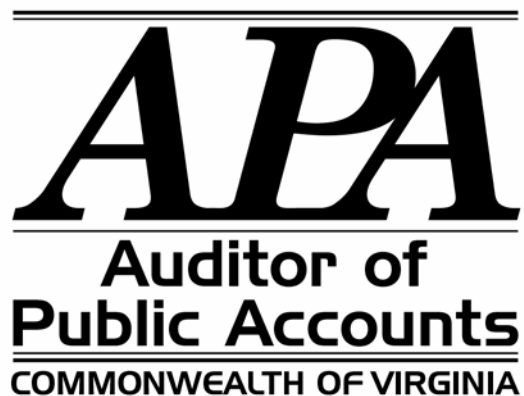


DEPARTMENT OF SOCIAL SERVICES

**REPORT ON AUDIT FOR
PERIOD ENDED JUNE 30, 2006**



AUDIT SUMMARY

Our audit of the Department of Social Services (Social Services) for the year ended June 30, 2006, found:

- amounts reported in the Commonwealth Accounting and Reporting System and Social Services' accounting records were stated fairly;
- certain matters involving internal control and its operation that require management's attention and corrective action;
- instances of noncompliance that are required to be reported under Government Auditing Standards; and
- inadequate corrective action of prior year audit findings.

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RISK ALERTS

Background

During the course of our audits, we encounter issues that are beyond the corrective action of management and require the action of either another agency, outside party, or the Commonwealth to change its method by which it conducts its operations. The following matter represents a risk to the Department of Social Services (Social Services), the Department of Medical Assistance Services (DMAS), and the local social services offices.

Evaluate the Adequacy of the Eligibility Determination Process

Ensuring that only eligible recipients receive benefits is a critical control and compliance issue facing Social Services. The Code of Virginia requires DMAS to contract with Social Services to determine which individuals are eligible to participate in the Medicaid program. DMAS pays Social Services just over \$50 million annually for this service.

Social Services uses its network of local social services offices to determine an individual's Medicaid eligibility. Social Services provides local social services offices' employees training and an automated system controlled by them to assist in determining eligibility. Local social services offices are units of the local government they serve and Social Services uses the funding from DMAS to pay the local governments for this service.

Social Services, DMAS, and the local social services offices clearly share responsibility for determining eligibility for the Medicaid program. However, the federal government holds DMAS as the Commonwealth's administrator of the Medicaid Program as the ultimate party responsible, if ineligible individuals use the program.

The federal government would require DMAS to reimburse the program for both the federal and state share of any of the program's costs spent on an ineligible participant. Since DMAS does not have an independent funding stream, this situation would result in additional costs to the Commonwealth's General Fund. Depending on the circumstances, DMAS could attempt to retrieve the payments from an external party; although this would be unlikely. This means that eligibility errors made by local social services offices could require DMAS to make payments to the federal government. Currently, beyond the specific limited reviews required by the federal government there is no ongoing systematic process for evaluating how well local social services offices determine eligibility.

Social Services and DMAS are equal entities within the structure of the state government, which prevents DMAS from managing its agreement with Social Services as it would with an external vendor providing eligibility determination services. Furthermore, neither Social Services nor DMAS believe that they have the authority or the ability to hold the local social services offices financially accountable for not performing.

The federal government does not specifically require the Commonwealth to do an ongoing systematic review of its eligibility determination process and does not provide incentives for completing such reviews. The federal government has not established an acceptable error rate for the Medicaid program; therefore, DMAS is required to cover the cost of every ineligible person identified in the program, even if there was no fraud or other deceit. These inactions by the federal government do not encourage the Commonwealth to develop an ongoing process for monitoring and evaluating the effectiveness of controls surrounding the eligibility determination process.

The forced relationship between Social Services, DMAS, and local social services offices puts the Medicaid program and the Commonwealth at risk that ineligible participants could enter the program and go undetected due to the failure of local social services offices to properly determine eligibility. The Commonwealth needs to allow the managers of the Medicaid program to take cross-organizational actions to ensure the highest level of accuracy in ensuring participant eligibility.

Background

During the course of completing agency audits for the statewide single audit of federal funds, we encountered another issue that may require the action of another agency, the Department of Accounts. The following matter represents a risk to the Commonwealth.

Meeting the Single Audit Deadline of March 31

Federal Law requires the completion of single audits of federal funds and submission of the report by March 31. In order to meet this deadline requirement, the coordination and cooperation of both the auditor and all of the Commonwealth's component units is essential.

The Auditor of Public Accounts and State Comptroller have developed a mutual time schedule, which allows for the completion of the audit work within the required deadlines. In recent years, we have encountered several situations in which it was difficult for the auditors to complete the audit test work and draft the report in sufficient time to meet the deadline.

However, certain agencies have begun a process of requesting several meetings to discuss all findings and their implication to their operations. While we appreciate management's interest in the findings, the result of this extensive meeting schedule is threatening our ability to complete and issue the single audit report by the March 31 deadline.

Given our experience this year, we are informing the State Comptroller that without the agencies having to meet an accelerated timetable of resolving audit findings, we will not be able to issue the report by the deadline. Our other recommended alternative is having the State Comptroller directly coordinate all discussion of audit findings. We cannot satisfy the number of meetings requested by some agencies to discuss audit findings and at the same time issue the report within the required period.

The only alternative to not having the State Comptroller accelerate the reporting deadlines, or coordinating all findings, is issuing a qualified report indicating that not all work is complete. We believe that this action could have an adverse affect on the Commonwealth's federal funding and operation of those programs.

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Prior Year Findings with Inadequate Corrective Action

Properly Manage and Maintain Access to Information Systems

Social Services provides central statewide oversight for policies and procedures to 120 locally operated social services agencies. In support of the locally operated social services agencies, Social Services has a number of central systems and applications for determining and providing benefits. These central systems and applications operate in diverse environments, and include everything from mainframe applications to web-enabled systems.

Social Services' oversight of local social services agencies has created some significant security issues over access to the systems, applications, and their data. Currently, Social Services controls access to its systems and applications. Social Services' Information Security Unit creates, changes, and deletes access for some of Social Services' systems and applications; while other individual divisions and local social services agencies have their own security officers for access granting, removal, and modifications. Management of each local social service agency determines what systems and level of access individual employees should have to Social Services' systems and applications, which determines the functions an individual can perform when they get into the systems. Controlling access is the equivalent of determining who has access to the cash drawer or safe.

Social Services has no comprehensive automated centralized records system that includes the specific level of user access. This lack of information hinders their ability to safeguard Social Services assets by not allowing Social Services to easily determine the system access of employees. In addition, without a centralized listing of access, the Information Security Unit cannot easily review system access for separated employees to ensure that they no longer have access to Social Services information systems.

Over time, an employee's responsibilities typically change, thereby increasing or decreasing the need for access to and functionality within the system. Neither the local social service agency security officers nor Central Office staff have the tools available to examine all the access granted to an individual over time and their capabilities. By not reviewing overall system and application access, individuals may have access that is no longer necessary for the employee's current job responsibilities.

If an employee changes positions or separates from Social Services, the employee's supervisor is responsible for notifying the Human Resources Division, who in turn notifies the appropriate security officers. This allows the security officer or the Security Unit time to either delete or disable systems and application access in a timely manner.

As was the case last year, we found several instances where terminated employees still had access to the system after separation. These instances resulted from supervisors not notifying the Human Resources Division, security officers, or the Security Unit of an employee's separation in a timely manner, and/or the security officers and Security Unit not deleting access upon receiving notification. The inefficient communication between supervisors and the Human Resources Division, security officers, and the Security Unit has caused the untimely deletion of system access.

The Human Resources Division does not receive notification when a local employee or contract employee terminates, resigns, or dies. Social Services uses the Local Employee Tracking System (LETS) as its local employee listing; however, since neither Social Services nor local social services agencies reliably update this listing, Social Services does not have an accurate listing of local employees and contractors.

Without an accurate listing, the Information Security Unit cannot provide adequate system oversight. In addition, security officers cannot review current local employees' and contractors' system and application access because Central Office staff do not know who is employed by Social Services or individual local social services agencies. Since Social Services has ultimate responsibility for access control, the lack of an accurate local employee and contractor listing compromises their ability to fulfill this responsibility.

We recognize that addressing these issues could be cost prohibitive and that an ideal solution should come from Social Services overall strategy to replace its systems. However, there clearly are actions that Social Services could take in the interim to strengthen controls and provide the groundwork for a long-term solution.

We realize Social Services has begun developing a centralized system for monitoring system access because of last year's system access finding. Social Services should continue developing this database of employees and their access so that the Information Security Unit can eventually use the database to review and verify access. In addition, Social Services should work to report specific application access levels for each user.

Social Services' Human Resources Division should also maintain an accurate listing of local employees and contractors. With this information, the Information Security Unit could also assess and review system access for these individuals. Social Services should streamline the termination process to lead to more timely deletion of system access for separated employees. While these approaches do not provide the ideal solution to the problem, they begin to address the access issue.

Maintain Local Employee Tracking System

As previously noted, Social Services uses the Local Employee Tracking System (LETS) as its local employee listing; however, as reported in the prior year, neither Social Services nor local social services agencies consistently update this listing so Social Services does not have an accurate listing of local employees. Since last year, Social Services has taken incremental steps in creating an interface for localities to upload their personnel information to avoid duplication of efforts.

Management believes that this action will ensure the update of LETS in a timely manner in the future. However, Social Services did not adequately update LETS during fiscal year 2006 and the first half of fiscal year 2007, as we found a number of localities still have not updated the system as of the end of our audit. We found terminated employees still listed and a number of current employees never entered into the system.

Social Services allocates federal and state funds through a random sample of local employees' times. This allocation method uses the employees listed in LETS as the population for the sample. As a result, Social Services may be including and excluding local employees inappropriately from this random sample. Social Services may not be adequately assessing how local employees truly spend their time for allocating federal costs. In addition, since Social Services does not have a readily available list of local employees, Social Services cannot adequately assess its information systems security access for the local social services offices.

While Social Services is making long-term plans for updating LETS, management should take steps to mitigate the risks of not having LETS currently updated. Social Services should continue to work with local social services offices to ensure that processes exist to update LETS accurately for personnel changes. Social Services could require local social services offices to verify at least monthly the completeness and accuracy of their LETS employee listings.

Establish Control Mechanisms for Foster Care and Adoption Payments

The Federal government provided additional funding for state social services departments to develop and implement a comprehensive automated system for social service workers to manage foster care and adoption assistance cases, referred to as “SACWIS.” Currently, Social Services uses the On-line Automated Services Information System (OASIS) as its case management system for foster care, adoption assistance, and child protective services cases. OASIS is not currently SACWIS-compliant; however, Social Services is working on implementing various eligibility, interface, and financial OASIS components in order to make OASIS a SACWIS compliant system.

As we reported in the prior year, Social Services does not currently have a control mechanism to verify that only individuals determined eligible and included in OASIS are receiving foster care and adoption payments. Since last year, Social Services has taken incremental steps in making OASIS SACWIS-compliant, and provided the local social services offices with a list of adoption assistance and foster care payments so that they could verify that only eligible individuals are receiving payments.

However, Social Services did not ensure that the localities performed a true reconciliation of the list of payments to the list of eligible individuals. Many localities simply noted that there was a difference between the two lists, but did not investigate why those differences existed.

By not requiring social workers to enter, update, and reconcile OASIS information to the payment system, local social services offices may be making over or under payments to individuals, or making payments to individuals who are not eligible to receive assistance. Local social service offices would then receive reimbursement from Social Services for these improper payments. In addition, Social Services may be reporting incorrect monthly payment amounts on their federal Adoption and Foster Care Analysis and Reporting System report, since the information submitted comes from OASIS and not from the foster care and adoption payment system.

While Social Services is making long-term plans for establishing controls in OASIS, management should take steps to ensure that the local social service offices verify that only individuals determined eligible and included in OASIS are receiving foster care and adoption assistance payments. Social Services should require localities to investigate and report any discrepancies noted during their verification reviews.

Current Year Findings

Improve Case File Documentation for Temporary Assistance to Needy Families

Federal regulations require Social Services to reduce or eliminate a recipient’s benefits if the recipient fails to cooperate with the Division of Child Support Enforcement (DCSE). In nine of the sixteen TANF cases tested, we either found a lack of documentation showing that DCSE referred the case to the local social services office, the case file did not contain adequate documentation to show that the case worker followed Social Services policies and properly reduced benefits, or there was an untimely delay between DCSE’s referral of the case and appropriate action taken by the case worker.

If DCSE does not properly refer non-cooperating cases to the local social service office, the eligibility worker cannot reduce benefits in a timely manner from the date of non-compliance. In addition, if the local eligibility worker does not document this non-compliance and subsequent actions taken, the local social service offices cannot show their compliance with federal regulations. By not complying with federal regulations or providing adequate documentation of compliance, Social Services may face other federal financial penalties. Due to a lack of documentation, we have questioned costs of \$13,200 in estimated benefit payments to these individuals.

Social Services should ensure that DCSE promptly notifies the local social services office of non-cooperation. In addition, Social Services should ensure the prompt reduction of benefits and train all caseworkers in understanding and complying with federal regulations as to what documentation TANF case files should contain.

Improve Usage of Income Eligibility and Verification System and Case File Documentation

Federal regulations require Social Services to participate in the Income Eligibility and Verification System (IEVS) by coordinating data exchanges with other income and benefit information systems. If the client's data matches information in one of the systems, the local eligibility worker must investigate further to determine whether the individual is eligible for assistance, and then document the results of their investigation.

Currently, Social Services runs a periodic IEVS report detailing client matches. After running the report, local eligibility workers must investigate their locality's case matches and document this review in the eligibility system. However, during our review, we found that localities are not consistently investigating or documenting their IEVS client matches. Specifically, we found localities that did not take action on a number of cases from an IEVS match report, which was run nine months before our inquiry. Additionally, we found that Social Services did not follow-up with localities to ensure they investigated the IEVS matches in a timely manner.

By not investigating IEVS matches promptly, Social Services may make improper payments to individuals who are not truly eligible for assistance. In addition, Social Services may also face federal financial penalties for not complying with federal regulations.

For only those cases tested, we have estimated questioned costs of \$52,000 for the TANF program because the local agency did not complete or document its reviews. In addition, while we were performing our review, we noticed that the local eligibility workers did not investigate IEVS matches for the Medicaid and Food Stamp programs. Since Social Services does have a policy; we did not consider this a fundamental breakdown in internal controls.

Social Services should investigate all IEVS matches in a timely manner, or work with the local agencies to ensure timely completion of reviews. The Central Office should also develop a mechanism to monitor the IEVS report matches to determine that the localities are taking appropriate action on their cases, which have matches.

Strengthen Controls over the Budgeting Process

During our review of the budgeting practices for Social Services, we identified several areas of concern that constitute internal control weaknesses. Social Services does not perform an analysis of individual local social services agencies' budgets as a whole.

Expand Budgeting to Include Total Locality Operations, Not Just by Program or Budget Line

Social Services budgets for the individual local agencies at the program or budget-line level and does not set a total local agency budget. This means that Social Services does not have a systematic process to monitor local agencies' total budgets, and therefore, cannot readily identify those localities that experienced dramatic variances between their original budgets and final budgets. It is especially difficult to determine budget variances if the changes occur in and among several program or budget lines.

Without a mechanism to evaluate the total budgets of localities as a whole, the Central Office may not identify larger issues involving individual localities. Monitoring and budgeting localities at the program or budget-line level enables Social Services to identify issues within specific programs, but prevents Social Services from capturing the overall funding levels of the localities. The lack of the “whole picture” may prevent Social Services from noticing if a locality has inadequate budget development procedures. We recommend that Social Services develop a mechanism to monitor the budgets of the localities as a whole.

Define Budget Oversight Responsibilities

Both program managers and budget staff share responsibilities for both local office budget development and oversight. While the budget development process has a series of reviews and coordinating activities, the oversight of budget is less clear and coordinated.

The budget staff and program managers have many of the same duties and functions including approving budget adjustments. While it is more sensible for program managers to monitor and adjust many of these items, Social Services has not documented the division of responsibility for these decisions. Without providing clear expectations for each party’s responsibilities for the respective budget lines, it becomes increasingly difficult to determine the appropriate level of responsibility for either the budget analyst or the program manager. Therefore, we recommend that the agency create a policy that clearly defines the responsibility each party has for their respective budget lines.

Budget Adjustments and Budget Execution Oversight

Social Services Budget Request System (BRS) automatically approves certain budget adjustment requests without considering the localities previous requests. When Social Services initially developed the system certain programs had unrestricted federal funding, therefore the system allowed budget requests for certain items to receive automatic approval if they fell within set monetary parameters. For example, Social Services may set the parameters for automatic approval for a budget or program line at either \$10,000 or 10 percent of the original amount, whichever was larger.

Budget personnel believed that the system’s automatic approval function had a yearly cumulative control feature. For example, when cumulative effects of budget adjustments reach 10 percent of the total budget for the year, the system will stop processing transactions. However, our review revealed that the system tests occur on individual transactions and does not accumulate or evaluate their yearly effect.

Therefore, local agencies could theoretically submit a series of transactions over time that doubled the budget and as long as not one transaction exceeded 10 percent the system would automatically approve the request. Additionally, certain personnel can easily change the automatic approval parameters, but Social Services does not record and track these changes. By not having an audit trail of the changes made in the system, agency personnel can inappropriately modify the parameters without agency knowledge.

Social Services needs to review its budget process in the three areas noted above. Comparisons of budgets to actual results are one of Social Services’ key monitoring tools in the environment in which Social Services operates. The issues above compromise the usefulness of this tool. Therefore, resolving these issues will provide Social Services with a reactive tool for responding to developing issues with a local social service agency.

Properly Report Federal Expenses on Financial Reports

Federal regulations require Social Services to complete federal financial reports for their major grants on a quarterly or annual basis. Additionally, these regulations require the reporting entity to reconcile the information in these reports to any internal financial systems and any necessary external financial reporting systems.

Overall, we found that Social Services does not have adequate grant reporting procedures to ensure that these grant reports are consistently prepared and sufficiently supported. During the audit, we reviewed a number of grant reports and found significant reporting errors. Specifically, the expenses on the Temporary Assistance for Needy Families, the Food Stamps, and the Low-Income Household Energy Assistance reports did not reconcile to the expenses in Social Services' financial system. Therefore, Social Services could not adequately support the expenses listed on these federal financial reports. In addition, Social Services also misreported the amount of unliquidated obligations on the Child Care and Development Block Grant report by improperly classifying budgeted locality amounts as an obligation.

By not reporting amounts on federal reports accurately, Social Services is not complying with federal requirements and may face federal financial penalties. Social Services should strengthen policies and procedures for preparing reports, as well as establish a method for determining the amount of funds obligated but not expended at fiscal year-end.

Improve Documentation of Medicaid Cases

Federal regulations require that Social Services follow specific requirements to ensure that individuals meet the financial and categorical requirements for Medicaid. In 11 out of the 50 Medicaid cases tested, we found a lack of documentation or untimely actions by the local social service offices. Many of the cases we reviewed had multiple items missing from the case files. Specifically, we found that the following documentation was incomplete and/or missing from the case files:

- verification of social security numbers through the Social Security Administration
- Notice of Actions notifying clients of actions taken on their cases
- identification and financial documentation
- evidence supporting a disability determination
- applications
- income eligibility system verifications

In addition, we found cases where the renewal period occurred after the one-year federal requirement, or could not determine whether the local social service office re-examined eligibility based on the information in the case files.

We reviewed only the information in the local social services agencies case files. We did not try to obtain the required documents to re-determine eligibility for those individuals having incomplete and/or missing information in their case files.

Until Social Services or the local agency obtains the required information, we are required to conclude that these participants are ineligible to participate in the program. As such, Social Services should accordingly notify The Department of Medical Assistance Services and treat these individual cases as questioned costs. Since we have had similar findings in the past, Social Services should review its training, policies and procedures, and systems to determine how to inform all caseworkers on the proper procedures and required documentation for this program.

By not complying with federal regulations or providing adequate documentation of compliance, the federal government may impose financial penalties, which would result in additional costs to the Commonwealth's General Fund. Without adequate documentation, Social Services cannot demonstrate it followed federal regulations.

Establish Control Mechanisms for Adult Services Payments

Social Services oversees an adult services program that provides at home care for the elderly and disabled and uses the Adult Services/Adult Protective Services (ASAPS) system as its case management system. Local social services offices administer the program by determining eligibility and making payments to the caretakers or contractors.

The local offices determine an individual's eligibility to participate in the program and enter eligible individuals into the ASAPS system with the name of their caretaker. The ASAPS system includes the amount of care an individual can receive and the amount of the payment a caretaker can bill.

Caretakers or contractors submit timesheets to the local offices to receive payments for care provided under the program. The local offices review and approve payments to the caretakers; however, an automated mechanism does not exist to verify the amount billed with the amount allowed in the ASAPS system or if the participant the caretaker submits the bill for is still eligible. Further, there is no requirement that the local office verify the billing with the ASAPS system.

Social Services should establish control mechanisms over the local adult services payments. Specifically, Social Services should require the local offices to reconcile or verify that the individuals and their caretakers are in the ASAPS system.

Strengthen and Ensure Compliance with Policies and Procedures for Local Adult Service Programs

Some local social services offices use contractors to provide services under the Adult Services Program. These contractors receive timesheets from individual caretakers, summarize the information, and provide the local offices one bill for payment. The contractors then pay the individual caretakers.

During our review, we visited two local social services offices and found that there were inadequate controls over payment processing, and that the local offices are not following Central Office policy. Specifically, we noted that contrary to established policy, local offices are contracting directly with vendors to provide caretaker services instead of allowing the client to choose their caretaker, as required by state policy. For example, instead of allowing a client to receive paid services from a selected relative or friend, local offices are contracting with external vendors to provide care services without client input.

We also noted a lack of adequate controls over the caretaker payment processing. Clients are not required to approve and submit timesheets for their caretakers. Instead, the caretakers complete and submit timesheets without approval from their client. In addition, the local offices we visited do not require the vendor to present timesheets before paying the submitted invoice. As a result, the local office cannot ensure that the recipient received the services billed by the vendor.

Social Services should provide sufficient guidance to the local offices for the adult services program by establishing more thorough policies and procedures. Once established, Central Office should communicate these policies and procedures and then monitor localities to ensure compliance.

Establish Adequate Controls and Separation of Duties in Collection of Child Support Payments

Social Services collects child support payments from non-custodial parents at courts and then processes these payments through the Central Office processing unit and the district offices located throughout the Commonwealth. During our review, we visited one district office and found that there were inadequate controls and separation of duties over the collection of child support payments. Specifically, we noticed that only one fiscal employee both receipted and recorded a large majority of the collections without subsequent verification; and as a result, that district office does not have adequate separation of duties or supervisor review of collection processing.

Child support enforcement court-specialists receive payments from non-custodial parents while in court. The specialist do not have adequate guidance on how to verify and receipt funds in the court, how to secure these moneys prior to delivery to the office, and how to establish an audit trail of the amount if returning to the Office after office hours. If funds are missing, Social Services cannot hold an employee accountable, since Social Services does not provide employees with a mechanism for establishing an audit trail for funds transferred between employees.

Without adequate controls and segregation of duties, Social Services risks losing child support payments. Social Services should establish adequate payment processing controls and segregation of duties at the district offices and then conduct reviews to ensure compliance with such policies.

Establish Adequate Controls over the Payroll and Human Resources Functions

Social Services does not currently have adequate controls over human resources and payroll processes. Social Services operates in a large, decentralized environment, making proper controls imperative when processing payroll and human resources transactions. Currently, we believe Social Services does not have sufficient policies, procedures, and controls established over a number of payroll and human resources processes. Specifically, we have concerns about the following areas:

- There is no policy prohibiting employees from submitting their own timesheets and overtime sheets. As a result, a large number of employees personally submit their own timesheets and overtime sheets to payroll after the supervisor has approved the timesheet and overtime sheets. Therefore, neither the supervisors nor payroll can ensure that the employee has not altered the timesheet or overtime sheet after approval.
- Payroll does not have a listing of supervisors who can approve timesheets so payroll does not know who has approval authority for the various sections within Social Services.
- Supervisors have insufficient policies over the amount of overtime and compensatory hours that can be earned, allowable use of these hours, and who must authorize and approve these hours. We found inconsistencies between different areas within Social Services on the criteria for earning overtime and some employees in certain divisions are earning either overtime or compensatory leave every pay period and work does not appear temporary in nature.

- Some non-exempt employees did not receive approval to earn overtime before having to work the additional hours, as required by Commonwealth Human Resources policies. Further, the payroll section does not have any knowledge of which employees can earn overtime and there is no prior approval required before employees begin earning compensatory leave.
- In addition, Social Services does not have a policy requiring timely submission of documentation. We found an instance where one employee submitted over a year's worth of overtime sheets several months after the end of a project, instead of submitting the overtime sheets at the end of each pay period. The supervisor approved these timesheets at that time and submitted them to payroll for processing.
- Social Services does not provide regional and district office supervisors with guidance on how to safeguard payroll checks before their distribution and which employees should not have access to those checks prior to distribution.
- Social Services did not perform timely reconciliations of the Virginia Retirement System to Commonwealth Integrated Payroll/Personnel System for the period of March 2006 to September 2006. Therefore, Social Services could not readily identify any discrepancies requiring resolution.
- Leave coordinators do not do timely entry of leave taken and earned into the leave system and employees can turn leave slips into the leave coordinator directly after approval from supervisors. In addition, we could not find written approval for some leave entered into the system. As a result, employees could falsify leave records or take leave that has already been used but not recorded.
- Supervisors and employees have insufficient policies and procedures to follow for managing the short-term disability process. Supervisors do not have the responsibility of communicating with human resources and payroll when an employee goes on disability leave. Consequently, if the employee does not take the initiative to notify the appropriate parties, then Social Services may continue to pay the employee his/her regular pay amount while on disability leave.
- Social Services does not provide sufficient guidance to supervisors on the length of time to retain non-exempt employees' timesheets. As a result, supervisors may not maintain this documentation for the appropriate time-period, which is the proof of compliance with the federal Fair Labor Standards Act.
- Social Services does not have a complete listing of employees who received payroll overpayments and does not consistently try to recoup these overpayments. In addition, we found Social Services was unaware of \$1,853.67 in employee payroll overpayments.

In addition, Social Services does not provide sufficient training to its direct supervisors to inform them of their responsibilities for payroll and human resources-related processes. Without this knowledge, supervisors cannot aid Social Services in ensuring these processes are functioning as intended.

Social Services should assess their current human resources and payroll policies, procedures, and controls. Management should review the Commonwealth's human resources and payroll policies for guidance. Then, Social Services should establish adequate policies, procedures, and other controls over their payroll and human resources processes, specifically in those aforementioned areas of concern. In addition, Social Services should communicate these policies and procedures with Social Services' employees and supervisors to ensure that those throughout the agency are aware of their individual responsibilities.

Follow Established Policies over the Small Purchase Charge Card Program

Social Services had inadequate supporting documentation for small purchase charge card expenses and did not follow established policies for 18 out of the 20 selected statements we reviewed. We found the following:

- Missing receipts for purchases, totaling \$1,458.14 and could not determine the validity of these purchases.
- No evidence showing that the cardholder made the purchases, since other employees had the invoices and approved the purchase.
- Cardholders submitted statements late for payment or we found no indication of date of submission.
- Reconciliations not prepared in a timely manner.
- Sales tax paid on purchases.
- Purchase documentation not approved by the employee's supervisor.
- Indications that cardholders did not maintain an on-going purchase log, but instead listed the items that were on the statement at month-end. Therefore, there was no true reconciliation of purchases to the statement.
- A cardholder exceeded their transaction limit without documentation of prior approval.
- Incomplete purchase log.
- Amount paid exceeded invoice amount.

These issues are a result of a lack of small purchase charge card supervisory review and oversight. Without adequate review and oversight over the small purchase charge card expenses, the program is more susceptible to fraud, waste, and abuse.

Social Services should ensure that there is adequate oversight and supervisory review. In addition, Social Services should maintain adequate supporting documentation for charge card purchases and should always prepare reconciliations between the purchase log and the statement to ensure that there are only authorized and appropriate charges.

Periodically Review and Reconcile Firewall Rules

Currently, Social Services requires paper submission for all requested changes to Social Services' firewalls. Change requests initiate from a manager and undergo review by a security administrator and a Virginia Information Technologies Agency or Northrop Grumman employee before implementation. These steps help ensure the correct implementation of the firewall rules in order to protect Social Services' network from unauthorized access. However, after implementation, Social Services does not currently have a process to review these rules periodically to ensure that they are still necessary.

By not periodically reviewing and reconciling rules between the requesting users and those that still exist on the firewalls, Social Services risks having obsolete rules still in effect on their firewalls. If Social Services does not remove obsolete firewall rules in a timely manner, attackers may find a security weakness and exploit Social Services' network.

In order to prevent such security weaknesses, Social Services should develop and implement a process to reconcile the rules in place on the firewalls with those that users still require. By ensuring that only necessary firewall rules are in place, Social Services can help avoid inappropriate access to their network.

Reconcile ADAPT System Data to the Data Warehouse

Social Services transfers caseload records from the Application Benefit Delivery Automation Project (ADAPT) system to the Data Warehouse to summarize and analyze TANF information. Social Services uses the information in the warehouse to monitor the localities and make management and policy decisions. In addition, external parties also use this information, including the General Assembly and other governmental agencies. Currently, Social Services does not reconcile the information transferred from the ADAPT system to the Data Warehouse, resulting in a lack of assurance that all of this data transferred correctly. Since management and external parties rely on the data in the Data Warehouse for decision-making, Social Services should reconcile the information in the two systems to ensure that they are using accurate and complete data for making important business decisions.

Perform Adequate Information Technology Data Backups

Social Services does not properly store system backup tapes at an offsite location. Instead, we observed backup tapes in a cabinet within ten feet of the servers. Social Services had none of the backup tapes in a secure, off-site storage facility.

By not storing backup tapes in a secure, off-site location, Social Services is at risk of losing valuable information so that it may not be able to restore critical systems in a timely manner. A disaster destroying the computer room would also most likely destroy the backup tapes, thus making it impossible to restore information on the agency's information systems. In addition, Social Services has the risk of losing all customized and proprietary applications residing on the servers in the computer room. Therefore, Social Services should immediately make provisions to take their backup tapes to a secured off-site location.

AGENCY OVERVIEW

The Department of Social Services (Social Services) administers over 40 programs that provide benefits and services to low-income families, children, and vulnerable adults. Both the state and local governments share in the administration of social service programs. Social Services is comprised of a Central Office, five regional offices, eight licensing offices, and 21 support enforcement offices. There are also 120 locally operated social service offices across the state, which report to the local governments, but receive direction and support from Social Services.

The Central Office has primary responsibility for the proper administration of all federal and state-supported social service programs. The Central Office establishes policies and procedures that ensure adherence to federal and state requirements, which local offices implement. Both Central Office and regional offices enforce these policies and procedures by monitoring the local offices. The Central and regional offices often provide technical assistance to local offices and the regional offices serve as a liaison between the Central and local offices. In addition, the Central Office distributes benefits to eligible households and vendors under the Temporary Assistance for Needy Families (TANF), Food Stamp, and Energy Assistance programs.

Child Support Enforcement is a state-administrated and operated program. Child support offices process custodial parent information, help locate non-custodial parents, establish paternity, enforce both administrative and court orders, and collect and distribute child support monies.

Licensing offices regulate licensed child and adult care programs including the following programs: certified preschools, child day centers, family day homes, child placing agencies, and children's residential facilities. They also regulate adult day care centers and assisted living facilities.

In fiscal 2006, the Central, regional, child support, and licensing offices spent approximately \$983 million (60 percent) of Social Services total funding. This amount includes benefit assistance amounts paid directly to individuals.

Local social service offices deal directly with consumers. They perform a variety of functions including eligibility determination and "service" program administration such as Foster Care, Child/Adult Daycare, Adoption, and Child/Adult Protective Services. Local offices also provide information to consumers transitioning from dependency to independence. In fiscal 2006, Social Services paid over \$658 million (40 percent) of its total expenses to local social service offices.

Federal Disallowance of Foster Care and Adoption Expenses

During fiscal 2005, the U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF) conducted a review of the foster care and adoption assistance programs. As a result of the review, ACF disallowed over \$41 million of Social Services foster care and adoption assistance expenses. These disallowances involved three specific program areas: foster care pre-placement and prevention activities, special needs adoption claims, and training activities. Social Services hired outside legal counsel to facilitate their appeal of federal disallowances to the HHS Appeals Board.

Social Services and ACF reached an agreement in June of 2006 to resolve the federal disallowances of foster care and adoption payments. Under this arrangement, Social Services agreed to withdraw any claims for disallowed amounts and repay an additional \$4.8 million, while ACF agreed to not disallow more expenses under Social Services foster care pre-placement and prevention activities. Social Services also agreed to cease the activities of its foster care pre-placement and prevention program and revise their policies, procedures, and cost allocation plan.

FINANCIAL INFORMATION

Tables 1 and 2 summarize Social Services' budgeted revenues and expenses compared with actual results for the fiscal year ended June 30, 2006.

Table 1

Analysis of Budgeted and Actual Funding by Funding Source*

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual Funding</u>
General Funds	\$ 326,625,242	\$ 357,916,176	\$ 357,916,176
Special funds	630,507,704	630,769,195	616,876,512
Federal funds	<u>729,100,184</u>	<u>774,899,063</u>	<u>662,684,955</u>
Total	<u>\$1,686,233,130</u>	<u>\$1,763,584,434</u>	<u>\$1,637,477,643</u>

*Source: Original Budget - Appropriation Act Chapter 951, Adjusted Budget and Actual Funding Commonwealth Accounting and Reporting System (CARS)

The increase in the General Fund budget is from the receipt of a deficit appropriation to ensure available funding for the Low Income Home Energy Assistance Program to provide heating assistance. This additional funding was necessary to fund the increased heating costs during the winter of 2005-2006. Actual special revenue funds fell short of the amended budgeted amount primarily due to child support collections falling slightly short of projections. Child support funds comprise the most significant portion of special revenues.

Actual federal grant revenues received for fiscal 2006 did not meet adjusted budget expectations because of the federal foster care and adoption disallowances and Social Services suspension of billing for pre-placement and prevention services. During fiscal 2006, Social Services received approximately 67 percent of their federal grant funding from five grants: the Temporary Assistance for Needy Families (TANF) grant, the Foster Care grant, the Social Services Block Grant, the State Administrative Matching Grants for the Food Stamp Program, and the Child Care Mandatory and Matching Funds of the Child Care and Development Fund.

Although the State Administrative Matching Grants for the Food Stamp Program is Social Services fourth largest source of federal funding, the amount does not include the Food Stamp benefits that recipients receive as direct benefits. The individual benefits are 100 percent federally funded and go directly from the federal government to the Commonwealth's electronic benefits transfer contractor, J.P. Morgan. During fiscal year 2006, J.P. Morgan disbursed approximately \$521 million in Food Stamp benefits, which are not part of DSS's expenses shown below.

Table 2

Analysis of Budgeted and Actual Expenses by Program

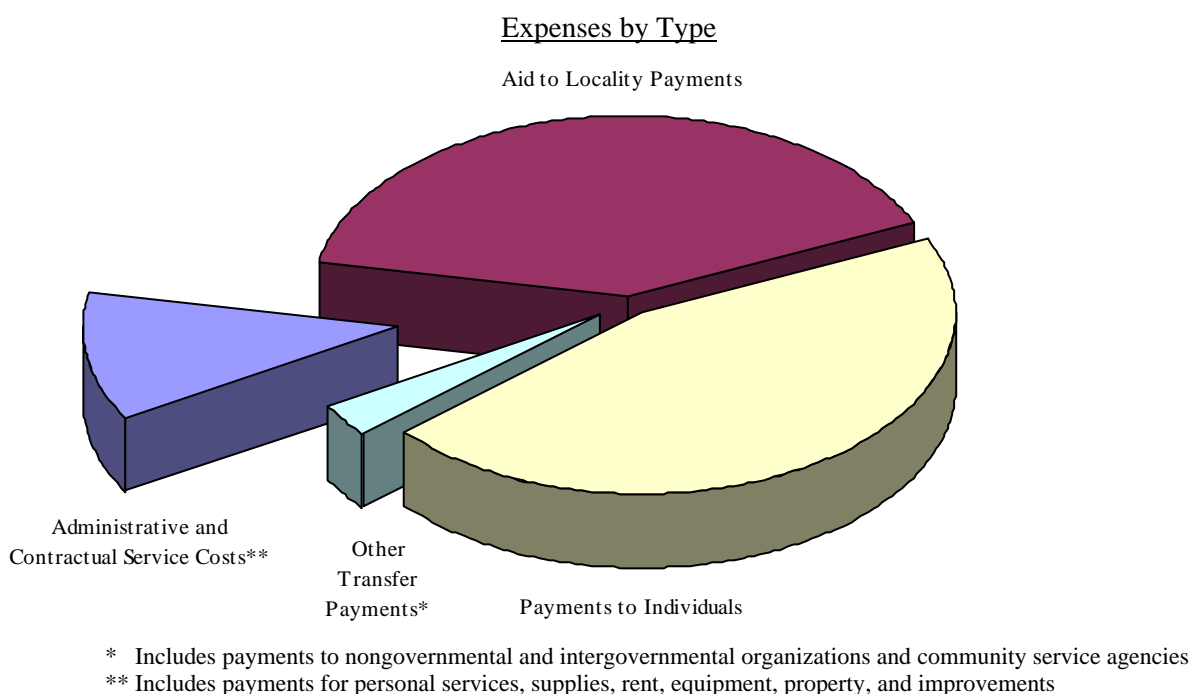
Program	Program Expenses			Actual Expenses by Funding Sources			
	Original Budget	Adjusted Budget	Actual	General Fund	Special Revenues	Trust and Agency	Federal Grants
State administration for Standards of Living services	\$49,600,837	\$54,101,302	\$47,819,273	\$13,016,249	-	-	\$34,803,024
State administration for Standards of Living services Temporary Income Supplement Services	49,600,837 170,423,999	54,101,302 203,130,259	47,819,273 181,491,204	13,016,249 64,250,102	- 59,500	- 185,000	34,803,024 116,996,602
Temporary Income Supplement Services	170,423,999	203,130,259	181,491,204	64,250,102	59,500	185,000	116,996,602
Protective Services	156,428,117	156,232,929	152,145,270	81,752,066	732,509	-	69,660,695
Protective Services							
Financial assistance to local welfare/social service boards for administration of benefit programs	156,428,117 154,552,518	156,232,929 171,668,027	152,145,270 167,284,334	81,752,066 48,905,277	732,509 706,578	- -	69,660,695 117,672,479
Financial assistance to local welfare/social service boards for administration of benefit programs Continuing Income Assistance Services	154,552,518 24,583,475	171,668,027 22,733,475	167,284,334 22,733,429	48,905,277 22,733,429	706,578 -	- -	117,672,479 -
Continuing Income Assistance Services							
Employment Assistance Services	24,583,475 77,834,222	22,733,475 77,834,222	22,733,429 57,229,204	22,733,429 27,354,896	- -	- -	- 29,874,308
Employment Assistance Services Child Support Enforcement Services	77,834,222 674,644,957	77,834,222 682,120,719	57,229,204 655,023,220	27,354,896 -	- 29,755,627	- 571,392,638	29,874,308 53,874,954
Child Support Enforcement Services							
Administrative and Support Services	674,644,957 47,354,241	682,120,719 57,851,875	655,023,220 52,522,011	- 23,641,096	29,755,627 2,410,779	571,392,638 -	53,874,954 26,470,136
Administrative and Support Services							
Financial Assistance for Individual and Family Services	47,354,241 318,444,196	57,851,875 324,637,803	52,522,011 282,946,359	23,641,096 57,050,312	2,410,779 -	- -	26,470,136 225,896,047
Financial Assistance for Individual and Family Services Regulation of Public facilities and services	318,444,196 12,366,568	324,637,803 13,273,823	282,946,359 12,196,462	57,050,312 4,265,999	- 532,203	- -	225,896,047 7,398,260
Regulation of Public facilities and services	<u>12,366,568</u>	<u>13,273,823</u>	<u>12,196,462</u>	<u>4,265,999</u>	<u>532,203</u>	<u>-</u>	<u>7,398,260</u>
Total	<u>\$1,686,233,130</u>	<u>\$1,763,584,434</u>	<u>\$1,631,390,765</u>	<u>\$342,969,426</u>	<u>\$34,197,196</u>	<u>\$571,577,638</u>	<u>\$682,646,505</u>

Actual expenses for the Temporary Income Supplement Services program fell short of the adjusted budget because Social Services received an emergency deficit appropriation as discussed earlier for home heating costs. The variance between the Employment Assistance Services program's actual expenses and adjusted budget is a result of the TANF program receiving more federal appropriations than anticipated.

Actual expenses for the Financial Assistance for Individual and Family Services program fell short of both the original budget and the adjusted budget because Social Services discontinued claiming federal pass-through funds for the Claims Integrity pre-placement and prevention activities due to federal disallowances of previous expenses. This caused federal expenses to be less than originally estimated.

Social Services has the following sources of funding: 21 percent General Funds, 37 percent special revenue, which includes child support enforcement funds, and 42 percent federal grants. General Fund expenses include state matching dollars spent in order to receive federal funds.

The figure below summarizes Social Services' expenses by type for the fiscal year ended June 30, 2006.



Approximately 89 percent of Social Services' expenses are transfer payments to local governments, individuals, and other organizations. Payments to individuals, financial assistance for individuals and family and child support enforcement, comprise about 59 percent of Social Services' total transfer payments. In fiscal 2006, Social Services paid more than \$648 million (approximately 40 percent of total expenses) to local social service agencies and nearly \$736 million (approximately 45 percent of total expenses) to individuals as direct benefits. Administrative and contractual service costs are 11 percent of total expenses. Social Services spent almost \$98 million on personal service expenses and roughly \$79 million on contractual services.

Table 4 summarizes the aid to locality payments by subprogram for the fiscal year ended June 30, 2006.

Table 4

Aid to Locality Expenses by Subprogram

Benefits programs administration	\$153,275,759	24%
Direct social services	112,224,127	17%
Day care (non-TANF)	93,468,719	15%
Foster care	78,609,196	12%
Financial assistance for child and youth services	54,533,149	8%
Individual and family economic independence services through day care support (TANF)	52,675,288	8%
Individual and family economic independence services through employment assistance services	46,552,074	7%
Supplemental income assistance to the aged, blind, and disabled	22,323,591	4%
Other	<u>34,663,300</u>	5%
Total	<u>\$648,325,203</u>	

Of the \$648 million paid to the localities, 41 percent of the funds are for local social service agency benefits programs administration and direct social services. These subprograms include administrative and other allocable costs, pass-through funds, and locality contractual services. Foster care expenses include maintenance payments to foster care families, foster parent and staff training, and additional foster care administrative costs. Adoption incentive payments, special needs adoption expenses, and adoption-related contracts are included in Financial Assistance for Child and Youth Services subprogram. Other aid to locality expenses include: regional and area-wide assistance administration, general relief payments, resettlement assistance, emergency assistance, Comprehensive Services Act administration, financial assistance for employment services, non-public assistance child support payments, and other purchased services.

Table 5 summarizes the payments to individuals by subprogram for the fiscal year ended June 30, 2006.

Table 5

Payments to Individuals by Subprogram

Non-public assistance child support payments	\$560,327,642
Temporary Assistance for Needy Families (TANF)	116,149,001
Emergency assistance	46,740,174
Other	<u>12,381,338</u>
Total	<u>\$735,598,155</u>

Of the nearly \$736 million paid directly to individuals, approximately 76 percent is non-public assistance child support payments. These payments are to custodial parents from the child support special revenue fund. Once Social Services has collected the child support payment from the non-custodial parent, Social Services redistributes the money to the custodial parent.

TANF payments represent nearly 16 percent of Social Services payments to individuals. These are cash payments made directly to eligible families to help meet basic monthly needs.

Emergency assistance payments account for just over six percent of Social Services' payments made to individuals. Disaster assistance cash payments fall under this category, as well as payment from the Low Income Home Energy Assistance Program. Under the home energy assistance program, Social Services pays energy vendors and individuals directly. Other payments to individuals include expenses related to unemployed parent supplements and public assistance child support collections.

Business Process Reengineering

Social Services is continuing to work on its business process reengineering project (BPR), using First Data Government Solutions, an outside consulting firm, to facilitate the process. During 2005, Social Services completed the initial phases of the BPR – the “as is” phase, which defined the processes utilized by Social Services, and the “to be” phase, which involved improving customer service through the identification and removal of certain process barriers.

Social Services has been involved in several steps to further the BPR process along. Currently, Social Services is seeking to hire a Change Management manager, as well as three additional staff to facilitate the changes that will occur. Social Services is also setting up an Enterprise Steering Committee to serve as the central contact point for the information technology initiatives that will cross over several systems of program areas. Social Services has been working with the staff from the Newport News Department of Social Services to develop a business modeling laboratory that will assist in testing policy and information systems changes affecting programs within the Benefit Programs section of Social Services.

Social Services is currently beginning several other initiatives in the BPR process. These initiatives involve a review to determine the responsible parties for different policy chapters, whether these chapters are current, and whether there are discrepancies between the chapters. In addition, Social Services has filled a position to assist in strategic planning efforts to help meet the requirements developed by Social Services of Planning and Budget and the Governor's Office, as related to the reporting of service areas and key performance measures.

System Conversion

Social Services is starting a project to convert two existing systems using the antiquated MAPPER programming language to a modern language. This conversion was originally a part of Social Services' original BPR plan, which included having a \$128 million dollar public-private partnership to replace the majority of their IT systems. Social Services suspended the public private partnership initiative in January 2006 and subsequently cancelled it in September 2006. Their focus has since shifted to system projects where funding is more attainable.

The current MAPPER conversion project is part of the Governor's fiscal 2007-2008 proposed budget. Management estimates this project will cost \$34.4 million over 5 years, with a projected start date of July 2007. The Governor's proposed budget would allow Social Services to finance up to \$25 million and pay the loan back with savings from a new more modern system. Social Services anticipates the savings will come from reduced costs by discontinuing MAPPER processing and use. Management anticipates these savings at about \$11 million a year based on prior costs. Virginia Information Technologies Agency's Project Management Division has been working with Social Services on this effort, ensuring they follow the Commonwealth's project management standard.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

March 9, 2007

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited the financial records and operations of the **Department of Social Services** for the year ended June 30, 2006. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives

Our audit's primary objective was to evaluate the accuracy of Social Services financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2006 and test compliance for the Statewide Single Audit. In support of this objective, we evaluated the accuracy of financial transactions in the Commonwealth Accounting and Reporting System and in Department's accounting records; reviewed the adequacy of Social Services internal control; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

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.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues	Federal grant revenues and expenses
Expenses	Network security and system access

We performed audit tests to determine whether Social Services' 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. Our audit procedures included inquiries of appropriate personnel; inspection of documents, records, and contracts; and observation of Social Services' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusion

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

We noted certain matters involving internal control and its operation that require management's attention and corrective action. We also noted matters of noncompliance that are required to be reported under Government Auditing Standards. These matters are described in the section entitled "Internal Control and Compliance Findings and Recommendations."

Social Services has taken adequate corrective action for four of the seven audit findings reported in the prior year that are not repeated in this report. Social Services has not taken adequate corrective action with respect to the prior findings "Properly Manage and Maintain Access to Information Systems," "Maintain Local Employee Tracking System," and "Establish Control Mechanisms for Foster Care and Adoption Payments." Accordingly, we include these findings in the section entitled "Internal Control and Compliance Findings and Recommendations."

EXIT CONFERENCE

We discussed this report with management on March 19, 2007 and their response is included at the end of this report.

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

AUDITOR OF PUBLIC ACCOUNTS

GDS:jab
jab:42



COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

Office of the Commissioner

Anthony Conyers, Jr.
COMMISSIONER

March 23, 2007

Mr. Walter J. Kucharski
Auditor of Public Accounts
101 North 14th Street
Richmond, Virginia 23219

Dear Mr. Kucharski:

The Virginia Department of Social Services' (VDSS) response to the Auditor of Public Accounts (APA) audit report for fiscal year ended June 30, 2006 is enclosed and titled "Response to Auditor of Public Accounts Report for Fiscal Year Ended June 30, 2006." In accordance with the *Commonwealth Accounting Policies and Procedures Manual*, Topic 10205 (Agency Response to APA Audit), our response includes the cited findings and recommendations and provides the related corrective action plans, including the individuals responsible for implementation and the target dates for completion.

Please contact me at (804) 726-7011 if you require additional information.

Sincerely,

A handwritten signature in black ink that reads "Anthony Conyers, Jr." with a stylized flourish at the end.

Anthony Conyers, Jr.

Enclosure

cc: Wallace G. Harris, Chief Operating Officer, VDSS
Lynette W. Isbell, Acting Director, Service Programs, VDSS
Renée Fleming Mills, Director, Human Resource Management, VDSS
F. Richard Schreiber, Director, Audit Services, VDSS
J. R. Simpson, Chief Financial Officer, VDSS
Thomas J. Steinhauser, Director, Benefit Programs, VDSS
Harry R. Sutton, Director, Information Systems, VDSS
Nathaniel L. Young, Jr., Deputy Commissioner & Director, Child Support Enforcement, VDSS

**VIRGINIA DEPARTMENT OF SOCIAL SERVICES
RESPONSE TO AUDITOR of PUBLIC ACCOUNTS AUDIT REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2006**

RISK ALERTS

Evaluate the Adequacy of the Eligibility Determination Process

Finding: Eligibility errors made by local departments of social services could result in undetected payments to ineligible participants which, in turn, puts the Medicaid program and the state of Virginia at risk. (This issue is deemed by the auditors to be beyond the corrective action of DSS and, therefore, requires the coordinated efforts of other agencies/parties, primarily the Department of Medical Assistance Services [DMAS]).

Recommendation: The Commonwealth should give the managers of the Medicaid program authority to take cross-organizational actions to ensure the accuracy of participant eligibility.

Response (provided by Marilyn B. Tavenner, Secretary, Health & Human Resources): DSS and DMAS will work together with other interested parties to address the eligibility issues raised in this risk alert.

Response (provided by Wallace G. Harris, Chief Operating Officer): The Department is working with DMAS to develop a plan for resolving the identified eligibility issues. We anticipate completion of this plan by April 1, 2007.

Meeting the Single Audit Deadline of March 31

Finding: Agency requests to discuss and understand audit findings is affecting the Auditor of Public Accounts' ability to meet the March 31st deadline for the Statewide Single Audit Report.

Recommendation: Agencies must meet an accelerated time table for resolving audit findings or the state Comptroller must directly coordinate the discussion of audit findings.

Response (provided by Wallace G. Harris, Chief Operating Officer): Discussions between the auditor and the audited entity are a standard part of the audit process. While the Department does not know the exact number of meetings requested during the current audit or how those meetings adversely impacted the auditor's Statewide Single Audit deadlines, we concede that there may have been more meetings than in previous years. We submit, however, that those meetings were in proportion to the number of findings, the complexity of those findings and the agency's need and desire to understand acceptable corrective actions.

To our knowledge, the agency was not delinquent on any of the auditor's requests and/or deadlines. The Department will continue to be aware of the auditor's deadlines but must, at the same time, continue to obtain a clear understanding of potential findings, the consequences of those findings and the actions needed to properly address them.

**VIRGINIA DEPARTMENT OF SOCIAL SERVICES
RESPONSE TO AUDITOR of PUBLIC ACCOUNTS AUDIT REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2006**

INTERNAL CONTROL & COMPLIANCE FINDINGS & RECOMMENDATIONS

Properly Manage & Maintain Access to Information Systems

Finding: The Department has no automated centralized record of employee system access and the levels of that access. In addition, notification procedures for employee separations were not being followed and the Division of Human Resource Management (DHRM) was not being notified of changes in local employee status.

Recommendation: Recognizing that correcting these issues is cost prohibitive and part of the Department's overall strategy for replacing its systems, the following interim steps should be taken: (1) The Department should continue its development of a centralized system for monitoring system access and use this system to review and verify accuracy; (2) The Department should work to report specific applications access levels for each user; (3) DHRM should maintain an accurate listing of local employees and contractors; and (4) Employee terminations should be processed timely.

Response (provided by Harry R. Sutton, Director, Information Systems, & Renée Fleming Mills, Director, Human Resource Management): As acknowledged by the auditor and in response to the 2005 audit finding, the Department is developing a centralized system for monitoring system access. The Security Access Management System (SAMS), which is scheduled for implementation in April 2007 and has been presented to the APA, will also provide the consolidated record of system access by employee as recommended by the auditor in 2005 and 2006.

This system will not, however, identify the specific application access for each user. The Department will explore the feasibility, including a cost/benefit analysis, of adding this component to SAMS. This study will be completed by September 30, 2007. In the interim, the Department will implement a manual process which the auditor indicated would satisfactorily serve as an alternative control. On a semiannual basis, every security officer at the state and local level will be supplied with a random sample of employees in their area of responsibility. Senior management will then be required, within defined time parameters, to review and certify in writing the system capabilities and the appropriateness of those capabilities for the employees in the sample.

Regarding timely removal of system access for terminated employees, the Department's error rate improved from 24 percent in 2005 (123 of 530) to 17 percent in 2006 (93 of 544). To further improve these statistics, the Division of Human Resource Management will undertake the actions outlined in the below response to the finding titled "Maintain Local Employee Tracking System." DHRM will also implement a process requiring managers to notify DHRM of terminations, via a personnel transaction form, upon receipt of a resignation. DHRM will then notify affected divisions so that all termination actions, including deactivation of security access, can be executed on the effective termination date. We anticipate this process will be in place by April 30, 2007.

**VIRGINIA DEPARTMENT OF SOCIAL SERVICES
RESPONSE TO AUDITOR of PUBLIC ACCOUNTS AUDIT REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2006**

Maintain Local Employee Tracking System

Finding: The information in the Local Employee Tracking System (LETS) is not accurate or current.

Recommendation: The Department should continue to work with local departments of social services (LDSS) to establish a process to ensure the accuracy of the information recorded in LETS.

Response (provided by Renée Fleming Mills, Director, Human Resource Management): While the Department agrees that LETS is incomplete, we have accomplished the actions committed in our response to the previous year's audit. In that audit, we committed to develop a plan by April 30, 2006. The April 30, 2006 plan established March 31, 2007 as the goal for completion of the LETS data update and we are still on target with that date. It should also be noted that the update of LETS is not limited to entering and deleting employee names. Rather, it involves multiple steps: compensation plans and individual positions for each agency must be entered into and approved by LETS; deviating agencies (those having their own human resource function) have to be cross-walked to state classifications; and then employees are entered.

To improve LETS accuracy between now and March 31, 2007, the Department will generate monthly LETS reports and distribute these reports to local departments of social services (LDSS) for review and identification of discrepancies. LDSS, in coordination with DSS Human Resource Management (DHRM), will correct identified discrepancies within a two-week period. Effective March 31, 2007 with the rollout of the Security Access Management System, a report of LETS exceptions will be automatically generated every two weeks and forwarded to the applicable LDSS for resolution. Before that rollout, DHRM will establish and distribute, to the LDSS, procedures and time frames for resolving discrepancies identified in the exception reports.

Establish Control Mechanisms for Foster Care & Adoption Payments

Finding: The Department does not have a mechanism for verifying that only eligible individuals recorded in the On-line Automated Services System (OASIS) are receiving foster care and adoption payments. In addition, local departments of social services (LDSS) did not investigate discrepancies identified in the reconciliation of payments to eligible persons.

Recommendation: The Department should establish procedures to ensure that only eligible persons recorded in OASIS are receiving foster care and adoption payments and that discrepancies are identified and resolved.

Response (provided by Lynette W. Isbell, Acting Director, Service Programs): As acknowledged by the auditor, the Department accomplished (and exceeded) the corrective actions in our response to the previous year's audit. We required that LDSS verify, twice annually for a given month, the accuracy of eligible individuals recorded in OASIS; we released several Broadcasts on this subject; and we diligently followed up to ensure receipt of all written certifications. While the Department is satisfied that the LDSS performed the reconciliations and identified the discrepancies, we agree

**VIRGINIA DEPARTMENT OF SOCIAL SERVICES
RESPONSE TO AUDITOR of PUBLIC ACCOUNTS AUDIT REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2006**

that certain LDSS did not investigate the discrepancies and/or document/execute corrections. Therefore, effective with the next scheduled certification, the Department will require LDSS to provide an explanation for all discrepancies and to document and execute the related corrections. (The backup documentation will be maintained in the LDSS.) We note that the interface between LDSS financial systems and OASIS, which would automate this process, is on target for completion by December 31, 2007, per our 2005 response.

Improve Case File Documentation for Temporary Assistance to Needy Families (TANF)

Finding: In nine of 16 TANF cases tested, there was no evidence that local departments of social services (LDSS) received timely notification of and/or followed proper procedures related to custodial parents' failure to cooperate with the Division of Child Support Enforcement (DCSE). As a result, benefit payments of \$13,200 have been questioned.

Recommendation: The Department should promptly notify LDSS of non-cooperation and ensure that LDSS obtain and retain proper and complete TANF documentation.

Response (provided by Thomas J. Steinhauer, Director, Benefit Programs): To improve LDSS documentation of and timely reduction in benefits for non-cooperation with DCSE, the Division of Benefit Programs (DBP) will, in coordination with DCSE, explore ways to streamline and enhance the non-cooperation process and its timeliness. DPB will also work with the Division of Information Systems to ensure that non-cooperation alerts are properly programmed and released. In addition, DBP will issue a Broadcast by April 1, 2007 reminding LDSS of non-cooperation procedures.

To further enhance this process, the Department will provide training in quarterly regional meetings, beginning with the next scheduled quarterly meeting. The LDSS identified by the auditor as having insufficient documentation and/or trails were notified of the issues and asked to provide corrective action to DBP by March 15, 2007. As of March 20, 2007, the 14 cited cases had been reported as corrected.

Improve Usage of Income Eligibility & Verification System & Case File Documentation

Finding: Local departments of social services (LDSS) are not investigating and/or documenting Income Eligibility & Verification System (IEVS) client matches and the Department is not monitoring this process. This resulted in questioned costs of \$52,000.

Recommendation: The Department should monitor LDSS to ensure that IEVS matches are promptly investigated and documented.

**VIRGINIA DEPARTMENT OF SOCIAL SERVICES
RESPONSE TO AUDITOR of PUBLIC ACCOUNTS AUDIT REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2006**

Response (provided by Thomas J. Steinhauser, Director, Benefit Programs): The local departments of social services identified as not having investigated and/or resolved IEVS client matches were notified of the exceptions and asked to report corrections to the Division of Benefit Programs by March 15, 2007. As of March 20, 2007, the four cited cases had been reported as corrected.

To strengthen the IEVS process performed at LDSS, the Department will also: (1) change the IEVS training program from self-study to live training and deliver the training no later than June 30, 2007; (2) review IEVS procedures with applicable divisions on a quarterly basis to ensure that all parties are in sync on processes and requirements; (3) issue a Broadcast to LDSS by April 1, 2007 emphasizing the importance of complying with IEVS procedures; and (4) revise the IEVS monitoring form and procedures by April 1, 2007 to ensure that IEVS matches are reviewed monthly as part of the regularly scheduled monitoring process.

Strengthen Controls over the Budgeting Process

Finding:

(1) **Expand Budgeting to Include Total Locality Operations, not just Program or Budget Line**

The Department budgets for the individual localities at the budget line instead of at the locality level and cannot, therefore, monitor individual locality budgets as a whole.

(2) **Define Budget Oversight Responsibilities**

The Department lacks appropriately documented division of responsibilities between the respective program managers and appropriate budget staff.

(3) **Budget Adjustments and Budget Execution Oversight**

The Department's Budget Request System (BRS) automatically approves certain budget adjustment requests without considering other budgetary requests made by the locality.

Recommendation:

(1) The Department should develop a mechanism to monitor locality budgets as a whole.

(2) The Department should document budget responsibilities.

(3) There should be an audit trail of changes made in the budget system.

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Response (provided by J. R. Simpson, Chief Financial Officer):

- (1) Management does not agree that the failure to review locality budgets as a whole prevents the Department from identifying budget variances or from monitoring local agency budgets. The Virginia Social Services System is a state-managed, locally administered system; therefore, the development and management of local budgets are local responsibilities. In addition, since the social services system is program driven, DSS' oversight is, by definition and necessity, focused on individual programs. The Department's primary financial function is to reimburse localities, within funds available, for expenditures related to specific programs. We also note that the ability to shift funds is limited by the fact that funding for budget lines provided to local departments is appropriated in multiple programs in the state budget.
- (2) Although the BRS contains the name of program and budget staff authorized to approve specific budget lines, it does not, as noted by the auditor, document responsibilities. By April 1, 2007, the Department will develop procedures which define the responsibilities of staff authorized to initiate and/or execute budget transactions. These procedures will require that the budget office create and maintain a list of persons, by name, authorized to approve budget transactions. DSS staff will be trained on these procedures by June 30, 2007.
- (3) The Department agrees that the automatic approval feature of the Budget Request System was incorrectly programmed and, as such, disabled this function and notified the localities on January 30, 2007. Since the automatic approval was created to decrease the number of hands-on transactions and reduce turnaround time to the local social services agencies, we plan to have this feature reprogrammed and back in operation by June 1, 2007. In the interim, we have developed a report for monitoring the propriety of automatic approvals. Approval procedures will be further enhanced and documented by June 1, 2007.

Properly Report Federal Expenses on Financial Reports

Finding: Expenses reported on the Temporary Assistance to Needy Families (TANF), the Food Stamps and the Low Income Household Energy Assistance Program (LIHEAP) reports did not reconcile to expenses in the Department's financial systems, precluding accuracy on the federal financial reports. In addition, the amount of unliquidated obligations for the Child Care and Development Fund (CCDF) was misreported.

Recommendation: The Department should strengthen policies and procedures for preparing federal reports and establish a method for determining the amount of obligated, unexpended expenses at fiscal year-end.

Response (provided by J. R. Simpson, Chief Financial Officer): The Department concurs that there were errors on the cited reports and began corrective action at the time of discovery. A revised Food Stamps report for federal fiscal year 2006 was submitted March 2, 2007. The LIHEAP report for federal fiscal year 2006 will be revised and resubmitted by March 16, 2007. The TANF report is cumulative; therefore, the TANF report for the quarter ending December 31, 2006 will be submitted on March 8, 2007 and will reflect the necessary adjustments. If a revision to

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the CCDF report is required, it will be completed by March 31, 2007. In conjunction with these corrections, the Department will review its procedures for preparing and submitting federal reports and implement the appropriate enhancements by September 30, 2007. The Department will also, by March 31, 2007, clarify with internal program and fiscal staff that allocations of funds to local departments of social services do not represent obligations of federal funds.

Improve Documentation of Medicaid Cases

Finding: Eleven of 50 Medicaid files maintained by local departments of social services (LDSS) were incomplete and are, therefore, considered ineligible and are being treated as questioned costs. In addition, there were instances in which the renewal period occurred after the one-year federal requirement.

Recommendation: The Department of Medical Assistance Services should be notified of the ineligible cases. Going forward, the Department and LDSS should work together to ensure that Medicaid documentation is complete and supports compliance with federal regulations.

Response (provided by Thomas J. Steinhauser, Director, Benefit Programs): The Department does not agree that the Medicaid cases cited by the auditor should be considered ineligible. We agree that there was documentation that could not be located and/or actions that were untimely in the LDSS cases; however, many of these errors involved technical/procedural issues which would not automatically render the cases ineligible (e.g., an unlocated notice or untimely action does not confirm ineligibility). In addition, the 33 applicable LDSS were notified of the errors and required to submit a written response of correction/disposition by March 1, 2007. As of March 20, all 33 agencies had reported correction of the noted errors.

To assist local social services agencies in decreasing the number of case file errors, the Department will enhance its existing monitoring and evaluation procedures. By April 1, 2007, the number of annual case reviews will be increased and the review process will become more standardized. Standardization will include but not be limited to: sample selection, scope of review, documentation of review findings and communication and follow-up of review results. Local social services agencies were notified of these process changes via Broadcast on March 8, 2007. The Department will also strengthen the managerial role and functionality of programmatic reviews to ensure compliance with the new process, to follow up on noted problems and to increase contact with local agencies about related issues.

Establish Control Mechanisms for Adult Services Payments

Finding: The local departments of social services (LDSS) do not ensure that adult services caretaker payments are made for eligible persons recorded in the Adult Services/Adult Protective Services (ASAPS) system.

Recommendation: The Department should require LDSS to ensure the propriety of caretaker payments.

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Response (provided by Lynette W. Isbell, Acting Director, Service Programs): The Department agrees that LDSS should ensure that adult services caretaker payments are made only to eligible persons and, in fact, has issued policies to LDSS to provide that assurance. While the auditor is correct in stating that the ASAPS system is not used to verify payment propriety, the Department's procedures do specify this process: First, services and frequency of services needed are identified, documented and placed in the individual case file. Next, a Purchase of Services Order is completed and sent to the vendor. After the services are provided, the vendor invoices the applicable agency and the caseworker ensures that the invoice is within the approved amount and for the approved individual. The Department will remind local social service agencies of these requirements in a Broadcast to be issued by March 30, 2007. In this same Broadcast, we will also remind LDSS of the importance of timely updates to ASAPS. These issues will be further stressed when the revised procedures for Adult Services are released in March 2007.

Strengthen & Ensure Compliance with Policies and Procedures for Local Adult Services Programs

Finding: Local departments of social services (LDSS) are mandating the use of a LDSS contractor for caretaker services rather than allowing the client a choice. In addition, caretaker time sheets are not being verified or approved by the client or by LDSS prior to payment.

Recommendation: The Department should enhance, communicate and monitor the policies and procedures related to caretaker services.

Response (provided by Lynette W. Isbell, Acting Director, Service Programs): We understand that two local departments of social services indicated to the auditor that caretaker services have to be, and are, provided only by contractors. Given that this is a violation of the Department's policy which states that "a local department shall not establish a policy that prohibits utilization of a relative as a companion provider," the Department will meet with the applicable LDSS directors to discuss and reinforce the caretaker procedures. We will also issue a Broadcast to remind all LDSS of existing procedures. Both actions will occur by March 30, 2007.

To ensure that LDSS verify the accuracy and validity of caretaker payments, the Department will establish procedures which require that caretakers complete a two-part time sheet. One copy of the timesheet will go to the vendor and the other will go to the LDSS and be used to reconcile vendor invoices. In the interim, we will issue a Broadcast reminding LDSS of the importance of validating vendor invoices. We anticipate that the Broadcast will be issued by March 30, 2007 and that the procedures will be in place by July 1, 2007.

Establish Adequate Controls & Segregation of Duties in Collection of Child Support Payments

Finding: In one Child Support Enforcement district office, there was no separation of duties for processing child support payments. It was also noted that there was inadequate guidance on how child support payments received in court should be receipted, verified and controlled in the interim

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between receipt and drop-off at the district office. In addition, there was no audit trail for payments dropped at the district office after business hours.

Recommendation: The Department should establish adequate payment processing controls and segregation of duties at the district offices and periodically review these controls for compliance.

Response (provided by Nathaniel L. Young, Jr., Assistant Commissioner & Director, Child Support Enforcement): The Division of Child Support Enforcement (DCSE) does not agree that its policies for handling support payments, including those collected in court, are inadequate. Not only does DCSE have strict policies for safeguarding and accounting for payments but we regularly conduct training on and reviews of these type transactions. It should be noted, however, that the handling of court payments is oftentimes dictated by circumstances.

We prefer not to accept cash payments in court. Some courts accommodate that preference, but many do not and we must comply with their orders. Additional complicating factors include the geographic dispersion of courts; their distances from our district offices; the frequency, scheduling and length of court hearings often involving overlapping hearing schedules or adjournments late in the day; and varied court administrative practices.

Our existing policies and procedures require that two authorized persons be present any time we count money and we will underscore that requirement in our April 1, 2007 monthly issuance of policy changes. To make the process even more secure, we will clarify our procedures to require that payments accepted in court be immediately secured in a sealed deposit bag, that the sealed bag be placed in the district office safe overnight, and that the bag be opened, and the contents verified, in the presence of two persons as currently required. This clarification will occur by March 15, 2007 and the revised procedures and the related training will be completed by April 16, 2007.

Regarding a parallel concern about accepting cash child support payments at our district offices, that practice was ceased effective March 1, 2007. The sole exception will be in the Manassas District Office where the court is directly across the street and follows a procedure of sending affected child support clients across to our office to make a payment and return with a receipt.

Establish Adequate Controls over Payroll & Human Resources Functions

Finding:

- (1) There is no policy prohibiting employees from submitting their own timesheets and overtime sheets.
- (2) Payroll does not have a listing of supervisors who can approve timesheets for specific areas.

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- (3) There are insufficient policies over the amount of overtime and compensatory hours which can be earned, how these hours can be used and who can authorize and approve these hours. In addition, overtime and compensatory leave is not approved before it is earned and there is no policy requiring timely submission of overtime and compensatory leave documentation.
- (4) The Department does not provide sufficient training to its direct supervisors to inform them of their responsibilities for payroll and human resources-related processes.
- (5) The reconciliations of the Virginia Retirement System (VRS) to the Commonwealth Integrated Payroll/Personnel System (CIPPS) for March 2006 to September 2006 were not performed timely. Therefore, the Department could not readily identify discrepancies needing resolution.
- (6) Leave coordinators do not enter leave timely into the leave system and employees are permitted to turn leave slips into the leave coordinator directly after approval from supervisors. In addition, written approval could not be located for some leave entered into the system.
- (7) There are insufficient policies and procedures for the short-term disability process. Supervisors do not have the responsibility of communicating with Human Resources and Payroll when an employee goes on disability leave.
- (8) The Department does not provide sufficient guidance to supervisors on the length of time to retain non-exempt employees' timesheets.
- (9) The Department does not have a complete listing of employees who received payroll overpayments and does not consistently try to recoup these overpayments. In addition, \$1,853.67 in payroll overpayments was unknown to the agency at the time of the audit.

Recommendation: Using the Commonwealth's human resources and payroll policies for guidance, the Department should assess and update, as appropriate, its human resources and payroll policies, procedures and controls. These policies, procedures and controls should be communicated to employees and supervisors.

Response (provided by

**Renée Fleming Mills, Director, Human Resource Management - items 1, 3, 4, 6, 7, 8
J. R. Simpson, Chief Financial Officer - items 2, 4, 5, 9):**

- (1) The Department agrees that there have been instances where employees have submitted their own timesheets. Although our policy "Reporting Time Worked" instructs employees to submit timesheets to supervisors, it does not specifically instruct the supervisor to deliver it to Payroll. In January 2007, the policy was revised to include that information and, in February 2007, a Broadcast was issued reinforcing employee and supervisor responsibilities. The revised policy was also placed on the DSS website.

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- (2) A list of supervisors with authority to approve timesheets was completed in January 2007 and is retained in the Payroll Office.
- (3) In January 2007, DSS revised its "Hours of Work" policy to require that all overtime and compensatory timesheets be accompanied by documentation evidencing the date of, and the person who, approved the overtime/compensatory hours. The policy further requires that overtime be paid in the pay period immediately following its occurrence. A Broadcast reminding employees of the "Hours of Work" policy and highlighting the revisions was issued on February 21, 2007 and subsequently placed on the DSS website.
- (4) Beginning April 2007, the Divisions of Human Resources Management and Finance will hold quarterly training for supervisors on payroll and human resources processes. At the end of 2007, management will assess whether this training should be continued. As part of the above processes, the Department will also review its payroll and human resources policies, ensure that they encompass the issues required by the state as well as those identified by the auditor and communicate these policies where appropriate.
- (5) Management agrees that the VRS to CIPPS reconciliations for March 2006 to September 2006 were not completed in a timely manner. This was corrected in the October 2006 reconciliation and has been continued going forward.
- (6) To rectify leave approval issues, DSS will adopt electronic leave slips whereby employees will be required to submit leave slips to supervisors via e-mail; the supervisor will sign the leave slips electronically and e-mail them to the leave coordinator with a copy to the employee. As part of this process, DSS will, in coordination with the Department of Accounts (DOA), establish employee identification numbers to replace social security numbers. Implementation of these actions will coincide with DOA's anticipated implementation date of April 1, 2007. Prior to DOA's anticipated implementation, the Department will train leave coordinators on leave policies and the new electronic leave process.
- (7) Training for the Virginia Sickness and Disability Program is an ongoing process beginning with in-depth coverage at New Employee Orientation and continuing with specific groups throughout the year. In 2006, DSS developed an overview of tasks and responsibilities and began presenting it to DSS managers. This training will be presented to all DSS managers statewide by December 2007.
- (8) Retention time frames for non-exempt employees' timesheets was added to the DSS policy "Reporting Time Worked" in January 2007 and communicated to all DSS employees via mass e-mail. The updated policy was also added to the DSS website.
- (9) While the Department concurs that two overpayments totaling \$1,853.67 were inadvertently overlooked, we do, in fact, have a list of overpayments and we do actively pursue collection of overpayments. Of the \$1,853.67 identified by the auditor, \$1,516.37 has been collected and efforts are underway to collect the remaining \$337. In addition, beginning in September

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2006, Payroll staff has been receiving ongoing training on steps to prevent overpayments and this accountability has been added to Employee Work Profiles.

Follow Established Policies over the Small Purchase Charge Card Program

Finding: Supporting documentation could not be located and/or there were errors in 18 of 20 small purchase charge card statements tested.

Recommendation: Charge card purchases should be supported by appropriate documentation and reviewed for accuracy. In addition, statements should be reconciled to the purchase log.

Response (provided by J. R. Simpson, Chief Financial Officer): The Department recognized some months ago that there were control deficiencies in our small purchase charge card program. Upon this recognition, we immediately began cleanup efforts, including the hire of a new program administrator in October 2006. This administrator, in conjunction with agency management, has identified and is in the process of implementing steps to strengthen controls and procedures for small purchase charge cards. Proper administration of this program is an ongoing effort.

Periodically Review & Reconcile Firewall Rules

Finding: Firewall rules are not periodically reviewed to ensure continued necessity.

Recommendation: Firewall rules in place should be periodically reconciled to firewall rules required.

Response (provided by Harry R. Sutton, Director, Information Systems): The Department does not totally agree that there is no review of firewall changes. Of the seven firewalls utilized by DSS, four are physically located at and managed by the Virginia Information Technologies Agency (VITA) staff on site at DSS headquarters. The remaining three firewalls are physically located at and managed by VITA.

The auditor is correct in stating that DSS does not review the firewall changes for the firewalls located at and maintained by VITA because those changes and the related documentation are handled by VITA. However, VITA staff do routinely review the DSS-located firewalls as part of firewall administration. The Department will get more involved in the review of the firewalls located at VITA and has requested that VITA supply us with the DSS rule-set for the three firewalls located at VITA.

Reconcile ADAPT System Data to the Data Warehouse

Finding: Temporary Assistance to Needy Families information transferred from the Application Benefit Delivery Automation Project (ADAPT) system to Data Warehouse is not reconciled.

Recommendation: ADAPT data transferred to Data Warehouse should be reconciled.

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Response (provided by Harry R. Sutton, Director, Information Systems): By March 31, 2007, the Department will implement procedures requiring a weekly comparison of the records transferred from ADAPT to the records received by the Data Warehouse.

Perform Adequate Information Technology Data Backups

Finding: Backup tapes were stored within ten feet of the servers.

Recommendation: Backup tapes should be stored in a secure, off-site location.

Response (provided by Harry R. Sutton, Director, Information Systems): The Department concurs that DSS backup tapes were not stored off-site at the time of the audit. In October 2006, DSS and the Virginia Information Technologies Agency (VITA) signed a Memorandum of Understanding to add DSS backup to the VITA Iron Mountain contract. The purchase order for these services was finalized in January 2007 and DSS backup tapes are now stored at Iron Mountain.

DEPARTMENT OF SOCIAL SERVICES

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Commissioner

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