



DEPARTMENT OF WORKFORCE SERVICES

Management Letter
For the Year Ended June 30, 2008

Report No. 08-02

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



Auston G. Johnson, CPA
UTAH STATE AUDITOR

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REPORT NO. 08-02

December 15, 2008

Kristen Cox, Executive Director
Department of Workforce Services
140 East 300 South
P.O. Box 11249
Salt Lake City, Utah 84147-0249

Dear Ms. Cox:

We have completed our audit of the financial statements of the State of Utah as of and for the year ended June 30, 2008 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report thereon, dated December 4, 2008, was issued under separate cover. We have also completed the Department of Workforce Services' (DWS) portion of the statewide federal compliance audit for the year ended June 30, 2008. The federal programs tested as major programs at DWS were the Temporary Assistance for Needy Families (TANF), Workforce Investment Act (WIA), and Child Care Cluster (CCDF & CCDBG) programs. This letter also includes findings related to DWS' eligibility determination for the Children's Health Insurance Pool (CHIP) and Medicaid programs. Our report on the statewide federal compliance audit for the year ended June 30, 2008 should be issued in February 2009.

In planning and performing our audit we considered DWS' internal control over financial reporting and compliance as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements and on the State's compliance with the requirements of its major programs, but not for the purpose of expressing an opinion on the effectiveness of DWS' internal control. Accordingly, we do not express an opinion on the effectiveness of DWS' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses. These deficiencies are identified in the accompanying table of contents and are described in the accompanying schedule of findings and recommendations.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements or noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to 1) initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or 2) administer a federal program such that there is more than a remote likelihood that a misstatement of the entity's financial statements or that noncompliance with a type of compliance requirement of a federal program that are more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements or that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of DWS and is not intended to be and should not be used by anyone other than this specified party. However, the report is a matter of public record and its distribution is not limited.

DWS' written responses to the findings and recommendations identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We appreciate the courtesy and assistance extended to us by the personnel of DWS during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please feel free to contact Joe Christensen, Deputy State Auditor, at 801-538-1354.

Sincerely,



Auston G. Johnson, CPA
Utah State Auditor

cc: Greg Gardner, Deputy Director
Chris Love, Deputy Director
LeAnn Muranaka, Director of Internal Audit
Lynette Rasmussen, Director, Child Care
Bill Starks, Director, Unemployment Insurance
James Whitaker, Director of Operations Support

DEPARTMENT OF WORKFORCE SERVICES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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Finding Type:

MW Material Internal Control Weakness
SD Significant Deficiency of Internal Control
MN Material Noncompliance
RN Reportable Noncompliance or illegal acts

Applicable To:

s State Financial Statements
f Federal Program

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

GENERAL

1. **CONTROL WEAKNESSES FOR CASE MONITORING SYSTEM** (Repeat Finding)

Federal Agency: **DOL**

CFDA Number and Titles: **all Childcare, TANF, and WIA grants**

Federal Award Numbers: **various**

Questioned Cost Amount: N/A

Pass-through Entity: N/A

In January 2005, the Department of Workforce Services (DWS) established a case monitoring system which facilitates supervisory reviews of cases for compliance with DWS policies and procedures. We reviewed the supervisor reviews of case work performed between October 2007 and March 2008 for 29 eligibility specialists and 11 employment counselors and noted the following:

a. Incomplete or Missing Reviews

For 5 (17.2%) of the 29 eligibility specialists, there were one or more cases with missing reviews and no notes in the PACMIS notes screens (CAAL) as to why the cases were not reviewed. Per the Case Edit Guide, if a case is not reviewed the supervisor must narrate the reasoning in the CAAL screen of the case file.

For 1 (9.1%) of the 11 employment counselors, a comprehensive edit (review) was not performed as required by the Employment and Benefit Training Policy (EBT) 1505-1. Per EBT 1505-1, Supervisors should "Use Comprehensive edits to edit all Employment Counselors who manage a caseload. Edit one case per Employment Counselor once per quarter using the Comprehensive Edit Tool." If a case is dropped, the policy requires the reason to be documented and another case to be randomly selected to replace the dropped case.

b. No Documentation of Follow-up

For 2 (6.9%) of the 29 eligibility specialists and 8 (72.7%) of the 11 employment counselors, one or more of the cases monitored had instances where communication of case errors between the supervisor and the worker was not documented or did not occur. When an error is noted in a case during a review, the supervisor needs to communicate the problem to the worker and the worker needs to correct the case and then report the changes to the supervisor. The supervisor should then document that the worker took proper action.

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c. Improper Number of Cases Selected for Review

For 3 (10.3%) of the 29 eligibility specialists, YODA (the case database system) did not select the proper number of cases for the supervisors to review. Per the Case Edit Guide, YODA should select 6 target cases for each month that is selected for review. DWS should follow policies when determining how many cases should be reviewed each month.

d. Untimely Case Reviews

Of the 40 case reviews examined, 1 (2.5%) was not submitted by the appropriate deadline. Not completing case reviews in a timely manner could result in errors not being detected and corrected in a timely manner.

e. Incorrect Target Area Reviewed

For 1 (3.4%) of 29 eligibility specialists, the editor inadvertently reviewed the wrong target area selected by the YODA program. In this instance, YODA selected the unearned income to be reviewed; however, the editor mistakenly reviewed the earned income on the case instead. Reviewing the wrong criteria could result in errors going undetected in the areas selected by the YODA program.

Supervisory reviews of cases are critical to ensure that caseworkers have a sound understanding and are following DWS' policies and procedures. While we realize that it is not possible to prevent or detect all errors, the case monitoring system has not been functioning as designed and did not prevent or detect the significant errors noted in the findings included in this report.

Recommendation:

We recommend that DWS ensure that:

- a. Supervisors follow the policy to review cases or, if a case is dropped, narrate why the case was not reviewed and select another case to review in its place.**
- b. Supervisors and eligibility specialists follow up on errors noted during case reviews.**
- c. The appropriate number of cases is selected for review by YODA.**
- d. Case reviews are completed in a timely manner.**
- e. The correct case criterion is reviewed as determined by the YODA program.**

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

DWS' Response:

- a. **Eligibility Response:** *We concur with the finding and reviewed the “Determining When to Drop a Case Edit” procedure with the four supervisors who are currently editing. We emphasized the expectation to document the reason a case is not reviewed. The fifth supervisor is no longer responsible for eligibility editing.*

Employment Counseling Response: *We concur with the finding and will review the finding with the Supervisor of the Employment Counselor in question to see why an edit was not completed during the 2nd Fiscal Quarter. Comprehensive Edits were completed and submitted for the worker for three of the four quarters during the fiscal year.*

- b. **Eligibility Response:** *We concur with the finding and will review the Follow Up, Feedback and Evaluation section of Case Edit Policy with the supervisor who is currently editing. The second supervisor is no longer responsible for eligibility editing.*

Employment Counseling Response: *We concur with the finding. As of October 2008, enhancements to the UWORKS system (to add “Reviewed” and “Corrected Date” fields) are functioning. These enhancements were effective January 2008 but the system wasn’t working properly so original editors were unable to enter the dates. These fields allow the original editor to enter the date the Edit Review took place and also the date corrections were made, as applicable. System fixes prevent the original editor from submitting a case before entering a date in the Reviewed field, signifying the review has taken place. The “Corrected Date” field can only be entered after the edit is submitted. To reinforce the policy and ensure original editors know how to use the new functions, the “Entering Case Edits” procedure has been updated to reflect these changes. The procedure was published in Infosource October 2008.*

- c. **Eligibility Response:** *We concur with this finding and as of the fourth quarter of 2008, the Eligibility Editing Program Specialist reviews, once each quarter, two edit samples where less than six edits were selected to ensure that all available cases were included in the sample. If all available cases were not included in the sample, the Eligibility Editing Program Specialist will work with the Management Information Systems team and Department of Technology Services to identify the cause and solution of the issue.*

- d. **Employment Counseling Response:**
We concur with the Employment Counselor finding and will review the Edit Requirements and Timeframes policy (EBSM 1505-1) with the original editor to ensure edit expectations are met in the future.

- e. **Eligibility Response:** *We concur with the finding and will review the Random Case Selection Program section of Eligibility Case Edit policy with the supervisor.*

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

*Contact Person: James Whitaker, Operations Support Division (OSD) Director,
(801) 526-9454*

*Persons Responsible: Paul Birkbeck, OSD Eligibility Edit Program Specialist, and Bettina
Smith, OSD Employment Counseling Edit Analyst*

Anticipated Correction Date: February 28, 2009

2. **UNSUPPORTED DRAWDOWN OF FEDERAL FUNDS**

Federal Agency: **DOL, USDA, BLS**

CFDA Numbers and Titles: 1) **10.561 Food Stamp Program**
2) **17.245 TAA Program**
3) **17.258 WIA Adult Program, 17.259 WIA Youth, and
17.260 WIA Dislocated Workers**

Federal Award Numbers: **various**

Questioned Cost Amounts: 1) **\$961** 2) **\$309,737** 3) **\$2,922**

Pass-through Entity: N/A

While examining supporting documentation related to the draw down of federal funds for grant expenditures, we noted that between January 2005 and June 2008, DWS drew down \$313,620 more than it had spent on three federal grants. From the formation of the agency in 1997 through 2004, DWS had an inadequate reconciliation process that resulted in DWS records of federal draws not reconciling to the federal Payment Management System's records. In January 2005, in an attempt to reconcile the differences, DWS began drawing the excess funds from grants where the Payment Management System showed more funds available than what DWS' records showed. DWS planned to use these funds to offset grants where the Payment Management System showed less funds available than what DWS' records showed. Although DWS has internal controls in place to ensure that all draws are supported by expenditures allowable under federal cost principles, DWS' management overrode these controls in order to draw the additional grant money. Because these draws were not properly supported by expenditures or other reconciling documentation, we have questioned all \$313,620 in excess draws.

Recommendation:

We recommend that DWS only draw down federal funds that are properly supported by expenditures or other documentation. We further recommend that DWS reconcile all federal revenues drawn to the Federal Payment Management System.

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

DWS' Response:

We concur with the finding and the recommendation. The following twofold plan has been discussed with Management and implementation has already begun. 1) The revenue team will reconcile the fund balances for all federal revenues drawn to the Federal Payment Management systems (ASAP, DPM) over the next 6 months. No additional draws will be made in an attempt to correct fund balances to Federal reports until this reconciliation is completed. 2) We will need to add additional reconciliations to our current draw process going forward. The following recommended additional steps will be implemented by the budget team: 1) tie the Federal Reports to Expense Revenue Analysis and 2) tie the remaining fund balances to their Federal Reports.

Once the reconciliation of fund balances is completed in the first step above, the Department will be able to determine what amounts, if any, need to be repaid and will repay federal programs according to these determinations.

*Contact Person: William Greer, Administrative Support Division Director/CFO,
(801) 526-9402*

Anticipated Correction Date: May 1, 2009

3. **INADEQUATE INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Federal Agency: N/A
CFDA Number and Title: N/A
Federal Award Number: N/A
Questioned Costs: N/A
Pass-through Entity: N/A

DWS did not have adequate internal controls to ensure that financial information for the Unemployment Compensation Fund (UCF) was properly prepared in accordance with generally accepted accounting principles. As a result, significant audit adjustments to receivables, revenues, and payables in the UCF were required to properly present the UCF's financial position and results of operations in the State's basic financial statements.

Management is responsible for the preparation and accuracy of the Department's financial reporting and for establishing internal controls and procedures to accurately capture and record transactions.

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Recommendation:

We recommend that DWS establish internal controls to ensure that financial activity of the UCF is properly reported in conformity with generally accepted accounting principles.

DWS' Response:

We concur with the finding and the recommendation. We are working with the Department of Technology Services to make sure the Contributory Tax program (CATS) is correctly crediting and debiting the clearing account and appropriately posting transactions to the receivable accounts to ensure accurate financial reporting and the UCF's financial position. We have asked for this validation to be completed by June 30, 2009.

We have also updated the Allowance for Doubtful Accounts worksheet to include a formula that will post an error message if the allowance amount is greater than the amount of the receivable. This should prevent the Allowance for Doubtful Accounts from being overstated in the future. This change has already been made and will be in place for the FY 2009 closeout.

*Contact Person: Mitch Romo, Operational Accounting Financial Manager, (801) 526-9221
Anticipated Correction Date: June 30, 2009*

MEDICAID

4. INCORRECT ELIGIBILITY DETERMINATION AND INADEQUATE DOCUMENTATION OF ELIGIBILITY (Repeat Finding)

Federal Agency: **DHHS, CMS**
CFDA Number and Title: **93.778 Title XIX Medicaid Cluster**
Federal Award Number: **5-0605UT5028**
Questioned Costs: **\$129**
Pass-through Entity: **N/A**

We reviewed the case files for 60 Medicaid service expenditures at the Utah Department of Health and noted eligibility determination errors with 14 (23.3%) of the cases we reviewed as described below. Although all Medicaid expenditures are processed at the Department of Health, eligibility determination and case file management for Medicaid is handled by the Department of Workforce Services (DWS). This finding also includes eligibility determination related to foster care individuals that receive Medicaid benefits which is handled by the Department of Human Services (DHS).

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

a. Incomplete Identification Verifications

For one case, the caseworker did not obtain two forms of identification as required by Section 205-1 of the Medicaid Manual. This error resulted in total questioned costs of \$129.

b. Untimely Action on Asset Changes

For five cases, the caseworker did not update the asset section of the household summary screen in PACMIS to reflect changes in assets reported by the clients. Since we were able to determine that the clients were eligible for a Medicaid program, we did not question any costs associated with these cases.

c. Duplicated Medicaid Files

For one case, the caseworker allowed the client to remain on two different Medicaid programs although clients are only allowed to be on one Medicaid program at a time. Since the client was eligible for a Medicaid program and the error did not result in duplicate claim payments, we did not question any costs associated with this case.

For one case, the caseworker determined eligibility for a client on two separate case files concurrently. Since the error did not result in duplicate claim payments, we did not question any costs associated with this case.

d. Improper Program Determination

For two cases, the caseworker did not determine if the client was eligible for the FM-O program before considering other programs in accordance with Section 341 of the Medicaid Manual. Since the clients were eligible for a Medicaid program, we did not question any costs associated with these cases.

e. Improper Determination Beyond Program Limits

For one case, the caseworker interpreted the policy in the Medicaid Manual, Section 390, differently than what was intended. As a result, the caseworker did not verify if the client was eligible for any other Medicaid program before placing them in the Medicaid Cancer Program as required in the Medicaid Manual Section 390-2. This error did not result in questioned costs since the client was eligible for the Medicaid Cancer Program.

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

f. Improper Determination for Asset Transfers

For one case, the caseworker did not follow the Medicaid Manual policy Section 371 regarding transfers of property by nursing home clients. After bringing this issue to DWS' attention, we received a letter from the nursing home stating that they contacted the client and noted that the client did not have any assets that could have been sold or transferred. Therefore, we did not question costs associated with this case.

g. Incomplete Verification of Assets

For one case, the caseworker did not verify the 401(k) reported on the client's review form as required by Section 731-1 of the Medicaid Manual. After bringing this issue to DWS' attention, we received a copy of the subpoena that DWS issued to obtain the value of the client's 401(k) and noted that it was below the asset limit for this Medicaid case; therefore, we did not question costs associated with this case.

For one case, the caseworker did not verify vehicles as required by the Medicaid Manual Section 731-1 and Table VIII. Since the client was still eligible for Medicaid when the vehicles were considered, we did not question any costs associated with this case.

Of the 14 cases noted above, 3 cases (5% of all cases sampled) were considered ineligible due to an incorrect eligibility decision. The total questioned costs for these cases was \$129 for State Fiscal Year 2008. The 60 payments tested totaled \$1,281,746, and were taken from a total population of \$1,478,646,932. The amount questioned represents the federal portion of the errors noted.

Recommendation:

We recommend that Medicaid caseworkers:

- **Follow established policies and procedures when determining eligibility for Medicaid Programs.**
- **Adequately document all eligibility factors and decisions.**
- **Work with the State Department of Health to ensure Medicaid policies are interpreted properly.**

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

DWS' Response:

Response to First Recommendation:

We concur with the finding and recommendation. DWS' corrective action plan involves a review of the finding with each worker in question. For the finding in 4.a. and 4.c. through 4.g., the corresponding Medicaid policy and DWS procedures will be reviewed with each worker to ensure that each worker understands and follows policy and procedure, correctly:

- *4.a Medicaid policy 205-1 U.S. Citizens and DWS resource Authentication Guideline for Citizenship and ID for Medicaid, UPP, and PCN programs.*
- *4.c: DWS procedure Adding a Household Member. This procedure requires the worker to determine if the customer exists in the eligibility system; this will help to avoid duplication of records.*
- *4.d: Medicaid Policy 341 FM-0.*
- *4.e: Medicaid Policy 390-2 Health Coverage and Medicaid Cancer Program Eligibility and DWS procedure Cancer Medicaid.*
- *4.f: Medicaid Policy 371 Transfer of Assets.*
- *4.g: Medicaid Policy 731-1 What Must Be Verified and Medicaid Table VIII Verification and Interface Match.*

For finding 4.b., DWS' corrective action plan involves a reminder to all eligibility workers to act on asset changes and update the asset fields in the eligibility system in a timely manner per Medicaid Policy 815. This information has been distributed to staff through the DWS' update process on December 2, 2008 and staff should review the information by December 31, 2008.

Response to Second Recommendation:

We concur with the finding and recommendation. The corrective action plan for DWS involves a review of the audit finding with each eligibility worker in question. We will address the issues from the audit findings 4.a. through 4.g., stressing to each worker the need to adequately document all eligibility factors and decisions.

Response to Third Recommendation:

We concur with the finding and recommendation. DWS will work with the Department of Health to ensure that Medicaid policy is interpreted properly.

*Contact Person: Kathy Link, Operations Support Division Assistant Director, (801) 526-9230
Anticipated Completion Date: February 28, 2009*

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

5. **THIRD PARTY LIABILITY INFORMATION NOT ADEQUATELY OBTAINED OR UPDATED** (Repeat Finding)

Federal Agency: **DHHS, CMS**
CFDA Number and Title: **93.778 Title XIX Medicaid Cluster**
Federal Award Number: **5-0605UT5028**
Questioned Costs: **\$3,505**
Pass-through Entity: N/A

We reviewed the case files for 60 Medicaid service payments and noted errors related to Third Party Liability (TPL) with 2 (3.3%) of the cases. Federal regulations [42 CFR 433.138(a) and (b)(1)] require reasonable measures to be taken to obtain TPL information during the initial application and at each redetermination (review) process. For the two cases noted, the caseworker obtained information that the client had insurance; however, the caseworker did not report this TPL information to the Office of Recovery Service (ORS) as required by Section 225-3 of the Medicaid Manual. The federal portion of the payments that may have been recovered from a third party is \$3,501 for State fiscal year 2008 and \$4 for 2007. We have questioned these costs.

Recommendation:

We recommend that Medicaid caseworkers follow policies and procedures regarding TPL procedures by reporting all TPL information to ORS in a timely manner.

DWS' Response:

We concur with the finding and recommendation. The corrective action plan for DWS involves a review of the audit finding with each eligibility worker in question. The need to follow the established policy and procedure, listed below, regarding TPL information and ORS referral will be emphasized to each worker:

- *Medicaid Policy 225-3 Changing and Updating TPL Information.*
- *DWS Procedure Medicaid Third Party Liability (TPL) and Medical Insurance Information.*

*Contact Person: Kathy Link, Operations Support Division Assistant Director,
(801) 526-9230*

Anticipated Correction Date: February 28, 2009

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)

6. CHIP INTERNAL CONTROL WEAKNESSES AND INADEQUATE DOCUMENTATION

(Repeat Finding)

Federal Agency: **DHHS, CMS**

CFDA Number and Title: **93.767 Children's Health Insurance Program**

Federal Award Number: **5-0705UT5021**

Questioned Costs: **\$13,866**

Pass-through Entity: N/A

We reviewed the case files for 60 Children's Health Insurance Program (CHIP) service expenditures and noted internal control weaknesses or inadequate documentation with 10 (16.7%) of the cases we reviewed, as described below:

a. Ineligibility Because of Access to Employer Health Insurance Coverage

For one case, the household had access to health insurance coverage through an employer that cost less than 5% of the household's gross countable income. Per Section 220-4 of the CHIP Policy Manual, "A child is not eligible for enrollment in CHIP if they have access to health insurance coverage through an employer and the cost to enroll the child is less than 5% of the household's gross countable income." Therefore, none of the children in the household were eligible for CHIP. We have questioned costs of \$3,634, which represents the federal portion of costs for all three children in the household who received CHIP benefits from July 2007 to June 2008. After we notified DWS of this error, DWS closed this case and made an overpayment referral.

b. Failure to Act on Reported Changes During the Eligibility Period

- For one case, the eligibility worker did not properly report an increase in household size when the client reported her pregnancy in September 2006. The increase in household size would have moved all three children in the household from CHIP/CI3 to CHIP/CI2 in November 2006 and would have made two of the three children eligible for Medicaid in March 2007. All three children remained on CHIP/CI3 until they were moved to CHIP/CI2 in August 2007 as a result of a client inquiry. Also, when the pregnancy was reported, the eligibility worker should have, but did not, set the case for a mandatory review in June 2007. If a mandatory review had been performed, a new income determination would have detected the eligibility error. Finally, in April 2008, the client reported an increase in income that should have moved all three children in the household back to CHIP/CI3 beginning May 2008; however, all children remained on CHIP/CI2. We have questioned costs of \$3,326, which represents the federal portion of the costs for two of the children from March

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

2007 through April 2008 (all costs) and for all three children from May 2008 through June 2008 (the difference between CHIP/CI2 and CHIP/CI3). We notified DWS of this error, but the household was not placed on CHIP/CI3 until the annual review was completed in July 2008.

- For one case, the client reported her pregnancy in May 2007, which increased the household size. With this change, household income would have been below the limit for CHIP/CI2. However, an increase in household size was not recorded, and the household remained on CHIP/CI3. This error does not result in questioned costs because the client remained eligible for CHIP and because fewer CHIP benefits were paid to healthcare providers on behalf of the client for CHIP/CI3 than would have been paid under CHIP/CI2. After we notified DWS of this error, DWS placed the client on CHIP/CI2 in June 2008.

c. Improper Determination or Calculation of Income

- For one case, the eligibility worker calculated the client's income from pay stubs incorrectly during the October 2007 review. Service and installation hours (countable income per CHIP Policy Manual section 401-1) were not included from one pay stub, and detail from the other pay stubs were summed incorrectly. Due to these computation errors, the client's income was entered at an amount lower than it actually should have been and the client was improperly determined to be eligible for CHIP benefits. Therefore, we have questioned costs of \$2,638, which represents the federal portion of costs for all four children in the household who received CHIP benefits from December 2007 (when the case was opened) to June 2008. After we notified DWS of this error, DWS closed this case and made an overpayment referral.
- For one case, the client's CHIP case was opened without proper verification of income. The eligibility specialist accepted the client's statement instead of obtaining hard copy verifications, as required by section 705-2 of the CHIP Policy Manual. Furthermore, the income as stated by the client would have made the family eligible for Medicaid. Because the required form of income verification was not obtained and because the children of the household would have been Medicaid-eligible at the income stated, a CHIP case should not have been opened. Therefore, we have questioned costs of \$1,074, which represents the federal portion of costs for all three children in the household who received CHIP benefits from September 2007 (when the case was opened) to December 2007 (when the CHIP case was appropriately closed due to nonpayment of the quarterly premium). After we notified DWS of this error, DWS opened an investigation referral in order to verify income and potentially recoup the overpayment of CHIP funds.

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- For one case, the household income as calculated from pay stubs for the June 2007 review made the client eligible for CHIP/CI2. However, the client's income was entered into PACMIS \$800 higher due to a typographical error, resulting in the client being placed on CHIP/CI3 instead of CHIP/CI2. This error did not result in questioned costs because the client remained eligible for CHIP and because fewer CHIP benefits were paid to healthcare providers on behalf of the client for CHIP/CI3 than would have been paid under CHIP/CI2. After we notified DWS of this error, DWS corrected the typographical error for August 2007 through February 2008 and reverified the client's income in February 2008.
- For one case, the eligibility specialist did not take into account the seasonal nature of the client's job when calculating income for the November 2006 review (the client only works 6 months out of the year), and the client was put on CHIP/CI2 instead of CHIP/CI1. This error did not result in questioned costs because the client remained eligible for CHIP and because fewer CHIP benefits were paid to healthcare providers on behalf of the client for CHIP/CI2 than would have been paid under CHIP/CI1. After we notified DWS of this error, DWS placed the client on CHIP/CI1 in June 2008.

d. Noncompliance with Renewal Policy

For one case, a self-employed client was sent a simplified renewal in May 2007 instead of a mandatory renewal. Per section 704 of the CHIP Policy manual, "All self-employed households must be set up for a Mandatory Renewal." It is possible that the client's self-employment income could have significantly changed, affecting CHIP eligibility since the last renewal period. Therefore, we have questioned costs of \$2,752, which represents the federal portion of costs for all three children in the household who received CHIP benefits from June 2007 through May 2008.

e. Ineligibility for CHIP Due to Medicaid Eligibility

For one case, both children receiving CHIP benefits were under 6 years of age, and the documented household income was below the Newborn Medicaid (coverage from birth through age 5) income limit. Therefore, the children were eligible for Medicaid and, per CHIP Policy Manual 201, not eligible for CHIP. We have questioned costs of \$442, which represents the federal portion of costs for the two children from January 2008 to March 2008 (when the CHIP case was appropriately closed due to nonpayment of the quarterly premium).

f. Inadequate Documentation

For one case, the eligibility decision was inadequately documented and not in compliance with the CHIP Policy Manual. The client, who is self-employed as a cab driver, reported a monthly lease for his cab in the amount of \$1,135 in the May 2007 review; however, the

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eligibility specialist did not verify this lease at the time of the review. Section 704-5 of the CHIP Manual requires the eligibility worker to review all factors of eligibility just as they would when processing an application and requires the worker to request any verification necessary to complete the renewal. After we notified DWS of this error, DWS obtained verification of the lease from the client in June 2008, and we were able to determine that the client was eligible. Therefore, we have not questioned costs associated with this error.

Recommendation:

In order to strengthen internal controls and ensure that eligibility decisions are appropriate, we recommend that DWS caseworkers:

- a. Evaluate available employer health care coverage.**
- b. Take appropriate action when there is a change in household size and perform the appropriate form of review.**
- c. Properly verify and compute household income.**
- d. Ensure that clients complete the appropriate renewal forms.**
- e. Evaluate whether clients are eligible for Medicaid before determining CHIP eligibility.**
- f. Properly verify all factors of eligibility and document eligibility decisions.**

DWS' Response:

Response to Recommendation A:

We concur with the finding and recommendation. The corrective action plan for DWS involves a review of the audit finding with the eligibility worker in question. The CHIP policy regarding the need to evaluate available employer health care coverage will be addressed:

- *CHIP Policy 220-4 Access to Coverage Through an Employer's Health Insurance Plan*

Response to Recommendation B:

We concur with the finding and recommendation. The corrective action plan for DWS involves a review of the audit finding with each eligibility worker in question. The CHIP policy regarding the need to take the appropriate action when there is a change in the household size and to perform the appropriate form of review will be addressed:

- *CHIP Policy 704 Eligibility Renewal*
- *CHIP Policy 230-1 Special Circumstances*
- *CHIP Policy 804 Changes*

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Response to Recommendation C:

We concur with the finding and recommendation. The corrective action plan for DWS involves a review of the audit finding with each eligibility worker in question. The CHIP policy regarding the need to properly verify and compute household income will be addressed:

- *CHIP Policy 705 Verification*
- *CHIP Policy 415 Budgeting*
- *CHIP Policy 415-3 Methods of Establishing a Best Estimate*

Response to Recommendation D:

We concur with the finding and recommendation. The corrective action plan for DWS involves a review of the audit finding with the eligibility worker in question. The CHIP policy regarding the need to have customers complete the appropriate renewal form will be addressed:

- *CHIP Policy 704 Eligibility Renewal*

Response to Recommendation E:

We concur with the finding and recommendation. The corrective action plan for DWS involves a review of the audit finding with the eligibility worker in question. The CHIP policy and procedure regarding the need to evaluate whether customers are eligible for Medicaid before determining CHIP eligibility will be addressed.

- *CHIP Policy 201 Medicaid Eligibility*
- *CHIP Policy 201-1 Screening for Medicaid Eligibility*
- *DWS Procedure CHIP Application and Processing*

Response to Recommendation F:

We concur with the finding and recommendation. The corrective action plan for DWS involves a review of the audit finding with the eligibility worker in question. The CHIP policy regarding the need to properly verify all factors of eligibility and document eligibility decisions will be addressed.

- *CHIP Policy 705 Verification*
- *CHIP Policy 701-3 Eligibility Decisions*

*Contact Person: Kathy Link, Operations Support Division Assistant Director,
(801) 526-9230*

Anticipated Correction Date: February 28, 2009

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TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

7. **TANF INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE**

(Repeat Finding)

Federal Agency: **DHHS, ACF**

CFDA Number and Title: **93.558 Temporary Assistance for Needy Families (TANF)**

Federal Award Number: **G-0802UTTANF**

Questioned Cost Amount: **\$1,933**

Pass-through Entity: N/A

We tested expenditures of the Temporary Assistance for Needy Families (TANF) Program at DWS by selecting a sample of 40 TANF payments, totaling \$20,730, from a population of \$21,646,643. Of the TANF payments tested, we identified \$287 (1.4%) in questioned costs. In addition, we are also questioning payments in fiscal year 2008 related to the sample cases totaling \$1,646. The total of all questioned costs is \$1,933.

a. **Internal Control Weakness and Noncompliance over Inclusion of Earned Income in the Calculation of the Benefit Payment**

For 5 (12.5%) of the 40 payments tested, DWS did not include the customer's earned income in the calculation of the customer's benefit payment. Not using earned income in the calculation of the customer's benefit payments resulted in overpayments of \$1,213, which we have questioned.

Also, for 1 of the 5 cases noted above, the Eligibility Specialist documented in the case file that the customer had not reported all earned income and that the income was not used in the calculation of the benefit, but did not refer the case to a Benefit Accuracy Analyst in order to determine if an overpayment had occurred. The DWS Eligibility Manual section 810 indicates that all overpayments will be referred to a DWS Benefit Accuracy Analyst. The Analyst will then verify an overpayment and the amount of the overpayment and make a referral for adjudication when it is appropriate. If overpayments are not referred to DWS Payment Specialists, overpayments due will not be calculated or collected and could result in questioned costs.

b. **Internal Control Weakness over Enhanced Payment Issuances**

For 4 (10%) of the 40 payments tested, the customers received either an overpayment or an underpayment of a monthly enhanced participation payment. Per DWS Employment and Business Services Manual section 1230-1A, each parent involved in approved activities will receive an enhanced payment of \$60 a month if the hours of participation are documented and verified. If this policy is not followed, an overpayment and questioned costs may occur.

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- 1) In the first case, the two-parent participating family received a total monthly enhanced participation payment of \$180 when they were only eligible for an enhanced payment of \$120, resulting in an overpayment of \$60; however, since this payment came from a state-funded source, we have not questioned any costs associated with this error.
- 2) In the second case, the employment counselor approved an enhanced payment for the current and future months; however, the eligibility specialist did not correctly add the payment in the computer system and the customer did not receive the entitled enhanced participation payment. As this is an underpayment of benefits, there are no questioned costs associated with this case.
- 3) In the third and fourth cases, the customers received enhanced payments from June 2007 through February 2008 and October 2007 through January 2008, respectively, without having their participation verified. We have questioned these costs totaling \$720.

c. Noncompliance with the Income Eligibility and Verification System (IEVS) Requirement

For 4 (10%) of the 40 cases tested, DWS Eligibility Specialists did not use the available Income Eligibility and Verification System (IEVS) databases within a reasonable time following the receipt of the application for assistance. For two of the cases, a search was not performed, and in the other two cases, a search was performed after the case came up for review. In accordance with section 1137 of the Social Security Act, each State shall participate in the IEVS and is required to verify specific information for all applicants at the first opportunity following receipt of the application. Not using the IEVS database in a timely manner could result in the inappropriate payment of benefits. We were able to determine that the payments to these customers were appropriate and will not question any costs associated with this error.

The State Auditor's Office first encountered these types of errors during our Fiscal Year 2003 audit and has encountered them each year except 2006 since that time. In response to our findings, DWS has made efforts to improve eligibility worker training and to strengthen and clarify its internal policies and procedures.

In January 2005, DWS established a case monitoring system which facilitates supervisory reviews of cases for compliance with DWS policies and procedures. Currently, supervisors are required to review, at a minimum, six target cases per quarter for each caseworker with a case load. Although some case reviews are being performed, we have noticed instances where the case reviews were not performed in accordance with DWS policies and procedures (see finding Number 1).

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Supervisory reviews of cases are critical to ensure that caseworkers have a sound understanding and are following DWS' policies and procedures. While we realize that it is not possible to prevent or detect all errors, the current number of supervisory reviews has not been sufficient to prevent or detect the significant errors noted above.

Recommendation:

We recommend that DWS continue its efforts to improve eligibility training and increase the number of case reviews to a level that will allow DWS to determine if policies and procedures are being followed.

DWS' Response:

We concur with the findings and recommendation. For findings 7.a, 7.b.2 and 7.b.3, individual workers will be contacted and receive one-on-one training to prevent similar errors in the future. Under and overpayments will be referred as appropriate.

Regarding finding 7.b.1, additional follow up on this finding has revealed a system programming error that likely caused the issuance of an additional work expense payment. This programming error will be resolved when eREP is fully implemented in July 2009.

Regarding finding 7.c, currently eligibility workers have to manually access the IEVS report. Effective November 1, 2008, eligibility workers will be able to access the IEVS/BEERS report through our electronic data brokering system. This will allow for consistent, appropriate, and timely use by workers authorized to use the report. The report will be used during the application/recertification process for eligibility determination. New training regarding access and use of the report information has been developed to support this change. Eligibility workers are required to complete the training by March 1, 2009.

*Contact Person: Helen Thatcher, Operations Support Division Assistant Director,
(801) 526-4370*

Anticipated Correction Date: March 1, 2009 for employee training; July 2009 for eREP full implementation.

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8. **INACCURATE REPORTING OF PARTICIPATION HOURS**

Federal Agency: **DHHS, ACF**

CFDA Number and Title: **93.558 Temporary Assistance for Needy Families (TANF)**

Federal Award Number: **G-0802UTTANF**

Questioned Cost Amount: **\$-0-**

Pass-through Entity: N/A

For 1 (2.5%) of the 40 cases tested, we noted discrepancies between the hours of participation reported on the ACF 199/ACF 209 reports and the hours of actual participation. In December 2007, the casework documented 23 hours of participation, but only reported 13 hours. Also, due to an error in the reporting system, we noted discrepancies between the actual and reported hours of participation for the months of January and February 2008, resulting in an understatement of 4 hours in January and an overstatement of 21 hours in February. Reports should be accurate and agree to supporting documentation. Because this is a reporting issue only, there are no questioned costs.

Recommendation:

We recommend that DWS properly report all customer participation hours.

DWS' Response:

We concur with the finding and recommendation. The individual will be contacted and receive one-on-one training to prevent such errors in the future. Additionally, we will conduct an annual internal review of 150 cases for participation reporting accuracy as approved in our TANF Work Verification Plan. We will continue to work closely with ACF to ensure changes to reporting requirements are programmed correctly.

*Contact Person: Helen Thatcher, Operations Support Division Assistant Director,
(801) 526-4370*

Anticipated Correction Date: March 1, 2009

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9. **NONCOMPLIANCE WITH INCOME VERIFICATION REQUIREMENTS**

Federal Agency: **DHHS**

CFDA Number and Title: **93.558 Temporary Assistance for Needy Families (TANF)**

Federal Award Number: **G-0802UTTANF**

Questioned Cost Amount: **N/A**

Pass-through Entity: **N/A**

Although DWS obtains the Beneficiary Earnings Exchange Records from the Social Security Administration (SSA) and unearned income information from the Internal Revenue Service (IRS) data exchange on an annual basis, these files are not being compared to the information contained in the DWS case records. Section 1137 of the Social Security Act requires the caseworkers to review and compare the information obtained from each data exchange [including the SSA and the IRS] against information contained in the case record to determine whether it affects the individual's eligibility, level of assistance, benefits, or services under the TANF program. Not comparing the information obtained in the data exchange to the customer's case record can lead to inappropriate benefit payments.

Recommendation:

We recommend that DWS review and compare information obtained in the SSA's Beneficiary Earnings Exchange Records and the IRS data exchange to the customer's case record as required by the Social Security Act.

DWS' Response:

We concur with this finding and recommendation. Effective November 1, 2008, eligibility workers are able to access the IEVS/BEERS report through our electronic data brokering system. This allows for consistent, appropriate, and timely use by workers authorized to access the report. The report is used during the application/recertification process for eligibility determination. New training regarding access and use of the report information has been developed to support this change. Eligibility workers were required to complete the training by November 1, 2008.

*Contact Person: Helen Thatcher, Operations Support Division Assistant Director,
(801) 526-4370*

Correction Date: November 1, 2008

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10. **OVERSTATEMENT OF REPORTED EXPENDITURES**

Federal Agency: **DHHS, ACF**

CFDA Number and Title: **93.558 Temporary Assistance for Needy Families (TANF)**

Federal Award Number: **G-0702UTTANF**

Questioned Cost Amount: **N/A**

Pass-through Entity: **N/A**

While reviewing the Federal Fiscal Year 2007 ACF-196 Financial Report for the quarter ended September 30, 2007, we noted that the Maintenance of Effort expenditures reported did not agree to the DWS Cost Allocation and were overstated by \$605,930. Financial reports should be accurate and agree to supporting documentation. Since this was a reporting error only, we have not questioned any costs associated with the overstatement.

Recommendation:

We recommend that DWS ensure that federal reports are accurate and agree to supporting schedules and data.

DWS' Response:

We concur with the finding and the following procedures have been implemented to ensure that federal reports are accurate and agree to supporting schedules and data. The budget analyst responsible for completing the ACF-196 will follow two steps: 1) If adjustments are made after the initial supporting documentation is completed, the analyst will first make corresponding adjustments in the supporting documentation to correct any errors and 2) The analyst will verify that the total federal and Maintenance of Effort (MOE) amounts reported in the quarter match the amounts indicated in cost allocation and the expense revenue analysis for that quarter, as well as any additional expenditures reported from other divisions. The analyst shall likewise check these computations. The Budget Director does a final review and verifies the appropriateness of the adjustments.

Contact Person: *William Greer, Administrative Support Division Director/CFO,
(801) 526-9402*

Correction Date: *November 1, 2008*

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CHILD CARE CLUSTER

11. **CHILD CARE INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE**

(Repeat Finding)

Federal Agency: **DHHS**

CFDA Numbers and Titles: **93.596 Child Care and Development Fund (CCDF)**

Federal Award Numbers: **G-0701UTCCDF, G-0001UTCCDF, G-0001UTCCD2**

Questioned Cost Amount: **\$158**

Pass-through Entity: N/A

We tested expenditures of the Child Care and Development Fund (CCDF) by selecting a sample of 60 Child Care payments, totaling \$24,810 from a population of approximately \$47 million. Of the \$24,810 of Child Care payments tested, a total of \$306 (1.2%) were potentially overpaid. Additional payments in fiscal year 2008 related to the sample payments, totaling \$314, were also potentially overpaid. The total of all potential overpayments was \$620. Subsequent to our testwork, DWS referred some cases and potential overpayments to the overpayments unit. Therefore, we have only questioned the remaining costs of \$158 that DWS did not submit to its overpayment unit.

a. **Inadequately Documented Child Care Payment**

For 1 (1.7%) of 60 payments tested, the caseworker did not verify the provider's monthly charge or the child care monthly need on a 980 form child care subsidy worksheet before the payment was ordered, as required by DWS policy. Per the Child Care Manual policy 330-3A, "The Form 980, Child Care Subsidy Worksheet, is used to document and authorize child care units.... The DWS employee must have the provider's monthly charge before ordering the payment." As a result of this error, the costs for February and March 2008, totaling \$1,764, were inappropriately paid. However, subsequent to our testwork, DWS was able to provide us with the required verifications; therefore, we have not questioned any of the costs associated with this error.

b. **Incorrect Hours of Employment Input into PACMIS**

For 2 (3.3%) of 60 payments tested, the hours of employment entered into the PACMIS system did not match the need of the parent. Per the DWS Policy Manual section 450, "The best estimate of income is based on the income that is expected to be received in each month of the eligibility period.... Verify a minimum of the past 30 days earned income of an ongoing job, up to the date of application or the date the review is submitted."

- 1) For one case, the caseworker used two separate best estimates to calculate the employment hours and the child care need. As a result, the lower employment hours

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were used and the higher child care need was used to calculate the child care benefit. This resulted in an overpayment of \$37 for the month of July 2007. We have questioned those costs.

- 2) For the second case, the caseworker used a best estimate of employment hours based upon an employer statement at the beginning of January. However, pay check stubs were received for the month of January but were not used to calculate the best estimate for the month of March at the time of the review. This resulted in an overpayment of \$121 based upon the actual hours of work as documented on the paycheck stubs. We have questioned these costs.

c. Incorrect Eligibility Data Input into PACMIS

For 3 (5%) of 60 payments tested, the school code was incorrectly entered into the PACMIS system. For each of these cases, a child was attending school during the day but was not coded as attending school in the PACMIS system. This resulted in an overpayment in child care because the child care payments exceeded the monthly local market rate (MLMR) per the Child Care Manual policy 620-1 and Table 3 for a child attending school. As a result, the costs above the maximum monthly amount allowed totaling \$462 were paid in error. Subsequent to our testwork, DWS referred these costs to the overpayments unit. Therefore, we have not questioned any costs associated with this case.

d. Inadequate Verification of Income

For 1 (1.7%) of the 60 payments tested, the caseworker did not adequately verify and record the child support income of the participant. Per the Child Care Manual policy 620-3, "ALL countable income expected to be received in the assistance month is used to determine eligibility." This did not result in an overpayment of child care benefits. However, inadequate controls could result in questioned costs and noncompliance with the grant requirements.

The State Auditor's Office first encountered these types of errors during our Fiscal Year 1996 audit and has encountered them each year since that time. In response to our findings, DWS has made efforts to improve eligibility worker training and to strengthen and clarify its internal policies and procedures.

In January 2005, DWS established a case monitoring system which facilitates supervisory reviews of cases for compliance with DWS policies and procedures. Currently, supervisors are required to review, at a minimum, six target cases per quarter (one of which includes a child care review) for each caseworker with a case load. Although some case reviews are being performed, we have noticed instances where the case reviews were not performed in accordance with DWS policies and procedures (see finding Number 1).

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Supervisory reviews of cases are critical to ensure that caseworkers have a sound understanding and are following DWS' policies and procedures. While we realize that it is not possible to prevent or detect all errors, the current number of supervisory reviews has not been sufficient to prevent or detect the significant errors noted above.

Recommendation:

We recommend that DWS continue its efforts to improve eligibility training and increase the number of child care case reviews to a level that will allow DWS to determine if policies and procedures are being followed.

DWS' Response:

We concur with the findings and recommendation. For all findings, individual workers will be contacted and receive one-on-one training to prevent similar errors in the future. Trainings will be conducted by the Regional Child Care Program Specialist. Policy, procedures, and the edit process will be reviewed and appropriate changes will be made.

*Contact Person: Lynette Rasmussen, Office of Work and Family Life Director,
(801) 526-4341*

Anticipated Correction Date: February 28, 2009

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WORKFORCE INVESTMENT ACT (WIA)

12. WIA INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE

(Repeat Finding)

Federal Agency: **DOL**

CFDA Numbers and Titles: 1) **17.258 WIA Adult Program**
2) **17.259 WIA Youth Activities**
3) **17.260 WIA Dislocated Workers**

Federal Award Numbers: **AA-14705-05-55, AA-15509-06-55, AA-16058-07-55-A-49**

Questioned Cost Amount: 1) **\$6,164** 3) **\$10,138**

Pass-through Entity: N/A

We tested benefit expenditures of the Workforce Investment Act (WIA) by selecting a sample of 45 benefit payments from 44 cases, totaling \$73,908, from a population of approximately \$3.2 million. Of the WIA benefit payments tested, we questioned a total of \$10,021 (13.6%). We also questioned additional payments in fiscal year 2008 related to the sample cases totaling \$6,281. The total of all questioned costs was \$16,302.

a. Inappropriate Use of Intensive/Training/Supportive Services

Of the 44 cases tested, we noted 1 case where a participant completed her classroom training and afterwards applied for and received WIA funds to help pay back student loans incurred during the training. Since the costs were incurred before the participant was determined to be eligible for WIA funding, they are not allowable; therefore, we have questioned all payments made on behalf of this participant, totaling \$2,625.

b. Participant Did Not Provide Evidence of Pell Approval or Denial

Of the 44 cases tested, we noted 2 cases where evidence regarding Pell grant approval or denial was not documented.

- 1) For one case, there was no evidence that the participant applied for a Pell Grant. Per EBSM 710-4, "A customer enrolling in a training program that qualifies for financial aid (Pell and other grants, scholarships, and work study) must apply for the aid annually. The customer must provide information regarding financial aid status upon determination." We have already questioned these costs in section a. above and, therefore, we have not questioned any additional costs associated with this error.
- 2) For one case, the participant had applied for a Pell grant during August 2007; however, as of April 2008 (8 months later) the employment counselor had not documented whether or not the participant received the grant. Per EBSM 710-4, "a

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customer enrolling in a training program that qualified for financial aid (Pell and other grants, scholarships, and work study) must apply for the aid annually. The customer must provide information regarding financial aid status upon determination.” We were able to determine that the participant still had a need for WIA funding and, therefore, we have not questioned any costs associated with this error.

c. Participant Does Not Meet the Definition of a Dislocated Worker

Of the 44 cases tested, we noted 2 cases where participants did not meet the criteria of a dislocated worker as defined by EBSM 750 and 29 USC 2801 (9). All participants must meet the eligibility criteria outlined in the federal regulations and the EBSM manual in order to receive training services. We have questioned all costs associated with these two cases, totaling \$10,138.

d. Training Funds Not Coordinated

Of the 44 cases tested, we noted 2 cases where WIA training funds were not coordinated with other sources of funding.

- 1) One participant, received \$1,708 in WIA funds for one semester to pay for tuition and fees. The student also received a Pell Grant for \$2,155 and student loans of \$4,250, both of which were subsequently disbursed to the student in cash. Per 20 CFR 663.320, WIA funds are to supplement [not supplant] other sources of training grants. Therefore, we have questioned the \$1,708 tuition and fee payment for that semester.
- 2) One participant received an outside scholarship for tuition and fees. However, DWS used WIA funds to pay the tuition and fees and caused the student to forfeit the scholarship. Per 20 CFR 663.320, WIA funds should supplement [not supplant] other sources of training grants. Therefore, we will question the \$1,831 WIA payment that supplanted other sources of funds.

e. Necessary vs. Unnecessary Financial Needs

The EBSM manual does not clearly define what is considered to be a financial need. As a result, we noted cases where employment counselors included various expenses as financial needs even though they appear to be discretionary expenses.

- 1) Of the 44 cases tested, we noted 1 case where the participant’s financial needs analysis included expenses of \$700 for charitable contributions and \$900 for private school tuition. In this case, there appeared to be no need for WIA funding; therefore, we have questioned all costs associated with this participant, totaling \$2,138. However, we have already questioned these costs in section c. above and therefore, we have not questioned any additional costs associated with this error.

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- 2) We noted various other cases which included the following as financial needs: payments to RC Wiley's and Circuit City, payments on an engagement ring, entertainment expenses, Spanish and gymnastic lessons, etc. Since other information in the case files indicated that there was still a need for WIA funding, we have not questioned any costs associated with these cases.

f. Eligibility to Work in the U.S. Not Verified

Of the 44 cases tested, we noted 1 case where the participant's eligibility to work in the United States was not verified. Per EBSM 720-1, eligibility to work in the U.S. must be verified before the participant is eligible for intensive/training services under WIA. We were able to determine that the participant was eligible to work in the U.S. and will not question any costs associated with this error.

g. Income Not Verified

Of the 44 cases tested, we noted 1 case where the caseworker did not verify the participant's income. Per EBSM 720-5, WIA Adults must meet the income guidelines to receive benefits. We were able to determine that the participant was still eligible for WIA services; therefore, we have not questioned any costs associated with this error.

h. Appropriateness of Training Program Not Documented

Of the 44 cases tested, we noted 2 cases where the appropriateness of the training program was not documented.

- 1) For one case, the employment counselor did not document the appropriateness of the training program for the participant nor his assessment of whether the participant had the ability to complete the training program, as required by EBSM 710-4. The participant had not worked in 8 years and had been on Social Security Disability. However, since the participant appears to be progressing in his training, we have not questioned any costs associated with this error.
- 2) For one case, the employment counselor did not document whether the participant would have a reasonable expectation of employment following the training. Per EBSM 710-4(4), participants must have a reasonable expectation of employment following completion of the training. Subsequent to our audit, the employment counselor updated the participant's employment plan to show employability for the field of interest; therefore, we have not questioned any costs associated with this error.

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i. Lack of Documentation of Compliance with the Selective Service Act

Of the 44 cases tested, we noted 1 case where the WIA Youth Participant had reached the age of 18, but his case file did not contain documentation that he had registered with Selective Service. Per EBSM 720-4, "If a WIA Youth participant turns 18 after eligibility is determined, he must register for Selective Service as a condition of ongoing eligibility... [obtain] proof of Selective Service registration and image or place it in the file." Not verifying compliance with the Selective Service Act could result in ineligible costs being charged to the grant. Subsequent to our testwork, DWS was able to show that the participant had registered for Selective Service and, therefore, we have not questioned any costs associated with this error.

j. Definition of Significant Employment Skills

DWS employment counselors are often inconsistent in how they determine what constitutes significant employment skills for the purpose of prioritizing participants. In one case, the participant who worked in a demand occupation was marked as lacking significant employment skills. In another case, a participant with a bachelor's degree was marked the same way. DWS should clarify the definition of significant employment skills in its policies.

k. Lack of Required Forms

Of the 44 cases tested, 1 case did not contain the Training Service Agreement. Per the Employment and Business Services Manual (EBSM) section 1010, the Training Service Agreement must be completed and signed by the client prior to receiving training services. Requiring that participants complete and sign the Training Service Agreement ensures that the participants are aware of the applicable requirements and expectations. However, since this form does not affect eligibility, we have not questioned any costs associated with this case.

The State Auditor's Office first encountered these types of errors during our Fiscal Year 2000 audit and has encountered them each year since that time. In response to our findings, DWS has made efforts to improve Employment Counselor training and to strengthen and clarify its internal policies and procedures.

In January 2005, DWS established a case monitoring system which facilitates supervisory reviews of cases for compliance with DWS policies and procedures. Currently, supervisors are required to review only one case per quarter for each caseworker with a case load. Since the percentage of WIA cases to total cases managed by DWS is small, WIA cases are not often selected for review. For those that are selected for review, we have noticed instances where the case reviews were not performed in accordance with DWS policies and procedures (see finding Number 1).

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Supervisory reviews of cases are critical to ensure that caseworkers have a sound understanding and are following DWS' policies and procedures. While we realize that it is not possible to prevent or detect all errors, the current number of supervisory reviews has not been sufficient to prevent or detect the significant errors noted above.

Recommendation:

We recommend that DWS continue its efforts to improve Employment Counselor training and increase the number of WIA cases reviewed to a level that will allow DWS to determine if policies and procedures are being followed. We also recommend that DWS clarify its policies regarding what constitutes a financial need and the definition of significant employment skills.

DWS' Response:

We concur with the above findings. DWS has a formal edit process designed to ensure cases are edited consistently statewide, to identify training needs, and policy clarification needs. Cases are edited according to state policy and procedure. During this program year the WIA Program Team will review additional cases throughout the year to ensure an increased number are edited. The information from these edits will be utilized to improve policy, procedure and training. In addition, during this program year a team will be pulled together, including representation from each region, to review and provide recommendations for strengthening guidance on financial need. It is anticipated these changes will be implemented effective June 30, 2009.

A team is currently working to strengthen guidance on significant employment skills through help text in UWORKS. It is anticipated these changes will be implemented effective January 2009.

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Anticipated Correction Date: June 30, 2009