval of the appropriate cost code manager.

- The Department does not fully use the system's on-line receiving report feature, but instead continues to rely on physical receiving reports. The Department has the capability to view the reports on line and electronically match the receiving report to the invoice; however, the Department is not using this feature. The Department also has not fully implemented the encumbrance feature. Although the Department uses the feature for some payments, they are not using it for contracts.

Recommendation

The Department should establish system edit checks to reduce the number of coding and data entry errors. To ensure budget responsibility and cost accountability the Department needs to make certain costs have appropriate approval of the cost center manager before processing. In addition, the Department should review the functions of FAAS to ensure they are fully using all of the system's function to improve efficiency.

Properly Identify Accounts Payable

Finding

As reported in our last two reports, the Division of Finance does not appropriately identify accounts payable for fiscal year end reporting. In the prior year, the FAAS system was incorrectly programmed to recognize a payable based on the invoice date rather than the date goods or services were received. The Division corrected this problem by deactivating the system feature and manually determining whether the voucher is a payable or not. For seven of 25 (28 percent) vouchers selected for testing, the Division is still not appropriately identifying accounts payable. As a result, the Division understated its accounts payable by $1.3 million.

Recommendation

The Division should ensure expenditures are properly identified as a payable for proper inclusion in the Commonwealth Annual Financial Report and other year-end reports.

The Division of Finance seeks reimbursement of indirect costs from the Federal government using the 1995 federally approved Cost Allocation Plan (CAP). The Division submitted amendments to the plan in March 2000 and July 2001, which have not yet received federal approval. The Department can use the procedures in the amendment beginning the quarter after submitting the amendment. However, the Department incurs the risk that it might have to repay any federal funds received if the Federal cognizant agency (HHS) disapproves the amendments.

The objective of the cost allocation plan is to allocate costs of the operations of the social service system as a whole, to the individual programs. The plan typically allocates costs for administration, and training in the state central office, the state regional offices, and the locally operated welfare/social service agencies. The Department uses information from various systems during the cost allocation process.

Properly Charge Payroll Costs to Federal Programs

Finding

As reported in our last four reports, the Division of Information Systems (DIS) does not accurately record hours worked in the Time Activity Project and Expense Reporting System (TAPERS). We noted numerous instances of time recorded in TAPERS that did not agree to approved timesheets. Additionally TAPERS may not be complete, as we noted numerous DIS personnel that did not enter time into the system. Finally, time recorded in TAPERS may be overstated because supervisors can unknowingly release an employee's time more than once. Given the varying circumstances that may yield incorrect time recorded in TAPERS, we are unable to quantify the effect of this internal control weakness.

The Department implemented TAPERS in 2000 at a total cost of $352,000. It is our understanding that the Department plans to replace TAPERS.

Recommendation

The Department should enforce appropriate policies and procedures to ensure all time for all employees is accurately and completely reported to the Division of Finance for proper determination of federal reimbursement. If the Department decides to invest funds to replace TAPERS, they should fully research any new system to ensure it will meet Division of Finance and Information Systems reporting needs.

Localities request reimbursement for expenses through the Local Agency System Expenditure Reimbursement (LASER) system. LASER generates transactions that are transferred to the FAAS system and interfaced with CARS to issue electronic payments to local agencies. The LASER system is critical to the cost allocation and local reimbursement process. The Department reimbursed local social service agencies approximately $501 million in federal and state funds during fiscal year 2001.

Perform Reconciliation of Financial Systems

Finding

The division did not perform monthly reconciliations of the Locality Automated System for Expenditure Reimbursement (LASER) system to the Financial Accounting and Analysis System (FAAS) for nearly half the fiscal year. Since FAAS is the system that initiates the locality reimbursement, it is necessary that the Division perform a reconciliation to ensure that localities receive the correct reimbursements. The division's failure to reassign the job responsibility upon termination of an employee contributed to this internal control weakness.

Recommendation

The division should ensure that the LASER to FAAS reconciliations are performed in a timely manner and with the appropriate supervisor review. Division management should be aware of the job responsibilities of employees and ensure that duties are properly delegated upon employee termination.

The division works with localities to identify and request additional federal funds for social service needs through a process called revenue maximization. The process focuses on identifying eligible costs for uncapped federal programs with foster care being the primary one. While the federal and state governments provide cost support for programs such as foster care, many local governments incur costs for additional services and programs that are eligible for reimbursement, but there has been no claim.

Under the revenue maximization process, division staff work with localities to identify eligible costs for federal reimbursement and submit this information to the federal government for additional reimbursement. The division charges the localities a 5% administrative fee to administer the revenue maximization process which comes from the federal reimbursement. In fiscal year 2001, the division requested federal funds of approximately $15 million under the Foster Care, Title IV-E program through the revenue maximization process.

Improve Procedures over Revenue Maximization Process

Currently, there are approximately 33 localities and partners at the local level that are participating in the revenue maximization process. The division is allocating more resources to the process with the goal of increasing the number of participating localities and partners. We recommend the division address the following issues before expanding the program.

Cost Allocation Plan

The division should consult with the federal government to determine whether Social Services should include the revenue maximization activities in its statewide cost allocation plan. Our review of the approved statewide cost allocation plan determined that it does not specifically identify the revenue maximization initiatives or the methodology used for the partner's determining federal reimbursable expenses. Although we consulted with the federal government regarding whether the process should be part of the state's plan, we received inconsistent guidance on this matter.

It is unclear, whether there is a federal requirement for Social Services to include revenue maximization activities in the statewide cost allocation plan. The division should continue its efforts to obtain guidance in determining proper methodologies for recognition of costs submitted for reimbursement and whether these methodologies should be included in the Statewide Cost Allocation Plan.

Policies and Procedures

The division should finalize written policies and procedures for the revenue maximization process. There is a 1999 draft of the policies and procedures; however, there is no final draft of these items. Before finalizing the procedures, the division should revisit the drafted procedures and make any necessary modifications to improve program administration based on recommendations in this report. One item not currently addressed, is the establishment of an audit workplan or case review plan, which documents the frequency for performing case reviews.

Case Review Process

The division relies on a case review process to determine the percentage of administrative and case management costs claimed for federal reimbursement. The case reviews involve a determination on whether individual cases meet the requirements for a "reasonable candidate" for the foster care program. We selected a sample of case reviews performed by the division and identified several issues.

- The division should evaluate its definition of a reasonable candidate: in light of recent guidance from the federal government. Our review of the division's case reviews and supporting case files, showed individual cases that were determined to be reasonable candidates although there was not a clear distinction that "absent preventives services foster care was the planned course of action." In addition, we found inconsistent statewide application of the determination of eligibility, as a "reasonable candidate." We observed some partners that use an assessment tool while other partners determine eligibility strictly by caseworker judgment. Recent policy announcements at the federal level have provided clarification on determination of "reasonable candidacy." The department should consult with the federal government agency to ensure its interpretation of reasonable candidacy complies with federal guidelines. The Department should then revise and implement procedures that identify specific criteria for meeting the definition of "reasonable candidates" that can apply consistently by all partners.

- The division should clearly document the results of their case reviews. In some cases, the division did not clearly document agreement or disagreement with the partner's determination of "reasonable candidates". Participating partners initially make the determination of reasonable candidates. The division then performs case reviews to determine if the partner's determination is appropriate. The division should ensure it adequately documents and justifies its case review results.

- The division should establish minimum documentation standards for the localities and partners participating in the revenue maximization process. In some circumstances, case files did not contain information to support the "reasonable candidate determination." In several instances, localities and partners needed to supply additional information and caseworker had to explain their determinations. Partners should document in the case plan circumstances and risk factors that justifies why each participate is a "reasonable candidate" for the program.

Administrative Fee

The division did not establish the administrative fee based on estimated costs of the program, but used a median of what other states were charging. The division's costs for administering the revenue maximization process are much less than the fee charged. As a result, the division has accumulated $1.5 million in unspent fees.

In addition, the division reported expenses on its Schedule of Federal Assistance and federal financial reports for the Foster Care-IV-E program that the Department did not incur. The Schedule and financial reports showed an expense equal to the administrative fee collection rather than actual expenses incurred by the Department. This practice does not comply with generally accepted accounting principles or federal reporting requirements. As a result, we are questioning $1.1 million in expenses reported under the Foster Care IV-E program in fiscal year 2001.

We recommend the division re-evaluate the amount of the administrative fee charged as compared to actual expenses. In addition the division should accurately report all revenue maximization activity in its financial systems and reports.

Periodic Review

The division does not require localities and partners to perform periodic candidate re-assessments of program eligibility. Our review of case files showed the division considers candidates eligible for the foster care program up to 5 years. The Department should require partners to perform a periodic reassessment of each case to ensure they still meet the eligibility requirements under the federal program.

While the majority of the Department's revenues are electronically transferred from the federal government or received through the child support process, the division does collect various other receipts. For example, the division collects various other grant funds, payments from regional and local offices for office supplies, contract employee payments for parking, and employee payments for personal cell phone charges posted to AMEX.

Improve Internal Controls for Revenue Processing

Finding

The division does not have documented policies and procedures clearly defining its receipting process. Inappropriate receipting procedures increase the risk of theft. Our observation of the process noted the following internal control weaknesses.

- There is no central location for receiving and securing receipts.
- Checks are not immediately endorsed and logged and several employees handle checks before deposit.
- The divisions do not maintain documentation to support receipts.
- All receipts are not deposited timely. We tested five deposits and found one instance where a check for $295,140 was deposited 11 days after receipt.
- The division does not reconcile logged receipts to the actual deposit.

Recommendation

The Department should develop and document policies and procedures over the receipting process. These procedures should ensure the immediate logging, endorsing, and securing of all receipts until deposited. The Department should also maintain sufficient documentation to support all receipts.

The Division of Finance and Division of Human Resource Management (DHRM) share responsibilities for processing payroll and fringe benefit transactions. The Payroll Unit within the Division of Finance does the payroll processing. DHRM provides support, training, guidance, and consultative services on human resource issues to management, supervisors, and employees of state and local departments of social services.

Improve Internal Controls Over Payroll

Findings

We found several internal control weaknesses that resulted in payroll overpayments, sickness and disability benefit overpayments, and incorrect health insurance premium payments. Several of the exceptions discussed below were caused when supervisors and managers did not report employee separation and termination information promptly.

- The Payroll Unit does not accurately report and calculate benefit payment for employees participating in Virginia Short-term Disability Program (VSDP). For a sample of 11 employees tested, eight employees were overpaid $3,769 and three employees were underpaid $1,206. The Department is still attempting to collect overpayments totaling $21,279 that we identified in prior year. For the sample selected, we also noted an instance of payment for the incorrect number of disability credits.

- DHRM does not review Action Reports to ensure rate and period of payment is appropriate based on months of state service. Two employees were overpaid benefits because information on the action report was inaccurate.

- The Payroll Unit does not properly resolve reconciling items resulting from health insurance benefits recorded in the Benefit Eligibility System (BES) to payroll deductions recorded in the Commonwealth Integrated Personnel and Payroll System (CIPPS). Of 26 employees tested we found nine instances of premium underpayments totaling $4,932. In several instances the unit identified exceptions but took over three months to resolve them.

- DHRM does not properly maintain access for the Benefit Eligibility System. Six of 31 employees tested had inappropriate access to the system during the fiscal year.

- DHRM and supervisors do not coordinate efforts to ensure termination checklists are completed and the termination listing is accurate and complete. This weakness has contributed to untimely payment of leave balance and over payments to terminated employees.

Recommendation

Overall the Department needs to improve and enforce procedures to ensure that divisions promptly communicate all changes in employee status to Human Resources and Payroll. We also make the following specific recommendations:

- The Payroll Unit should develop and implement appropriate procedures to correctly pay short-term disability benefits amounts.

- The Department should have someone knowledgeable with the BES/CIPPS reconciliation review the reconciliation and determine that there is proper disposition of all reconciling items.

- The Division should draft procedures for the payment of leave balances and enforce those procedures.

- The Division should monitor BES access to ensure it is limited to employees needing it to perform their job responsibilities. The Division should also ensure individuals with access are appropriately trained to use the system.

- The Division of Human Resources should maintain an accurate termination checklist and periodically distribute the listing to key personnel in the Department such as Security Officers and the Director of the Office of General Services.

- The Department should review the workload and staffing level of the Payroll Unit to ensure staffing is adequate to effectively complete the workload.

OFFICE OF GENERAL SERVICES

The Office of General Services (OGS) is the centralized purchasing unit responsible for the procurement of goods and services. The Office has responsibility for monitoring fixed assets, leases, and controllable assets. The Office is also responsible for monitoring the use of the Small Purchase Charge Card program. The Department has a total of 184 cards and spent approximately $2 million under this program in fiscal year 2001.

Properly Maintain Fixed Asset Information

Finding

As previously reported, the Office needs to improve procedures over the tracking and monitoring of capital assets on the Fixed Asset Accounting Control System (FAACS). The Department does not promptly record all asset transactions on FAACS. We selected a sample of equipment to test and found the following.

- FAACS did not include six of twenty-seven items, representing an understatement of $592,963.

- Twenty-nine assets remained on FAACS after surplus, resulting in an overstatement of over $600,000.

- One asset was recorded twice on FAACS causing an overstatement of $466,664.

- The Department did not properly capitalize assets on FAACS at the correct amount by not including all the components, shipping and set up cost for six items totaling $22,739

- Of the 14 discrepancies brought to management's attention in prior year, management still had not corrected five of these discrepancies.

Recommendation

The Office needs to improve procedures for tracking and recording equipment. Management should work with the divisions to ensure they communicate the receipt of new equipment, as well as the status changes for existing equipment to OGS. The Office should conduct equipment inventories at least once every two years, or more frequently, if needed.

Develop and Enforce Policies and Procedures for Controllable Assets

Findings

The Department does not maintain proper stewardship over controllable assets. Controllable assets are those valued at less than $5,000 and include items such as computer equipment, cell phones, and pagers. As a result of our prior year's recommendation, the Department drafted policies and procedures regarding controllable assets. Our analysis of the policies revealed that they are deficient as to purchase, issuance, management, and use of controllable assets.

- During fiscal year 2001, the Department spent over $57,579 for cell phone equipment and over $413,082 for cell phone services. The Department does not maintain a master listing identifying the assignment of phones. As a result, it is difficult to hold employees accountable for the phones and inappropriate use. During fiscal year 2001, Department reported two instances of cell phones lost over seven months after their loss and had to pay charges totaling $6,453.

- Upon employee termination, supervisors retain the cell phones rather than returning them to the Office of General Services. Under this structure, OGS does not maximize the use of the Department's resource because they purchase additional phones without considering idle phones available for reassignment.

- During fiscal year 2001, the Office purchased laptops and other computer equipment totaling $1.8 million. Some of this equipment goes to local and district offices, but the Office does not maintain a log identifying the location, types or person receiving computer equipment. As a result, the Department cannot hold individuals or units accountable for this state property.

- We observed a significant amount of obsolete equipment in various locations such as storage closets, off-site storage rentals, and empty offices. We estimate that equipment in one storage location had been in storage for over five years.

Recommendation

Individually, the value of these controllable assets is not significant; however, overall, the Department is spending significant amounts of money on this equipment as well as related expenses such as cell phone charges. OGS should develop and enforce procedures to ensure proper stewardship over all controllable assets. OGS should maintain a listing identifying individuals with responsibility for assets. OGS should use this listing to hold individuals accountable for the assets and ensure the return of assets upon termination. OGS should also use the listing as a management tool to identify idle assets to increase their use rather than make additional purchases. We understand the Department maintains a listing of cell phones along with the responsible individual, effective for fiscal year 2002.

Improve Lease Accounting Procedures

Finding

The Office of General Services does not properly complete the input forms for data entry into the Lease Accounting System (LAS). We determined that 11 of 22 lease input documents were incomplete and missing key information used to determine lease classification. Therefore, we could not determine if the Department properly classified leases as operating or capital. Additionally, we found two leases not reported in LAS and the Office was unable to produce documentation supporting the termination of some leases.

Recommendation

The Department should improve its procedures over leases. The Department's leases are significant to the Commonwealth's Comprehensive Annual Financial Report (CAFR) and inaccurate classification and reporting of leases could affect information presented in the CAFR.

Improve Policies and Procedures for Small Purchase Charge Card Program

Finding

The Department should improve its internal controls over the Small Purchase Charge Card (SPCC). We found the following internal controls weaknesses over the SPCC.

- The Department's current policies do not clearly identify allowable and unallowable card purchases. We noted an instance where an employee used the SPCC to purchase gift cards at discount stores. The gift cards were subsequently used to buy supplies and materials for the Department.
- The Department does not enforce compliance with internal policies and procedures regarding the use of the Small Purchase Charge Card (SPCC). The department could not produce cardholder agreements for any of the employees selected for testing.
- We found instances of employees avoiding the $5,000 transaction limit by splitting purchases.
- Individuals are not reconciling purchase logs to monthly statements. For a sample of 10 logs tested, three reported items on the statement but not on the log with no explanation of the additional purchase before the agency made payment. Seven logs did not have evidence of a supervisor's review. Accurate reconciliations and timely review of SPCC purchases are the only means of detecting inappropriate use of state funds.

Recommendation

The Department should revise its policy to clarify allowable and unallowable purchases using the card. The Department should also ensure that all employees and supervisors are following current policies and procedures. All SPCC users should sign a cardholder agreement as acknowledgement and agreement to comply with the policies. If individuals have repeatedly not complied with the policies and procedures, the Department should revoke their card. We understand the Department has implemented new SPCC procedures in fiscal year 2002.

DIVISION OF INFORMATION SYSTEMS

The Division of Information Systems oversees the procurement, installation, and maintenance of data processing, hardware, and software. The Division has 81 full-time employees, in addition to 106 contractors, who maintain approximately 29 major information systems. The division came under new management in April 2001, and is currently revisiting its strategic plan in an effort to realign division resources.

Finalize Policies and Procedures for ORACLE Security Controls

Finding

The Department has not finalized and recorded its procedures in the security manual for monitoring access logs. The Department has not identified critical areas that should be subject to audit and review. In February 2002, the Department plans to develop procedures to identify and monitor critical areas for each system running on the ORACLE database.

Recommendation

We recommend the Department complete its plans to review the use of the database audit function and other audit tools. The Department should determine which audit functions would be most beneficial to them and develop a comprehensive policy and procedure to perform the function.

Improve Documentation for System Modifications

Finding

The Department could not provide sufficient documentation for any systems program changes tested. These program changes related to the Online Automated Services Information System (OASIS), Virginia Client Information System (VACIS), and Application Benefit Delivery Automation Project (ADAPT). Of the 22 program changes, eight were for OASIS, eight were for VACIS and six were for ADAPT. In most cases, the Department had some documentation for the change, but not enough to completely document the user request, the programmer's change, testing, and user acceptance and management approval of changes. In addition, the Department has no documented procedures for the implementation of program changes to the LASER system.

Recommendation

The Department should continue to improve procedures to maintain complete supporting documentation for all program changes to information systems. Supporting documentation should exist to show that user management initiated the change. Additionally, programmers should document that they reviewed and tested the requested change at various stages throughout the process. Proper signoffs by department managers should also be included in program change documentation. The Department risks unauthorized changes to its information systems without adequate procedures to document changes.

Update Systems Development Methodology

Findings

The Department's current Systems Development Methodology references outdated standards, forms, and procedures used for systems development. It focuses on the Systems Development Life Cycle; however, DSS sometimes uses Rapid Application Development. The Department may sometimes pursue tactical procedures for the development process rather than a methodology because of new systems under development. The Department has established a user group from the ADAPT system and they are working on updating their systems development procedures.

Recommendation

We recommend the Department implement a Systems Development Methodology that reflects updated systems development criteria and procedures for the entire Department by June 30, 2002. Without proper systems development guidelines and procedures, the Department risks failure of new systems, which results in wasted resources, and failure to meet business needs.