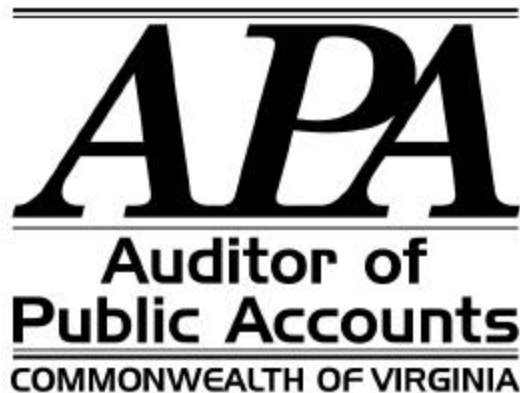


**DEPARTMENT OF SOCIAL SERVICES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

Our audit of the Department of Social Services for the year ended June 30, 2000, found:

- amounts reported in the Commonwealth Accounting and Reporting System and the Department's accounting records were fairly stated;
- internal control matters that we consider reportable conditions; however, we do not consider any of these to be material weaknesses;
- no instances of noncompliance that are required to be reported; and
- corrective action of prior audit findings, except for the findings entitled, "Properly Charge Payroll to Federal Programs" and "Improve Use of Income Eligibility Verification System."

Overall, we found several recurring issues that contributed to the internal control findings discussed in this report. We found that communication between divisions needs improvement. Several of the internal control findings were the result of, at least in part, poor communication between divisions. We also found several instances where the Department's procedures were adequate; however, individual supervisors did not follow the procedures and were not held accountable for not adhering to the procedures. Finally, the lack of qualified or trained staff attributed to some of the internal control findings. We discuss our detailed internal control findings and recommendations in the section entitled, "Internal Control and Compliance Findings and Recommendations."

STATUS REPORT ON THE ELECTRONIC BENEFITS TRANSFER PROJECT

The Federal Government, as part of federal welfare reform legislation, is requiring that all states provide food stamp benefits to recipients using electronic methods by October 1, 2002. Electronic Benefits Transfer (EBT) is the common name for this benefit process. Although the Department began planning for this project in 1994, Virginia is one of only nine states that has neither a system already in place, nor a final contract to purchase a system.

The Department began planning for EBT in 1994 and originally issued a Request for Proposal (RFP) in January 1997. They received bids on this proposal, but subsequently canceled the RFP due to cost neutrality issues. The Department changed and reissued the RFP over two years later, in August 1999. The Department received bids and closed the RFP in October 1999. As of December 2000, the Department has completed negotiations with the vendor and is waiting for final contract approval. Since 1994, there have been many factors that have contributed to project delays including lack of funding by the General Assembly, difficult vendor negotiations, and changes in key project personnel. There have been several different project directors on this project within the last two years.

As of June 30, 2000, the Department has spent almost \$195,000 on the EBT project. The Department's 2001 and 2002 budgets include \$2.7 million each year for EBT implementation; however, the budget may be revised once the contract is finalized. The Department is planning two EBT pilot sites in Fall 2001. The Department has a project plan that details tasks to meet the federal deadline. Once the contract is finalized, the Department plans to update the project plan with the vendor. Department staff are confident that they can meet the federal deadline; however, the Department could request a waiver from the federal government if they determine they cannot meet the deadline for statewide implementation.

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December 22, 2000

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Social Services** for the year ended June 30, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objectives, Scope, and Methodology

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

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

Federal Grants	Revenue
Expenditures	Payroll
Accounts Payable	Fixed Assets

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

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

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

Audit Conclusions

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

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

The results of our tests of compliance with applicable laws and regulations disclosed no instances that we are required to be reported under Government Auditing Standards.

The Department has not taken adequate corrective action with respect to the previously reported findings, "Properly Charge Payroll to Federal Programs and "Improve Use of Income Eligibility Verification System." Accordingly, we included these findings in the section entitled, "Internal Control and Compliance Findings and Recommendations." The Department has taken corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

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

EXIT CONFERENCE

We discussed this report with management at an exit conference held on January 4, 2001.

AUDITOR OF PUBLIC ACCOUNTS

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STATUS REPORT ON THE ELECTRONIC BENEFITS TRANSFER PROJECT

The Federal Government, as part of federal welfare reform legislation, is requiring that all states provide food stamp benefits to recipients using electronic methods by October 1, 2002. Electronic Benefits Transfer (EBT) is the common name for this benefit process. Although the Department began planning for this project in 1994, Virginia is one of only nine states that has neither a system already in place, nor a final contract to purchase a system.

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As of June 30, 2000, the Department has spent almost \$195,000 on the EBT project. The Department's 2001 and 2002 budgets include \$2.7 million each year for EBT implementation; however, the budget may be revised once the contract is finalized. The Department is planning two EBT pilot sites in Fall 2001. The Department has a project plan that details tasks to meet the federal deadline. Once the contract is finalized, the Department plans to update the project plan with the vendor. Department staff are confident that they can meet the federal deadline; however, the Department could request a waiver from the federal government if they determine they cannot meet the deadline for statewide implementation.

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Overall, we found several recurring issues that contributed to the internal control findings discussed in this report. We found that communication between divisions needs improvement. Several of the internal control findings were the result of, at least in part, poor communication between divisions. We also found several instances where the Department's procedures were adequate; however, individual supervisors did not follow the procedures and were not held accountable for not adhering to the procedures. Finally, the lack of qualified or trained staff attributed to some of the internal control findings. We discuss below our detailed internal control findings and recommendations.

Improve Internal Controls Over Payroll

The Department needs to improve internal controls to ensure payroll and fringe benefit transactions are processed timely and accurately. We found several internal control weaknesses that resulted in payroll overpayments, sickness and disability benefits overpayments, incorrect health insurance premium payments, and incorrect deferred compensation contributions. Many of these internal control weaknesses arose from poor communication between divisions or personnel not following procedures. Below is a discussion of each of these issues.

- There were many instances in which Department supervisors did not follow procedures to promptly report employee job status changes to the Human Resources and Payroll divisions. As a result, there were employees who had terminated employment, were on leave without pay, or were on disability leave, and continued to receive their regular pay. This caused the Department to make overpayments of over \$18,000. The Department did not detect these overpayments for months and is currently trying to recover these overpayments.
- The Payroll and Human Resource divisions did not communicate with each other to ensure employees' health insurance benefits recorded in the Benefits Eligibility System (BES) agreed with their payroll deductions recorded in the Commonwealth Integrated Payroll and Personnel System (CIPPS). For 15 of 20 employees tested, employees received health insurance benefits that were inconsistent with their payroll deductions.
- The Payroll division incorrectly calculated sickness and disability benefits for five of five employees tested. The miscalculations resulted in overpayments of \$4,203.
- The Department did not properly match the employee contributions to the deferred compensation plan for 4 of 14 employees tested. In these cases, the Department's match was more than required under the cash match provisions. This occurred because the Payroll division did not thoroughly review the cash match information from the Department of Accounts.
- There is not an adequate segregation of duties over the distribution of payroll checks. The Payroll division processes payroll, receives all paychecks for distribution, and is also responsible for any unclaimed checks.

Recommendation

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

- The Department should hold supervisors accountable for not following procedures, such as completing employee termination packages.
- The Human Resources division should ensure BES information is accurate and promptly report benefit changes to the Payroll division. Since health insurance companies use the information in BES to process claims, it is imperative that the information is consistent with CIPPS. If these systems are not in agreement, employees could receive improper benefits.
- The Payroll division should determine that all payroll transactions and adjustments have proper and adequate supporting documentation.
- The Human Resources division should keep a list of terminated employees and communicate the necessary information to the other divisions.

- The Department should improve the segregation of duties over the distribution of payroll checks.

Improve Financial Reporting to the Department of Accounts

The Finance division needs to improve the reliability of financial information reported to the Department of Accounts (Accounts) for the preparation of the State's Comprehensive Annual Financial Report. We found the following errors in the financial information submitted to Accounts:

- The division misclassified the short and long term portions of the Department's compensated absences balance. They overstated the short-term portion of the liability by over \$4 million, thus understating the long-term portion.
- The division did not report Food Stamp accounts receivable balances to Accounts. Furthermore, the Division did not calculate or report an allowance for doubtful accounts for the Food Stamps and Temporary Assistance to Needy Families (TANF). Given the nature of these receivables, the division should have considered and reported an allowance for uncollectible amounts.
- The division did not properly report all accounts payable at fiscal year end. We identified expenses totaling approximately \$1.9 million that the division should have reported as accounts payable. The Financial Accounting and Analysis System (FAAS) was not correctly programmed to recognize accounts payable.

The Finance division submitted revised financial information to Accounts for the compensated absences and accounts receivable balances after we brought these errors to their attention.

Recommendation

The division should improve its reporting procedures to ensure information provided to Accounts is accurate and complete. Division staff should ensure they fully understand Accounts' requirements. Managers should thoroughly review and approve the information before submission to Accounts. The division should also make the necessary system changes to FAAS to properly identify expenses as an accounts payable at year-end.

Improve Procedures Over Equipment

The Department needs to improve procedures for tracking and recording equipment. The Department uses the Fixed Asset Accounting Control System (FAACS) to record their equipment valued over \$5,000. We selected a sample of equipment to test and found the following:

- We found six of 20 equipment items were not recorded on FAACS, representing an understatement of \$353,741. We could not determine the total understatement for four more items because the Department did not have documentation for the value of these items.
- Eight of 20 tested items on FAACS could not be located. We later determined the Department had surplused some of the items and had not removed them from FAACS. The purchase amount of these items totaled \$523,447, although many of these items were fully depreciated.

Recommendation

The Department should improve its procedures for tracking and recording equipment. Management should work with the divisions to ensure that they communicate the receipt of new equipment, as well as the status changes for existing equipment to the Office of General Services (OGS). OGS should conduct equipment inventories at least once every two years, or more frequently, if warranted. When conducting inventories, OGS should track which divisions have surplus items or have unrecorded equipment and work with management to get training for these divisions.

Improve Documentation for System Modifications

The Department could not provide sufficient documentation for 23 of 25 systems program changes tested. These program changes related to the Online Automated Services Information System (OASIS), Virginia Client Information System (VACIS), and Application Benefit Delivery Automation Project (ADAPT) systems. Of the 23 program changes, eight were for OASIS, nine were for VACIS and six were for ADAPT. In most cases, the Department had some documentation for the change, but not enough to completely document the user request, the programmer's change, testing, and user acceptance.

Recommendation

The Department should improve procedures to maintain complete supporting documentation for all program changes to information systems. Supporting documentation should exist to show that user management initiated the change. Additionally, programmers should document that they reviewed and tested the requested change at various stages throughout the process. Without adequate procedures to document changes, the Department risks unauthorized changes to their information systems. We understand the Department is developing and implementing new procedures to address these issues.

Improve Controls Over the Cost Allocation Process

Annually, the cost allocation process allocates and reimburses over \$400 million in local social service agency costs. The cost allocation process is a critical process in the Department's financial reporting and federal grant accounting. We reviewed the Finance division's fourth quarter cost allocation and found the need for some procedural changes to strengthen the process.

- We encountered some difficulty getting complete and accurate information from the division to support the adjustments and reworks for the fourth quarterly allocation. The Division should ensure they provide better access to documentation to support the results of the allocation.
- During the year, a key person responsible for the cost allocation process left the division and the remaining staff were not fully aware of this individual's duties and responsibilities in the process. As a result, staff experienced difficulties in performing the allocation since there was not complete documentation of this person's duties and the staff had not undergone cross training. Management should have the staff involved in the cost allocation process document their duties and responsibilities.

- The Department developed the current cost allocation plan and process in July 1995. Since 1995 the Department has incorporated some minor changes to the plan such as the random moment sampling statistics, however the underlying methods and assumptions remain unchanged. Since the original development, the Department has undergone some structural, as well as operational changes. The changes could affect the amount of costs allocated and reimbursed by the Department. Management should have the Division review and revise the cost allocation process based on the structural and operational changes within the Department. Based on these revisions, the Department should determine if these changes could increase the reimbursement of allocated costs to the Department.

Improve Lease Accounting Procedures

The OGS uses the Lease Accounting System (LAS) to record and monitor leases. We found several internal control weaknesses with the monitoring and recording of the Department's leases. The lack of communication between the divisions and OGS has contributed to inaccurate lease information in LAS.

Specifically, we found instances where OGS had not properly monitored leases as to their inception, renewal, or termination dates, resulting in inaccurate lease payments. Additionally, as of October 2000, OGS had not updated information in LAS for 54 leases, representing total obligations of \$256,000. Further, OGS does not have adequate supporting documentation for lease classifications. OGS did not have documentation for the determination of operating versus capital leases for two of seven leases that we tested. One of these leases had monthly payments of \$163,000; however we could not determine the lease's proper classification.

Recommendation

The Department needs to review and improve its procedures over leases. Procedures need to include the prompt communication of lease information to OGS for recording in LAS. Inaccurate LAS information has resulted in inaccurate lease payments. We understand that OGS has revised its procedures to more clearly define the procedures for submitting lease information. The Department needs to ensure that all divisions follow these procedures.

Improve Internal Controls Over Oracle Databases

Many of the Department's critical applications interface with Oracle databases. We tested seven databases and found the following internal control weaknesses:

- Terminated employees and consultants had access to the databases. Many of these users had advanced privileges and therefore, could pose a risk to these mission-critical databases.
- Many employees had inappropriate access privileges based on their individual job responsibilities.
- The Department lacks a plan for maintaining Oracle support for some of its critical databases. Oracle database support for the OASIS application will expire as of December 31, 2000. The Department has not developed any plans to address this issue.

- There were no policies or procedures regarding the audit of the database. The Department is conducting some statement level auditing of the databases; however, there was no one assigned the responsibility for reviewing these logs. The Department has not identified critical areas that should be subject to audits and reviews.

Recommendation

We recommend the Department improve procedures for granting and terminating access to the database. The Department should develop a plan for maintaining Oracle database support or plan on upgrading the underlying database. The loss of support for these mission-critical databases could have adverse consequences for the agency.

The Department also needs to review the use of the database audit function and other audit tools, to determine what is best for its business purposes and develop a comprehensive policy and procedure for its use. Recently, the Oracle database administrator (DBA) left the agency and management reassigned these databases to two new DBA's. We understand the new DBA's have already implemented some of our recommendations.

Improve Controls Over the Medicaid Eligibility Determination Process

The Department, along with the Department of Medical Assistance Services (DMAS), should work to improve controls over the Medicaid eligibility determination process. Local social service agencies make eligibility determinations for the Medicaid program administered by DMAS. Both Departments have sections that review eligibility determinations. Based on our audits at both Departments, we found the following:

Department of Social Services

The Department has a Quality Control Unit, which performs periodic reviews of eligibility determinations. We found the unit does not review Medicaid quality control cases timely. The unit reviewed some cases up to three months after the original deadline. Also, Regional Program Consultants are not correcting errors identified during the Medicaid quality control reviews timely. We found 38 of 114 errors had not been corrected in DMAS's system as late as eight months after the quality control review was complete. Two of the 38 cases were determined to be completely ineligible for the benefits.

Department of Medical Assistance Services

The Department has a Recipient Audit Unit that reviews the eligibility determination of Medicaid recipients when there are questions. Almost 95 percent of the cases investigated by the unit are the result of administrative errors made by local social service workers.

Recommendation

We recommend the Departments work together to improve internal controls over the Medicaid eligibility process. Specifically, the Departments should work together to review the training materials of local social service workers to determine if training materials should be updated to address the types of errors found during these reviews. The Departments may want to consider additional training for any local offices having consistently high error rates. Finally, the Department of Social Services should ensure that quality control reviews are performed timely and that any errors are also reviewed and corrected timely.

Properly Charge Payroll to Federal Programs

As reported in our last three reports, Division of Information Systems (DIS) employees did not record the hours worked in the DIS time tracking system accurately. We found three of ten employees tested did not accurately record time worked in the system. The Department's procedures require DIS supervisors to review employee hours worked and determine that the employee accurately entered the information into the system; however, we found supervisors were not performing this review. The Finance division uses the information in the time tracking system to allocate payroll costs to federal programs for reimbursement.

Recommendation

The Department needs to ensure DIS supervisors adhere to the procedures that require them to review time recorded in the time tracking system. If supervisors are not following the procedures, the Department should hold them accountable. Incomplete or inaccurate information in this system could result in the incorrect allocations of costs to federal programs.

Improve Use of Income Eligibility Verification System

The Department does not consistently use the information obtained from the Income Eligibility Verification System (IEVS) to verify income for TANF recipients. The State must coordinate data exchanges with other federally assisted benefit programs, and use income and benefit information when making eligibility determinations for TANF recipients. We reviewed one monthly report, which identified over 2,000 matches with Internal Revenue Service information. After 45 days, the Department still had not taken any action on over half of these items.

Recommendation

The Department should ensure localities are using the information provided by IEVS. Local agencies should follow up on items identified within the required time limit. The Department submitted a corrective action plan to the federal government in August 2000 to address this issue. The federal government determined the plan was satisfactory although implementation will not be completed until 2001.

AGENCY BACKGROUND

The Department provides benefits and services to help low-income families move from dependence to self-sufficiency. The Department provides these benefits and services through many programs including Temporary Assistance for Needy Families (TANF), Food Stamps, Protective Services programs for adults and children, and Medicaid eligibility determinations. The Department also establishes child support obligations, and collects and disburses child support payments. Local social service agencies administer many of these programs. The Department provides funds to 123 local social service agencies for service delivery and eligibility determination for many of these programs. The Department also performs some human resource and finance functions for many of the local social service agencies, such as assisting them with recruiting and personnel functions.

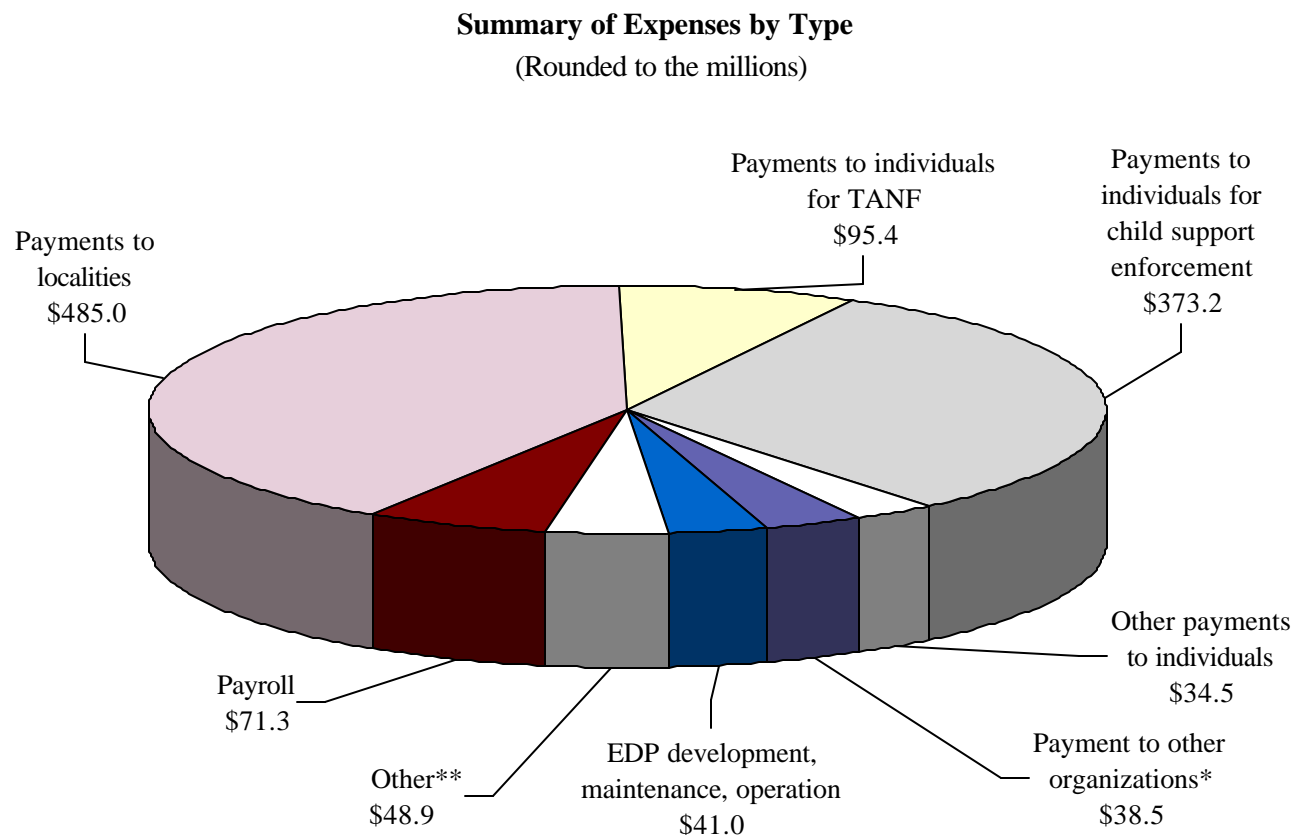
The Department has a central office in Richmond, five regional offices, and 22 child support enforcement district offices across the state. Statewide, the Department has approximately 1,500 employees. The Department has continued to experience many organizational and personnel changes in fiscal 2000. The Commissioner resigned in January 2000, and in April 2000, the Governor appointed a new Commissioner. The Department hired a new Controller in March 2000, making him the fourth different individual in this position since May 1998. The Department also experienced many other changes in senior management

during the year. A best practices review authorized by the Governor recommended the abolishment of several top management positions and the creation of new positions.

The Department implemented a new financial management system, FAAS, in July 1999. The Department is using the general ledger, accounts payable, and purchasing modules of the new system. They are evaluating other modules to determine whether the agency will fully implement these modules.

The Department's funding is a combination of general, federal, and special funds. In fiscal 2000, the Department received over \$1 billion in revenue, including General Fund appropriations of \$262 million, child support payments of \$396 million, and federal grants of \$511 million. The federal grant revenue comes from many different federal programs, all with their own federal requirements.

In fiscal 2000, the Department had total expenses of over \$1 billion. The majority of the department's expenses are TANF benefit payments, child support payments, payments to local social services agencies, and payroll. The following chart shows fiscal 2000 expenses by type.



* includes payments to community service agencies, intergovernmental, and nongovernmental organizations

** includes payments for postal services, telecommunication, printing, maintenance, clerical services, equipment, and office rentals

(Note: This chart does not include food stamps because they are a non-monetary transaction)

The Department administers many different programs, which it classifies as either benefit programs or services. Below is a discussion about each of these classifications along with additional information on some of the Department's largest programs: TANF, Food Stamps, and Child Support Enforcement.

BENEFIT PROGRAMS

Benefit programs provide income support to assist families and individuals that cannot maintain minimum standards of living through their own efforts. Benefit programs provided by the Department include Temporary Assistance for Needy Families (TANF) and Food Stamps. Local social service agencies determine eligibility and benefit calculations for TANF and Food Stamps using the Application Benefit Delivery Automation Project (ADAPT) system. ADAPT also has a Medicaid eligibility module, which the Department is currently piloting in five local social service agencies. By Spring 2001, the Department plans to begin statewide implementation of the ADAPT Medicaid module. The Department expects to complete the ADAPT project at a total cost of \$77 million, of which \$24 million is for development and \$53 million is for recurring costs. Through June 30, 2000, total costs are \$54 million, with \$21 million incurred for development and \$33 million for recurring costs.

Temporary Assistance for Needy Families (TANF)

The TANF program was part of the state and federal welfare reform efforts. TANF has both eligibility and work provisions. The eligibility provisions require parents to cooperate with child support enforcement agencies, immunize their children, and ensure their children attend school. Families receive cash assistance and services up to 24 months. The average amount of monthly assistance under the TANF program is \$202. TANF also provides employment incentives under the work component called, the "Virginia Initiative for Employment not Welfare" (VIEW). VIEW requires all able-bodied adults to work and provides increased support services to obtain employment. The following table shows TANF and welfare reform related activity since 1995. With the implementation of welfare reform, TANF caseloads and payments have significantly decreased while VIEW participants have increased.

Year	TANF Average	TANF Annual Payments	VIEW Active Participants
1995	72,313	\$227,230,618	n/a*
1996	66,177	201,275,844	2,019
1997	56,256	164,236,290	8,905
1998	44,091	131,117,010	24,724
1999	37,798	112,287,174	34,773
2000	32,871	95,392,564	42,728

Source: Virginia Department of Social Services Information Resource Book

**Not available because the program began July 1995*

Food Stamps

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

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

Source: Monthly food stamp participation report from ADAPT

The Department continues to face federal sanctions totaling \$13.1 million for exceeding acceptable food stamp error rates over the last several years. The Department's 1999 error rate of 11.85 percent is above the national average of 9.88 percent. The Department's rate is determined by the result of a statistical sample of cases. When determining the rate, the federal government only considers client errors and agency errors. The Department has developed a reinvestment plan for the program and has a settlement agreement with the federal government. The Department's reinvestment plan includes several new initiatives to target large localities that account for a large percentage of the food stamp cases and errors. It is possible that the Department may incur additional sanctions for fiscal year 2000 error rates once the federal government determines the final rate.

The Department maintains a Food Stamp Claim Tracking system, to improve collection of Food Stamp debts resulting from client errors, agency errors, or fraud. The following table shows the number and amount of overpayments by type as of June 30, 2000.

Types Of Overpayments	Number	Dollars
Client Error	10,992	\$4,314,758
Agency Error	7,532	1,571,567
Fraud	4,725	4,285,662

SERVICE PROGRAMS

Service programs assist children and families in need of social services. Service programs include foster care, adoption, adult services, child day care, and child protective services. Below are caseload statistics for these services.

Year	Foster care	Adoption	Child Day Care	Child Protective Services	Adult Protective Services
1995	6,841	2352	18,312	6762	6209
1996	7,201	2571	22,651	6947	5937
1997	7,446	2704	21,981	6813	5992
1998	7,756	2944	25,505	6567	6085
1999	7,572	3191	35,668	5559	6330
2000	7,585	2,732	29,191	n/a	n/a

Source: Department caseload reports

N/a Information not available

Note: Protective services caseloads include only substantiated complaints reported to the Department.

Under these programs, local social service agencies make payments directly to the recipients and then seek reimbursement from the Department using the Locality Automated System for Expenditure Reimbursement (LASER) system. Local social service agencies also use LASER to request reimbursement for administrative costs. The Department reviews the local reimbursement request and reimburses the locality for its share of expenses through a wire transfer. The Department reimbursed local social service agencies approximately \$485 million in federal and state funds during fiscal year 2000.

The Department uses the On-line Automated Services Information System (OASIS) to maintain case and client management information for foster care, adoption, and child protective services cases. The Department is working on expanding the functionality of OASIS to include child day care and adult protective services cases. OASIS is budgeted at \$14.9 million through fiscal year 2002. As of June 30, 2000, total costs are \$13.2 million.

The Joint Legislative Audit and Review Commission reviewed the OASIS system and issued a report in February 2000. They reported that the system met the requirements for reporting required case data to the federal government. However, the report identified significant problems related to security, management reports, and printing, which limited the usefulness of the system. Additionally, local staff expressed concerns about the complexity of data entry screens, navigating from one screen to another, and inadequate space to record notes related to the case. The Department has created an OASIS steering committee composed of local staff to address these issues and improve the usability of the system.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) administers Virginia's child support enforcement program. As of June 2000, DCSE administered almost 395,000 cases and delivered services to approximately 547,000 children. DCSE has 22 district offices statewide, four of which are operated by private companies. DCSE has the authority to issue administrative child support and medical support orders, enforce those orders, and establish paternity. DCSE can enforce orders through wage withholdings, seizure of assets, suspension of drivers' licenses, and state and federal income tax offsets.

DCSE uses the Automated Program to Enforce Child Support (APECS) system to track financial and case management information for child support cases. The Department is continuing to modify APECS for changes required for welfare reform. Welfare reform has also affected DCSE's funding, which is a combination of state and federal funds. The federal funds come from three sources – a federal grant for administrative costs, incentive payments based on collections, and collections retained from child support payments received for TANF recipients. Before 1999, DCSE generated a profit that went back to the general fund of the Commonwealth. However, several recent federal changes are causing DCSE to experience budget deficits and increased budget instability. As a result, DCSE reported a \$7.7 million deficit in fiscal 1999 and a \$7 million deficit in fiscal 2000. DCSE has projected budget deficits of \$6 million each year for fiscal 2001 and 2002. The General Assembly appropriated additional general funds to address some of these projected deficits, but the deficits could increase if pending federal legislation passes. The following table shows the division's profit/loss information for fiscal years 1999 and 2000, as well as their projections for 2001 and 2002.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Income</u>				
Incentive payments for collections	\$ 5,115,750	\$ 6,000,000	\$ 6,600,000	\$ 7,260,000
State share of retained collections	<u>17,764,583</u>	<u>17,368,649</u>	<u>16,425,592</u>	<u>15,538,684</u>
Total income	22,880,333	23,368,649	23,025,592	22,798,684
<u>Expenses</u>				
State share of operating expenses	21,886,528	24,082,730	24,335,212	24,560,378
\$50 disregard payments	3,832,045	3,375,983	3,207,184	3,046,825
Other expenses and adjustments	<u>4,901,886</u>	<u>2,951,963</u>	<u>1,837,422</u>	<u>1,349,354</u>
Total expenses and other adjustments	<u>30,620,459</u>	<u>30,410,676</u>	<u>29,379,818</u>	<u>28,956,557</u>
Net collections over (under) expenses	<u>(\$ 7,740,126)</u>	<u>(\$ 7,042,027)</u>	<u>(\$ 6,354,226)</u>	<u>(\$ 6,157,873)</u>

The Joint Legislative Audit and Review Commission recently completed a review of DCSE. Their report also addressed the funding issues and included several recommendations for consideration by the Department and the General Assembly. They suggested several alternatives to address the divisions funding issues including additional general funds, eliminating the \$50 disregard payment to clients, and charging fees for DCSE services.