



DEPARTMENT OF WORKFORCE SERVICES

Management Letter
For the Year Ended June 30, 2011

Report No. 11-24

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



Auston G. Johnson, CPA
UTAH STATE AUDITOR

STATE OF UTAH
Office of the State Auditor

UTAH STATE CAPITOL COMPLEX
EAST OFFICE BUILDING, SUITE E310
P.O. BOX 142310
SALT LAKE CITY, UTAH 84114-2310
(801) 538-1025
FAX (801) 538-1383

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

FINANCIAL AUDIT DIRECTORS:
Van H. Christensen, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

MANAGEMENT LETTER NO. 11-24

October 31, 2011

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 basic financial statements of the State of Utah as of and for the year ended June 30, 2011 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 October 28, 2011, is 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, 2011. Our report on the statewide federal compliance audit for the year ended June 30, 2011 is issued under separate cover. The federal programs tested as major programs at DWS were the Unemployment Insurance (UI) Program, Supplemental Nutrition Assistance Program (SNAP), Child Care and Development Fund (CCDF) Cluster, Temporary Assistance for Needy Families (TANF) Program, and the Workforce Investment Act (WIA) Cluster.

In planning and performing our audit of the federal programs listed above, we considered DWS' compliance with the applicable types of compliance requirements as described in the OMB Circular A-133 Compliance Supplement for the year ended June 30, 2011. We also considered DWS' internal control over compliance with the requirements previously described that could have a direct and material effect on these programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Additionally, we considered DWS' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of DWS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of DWS' internal control over compliance or financial reporting.

Our consideration of internal control over compliance and financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in

DWS' internal control over compliance or financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance or financial reporting exists when the design or operation of a control over compliance or financial reporting does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program or misstatements on a timely basis. A material weakness in internal control over compliance or financial reporting is a deficiency, or combination of deficiencies, in internal control over compliance or financial reporting, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified certain deficiencies in internal control 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 significant deficiency in internal control over compliance or financial reporting is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control that we consider to be significant deficiencies. These significant deficiencies are identified in the accompanying table of contents and are described in the accompanying schedule of findings and recommendations.

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.

This communication is intended solely for the information and use of DWS' management and the Utah State Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

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 call Stan Godfrey, Audit Director, at (801) 538-1356.

Sincerely,



Auston G. Johnson, CPA
Utah State Auditor

cc: Greg Gardner, Deputy Director–Administration
Jon Pierpont, Deputy Director–Operations
James Whitaker, Assistant Deputy Director
LeAnn Hatfield, Director of Internal Audit
Bill Starks, Director, Unemployment Insurance Division
John Talcott, Director, Administrative Support Division
Karla Aguirre, Associate Director, Workforce Development Division
Debbie Herr, Associate Director, Eligibility Services Division

DEPARTMENT OF WORKFORCE SERVICES

FOR THE YEAR ENDED JUNE 30, 2011

TABLE OF CONTENTS

	<u>Federal Program</u>	<u>Type/Applicability</u>	<u>Page</u>
<i><u>GENERAL:</u></i>			
1. INADEQUATE INTERNAL CONTROLS OVER FINANCIAL REPORTING (Repeat Finding)	N/A	MW-s	1
<i><u>CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP):</u></i>			
2. INTERNAL CONTROL WEAKNESSES, NONCOMPLIANCE, AND INADEQUATE DOCUMENTATION (Repeat Finding)	CHIP	MW-f; SD-s; MN-f; RN-s	2
<i><u>MEDICAID:</u></i>			
3. INCORRECT ELIGIBILITY DETERMINATION AND INADEQUATE DOCUMENTATION OF ELIGIBILITY (Repeat Finding)	Medicaid	SD-s; SD-f; RN-f	5
4. THIRD PARTY LIABILITY INFORMATION NOT ADEQUATELY OBTAINED OR UPDATED (Repeat Finding)	Medicaid	SD-s; SD-f RN-f	8
<i><u>UNEMPLOYMENT INSURANCE (UI):</u></i>			
5. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE	Unemployment Insurance	MW-s; MW-f; MN-f; RN-s	9
<i><u>CHILD CARE AND DEVELOPMENT FUND (CCDF) CLUSTER:</u></i>			
6. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE (Repeat Finding)	Child Care	MW-f; SD-s; MN-f	11
<i><u>WORKFORCE INVESTMENT ACT (WIA) CLUSTER:</u></i>			
7. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE (Repeat Finding)	WIA	MW-f; SD-s; MN-f	14
<i><u>TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF):</u></i>			
8. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE (Repeat Finding)	TANF	SD-f; RN-f	22
9. NONCOMPLIANCE WITH CHILD SUPPORT NON-COOPERATION REDUCTION IN BENEFIT REQUIREMENTS (Repeat Finding)	TANF	SD-f; RN-f	24
10. ACF-199/ACF-209 REPORTING ERRORS (Repeat Finding)	TANF	SD-f; RN-f	25
11. ACF-204 REPORTING ERRORS (Repeat Finding)	TANF	SD-f; RN-f	26
12. ARRA EXPENDITURES OVERREPORTED	TANF	SD-f; RN-f	27
<i><u>MULTIPLE PROGRAMS:</u></i>			
13. INADEQUATE INTERNAL CONTROLS OVER SEFA PREPARATION	Various	SD-f	28

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

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

GENERAL

1. INADEQUATE INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Department of Workforce Services (DWS) does not have adequate internal controls to ensure that financial information for the Unemployment Compensation Fund (UCF) is properly prepared in accordance with generally accepted accounting principles. In addition, DWS Operational Accounting personnel lack sufficient knowledge and training to oversee the accounting for the UCF and prepare the required financial information in accordance with generally accepted accounting principles. As a result, one material adjustment and one significant adjustment were required to properly present the UCF's financial position in the State's basic financial statements.

Management is responsible for the preparation and accuracy of financial reporting for the UCF, establishing internal controls and procedures to accurately capture and record transactions, and ensuring personnel preparing the financial information have sufficient knowledge and training.

Recommendation:

We recommend that DWS strengthen existing controls to ensure that financial reporting reflects UCF's financial position, results of operations, cash flows, and disclosures in conformity with generally accepted accounting principles. We also recommend that DWS ensure personnel involved in preparing financial information have sufficient knowledge and training to prepare the necessary financial information in accordance with these principles.

DWS' Response:

The Department agrees with the finding and recommendation to strengthen existing controls to ensure accurate financial reporting in conformity with generally accepted accounting principles. As such, Operational Accounting team members will receive training to gain the required knowledge to prepare financial information in accordance with generally accepted accounting principles.

In addition, the Operational Accounting Team will work with other agencies, such as State Finance, to develop processes for accurately capturing, recording, and reporting transactions and strengthening existing financial reporting controls.

*Contact Person: John Talcott, Director of Administrative Support, (801) 526-9402
Anticipated Completion Date: June 30, 2012*

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)

2. INTERNAL CONTROL WEAKNESSES, NONCOMPLIANCE, AND INADEQUATE DOCUMENTATION

Federal Agency: **DHHS**

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

Federal Award Number: **5-1005UT5021**

Questioned Costs: **\$15,772**

Pass-through Entity: N/A

We reviewed the eligibility determination and documentation process for 55 Children's Health Insurance Program (CHIP) cases. We noted internal control weaknesses, noncompliance, and/or inadequate documentation with 13 cases, or 23.6% of the total CHIP cases reviewed as described below. In addition, we tested CHIP service payments for these 55 cases and noted 6 payments (10.9%), totaling \$438 (federal and state portions), which were considered unallowable due to incorrect eligibility decisions. After we brought these errors to the attention of the Department of Workforce Services (DWS), they were able to make corrections in their system and eliminate questioned costs for one payment of \$102, reducing the unallowable costs to \$336 (federal and state portions). The 55 CHIP payments tested totaled \$4,406 and were taken from a total population of \$74,394,522 (federal and state portions). During our testwork we noted other incorrect eligibility decisions and noncompliance associated with the 55 CHIP cases that were not included in our sample of CHIP payments but have been included below.

As a result of the incorrect eligibility decisions and other noncompliance issues, we have questioned the federal portion of all costs associated with these cases: \$3,250 for federal fiscal year 2011 and \$12,522 for federal fiscal year 2010. The Department of Health sets CHIP policy and processes all CHIP expenditures. DWS handles eligibility determination and case file management for CHIP.

a. Incorrect Eligibility Decision

For one case, the caseworker placed the household on CHIP even though the children were eligible for the Newborn Plus Medicaid Program. Per CHIP policy 201, households eligible for Medicaid are not eligible for CHIP. This error resulted in total questioned costs of \$3,748. The cause of this error appears to be that the caseworker did not properly consider Medicaid eligibility during the annual CHIP review.

b. Improper Income Verification

For two cases, proper income verification was not received during the CHIP annual reviews. Per CHIP Policy 705, income verification is required for CHIP eligibility. These errors resulted in total questioned costs of \$7,254. The cause of these errors appears to be a

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

misunderstanding by the caseworker concerning the requirement to obtain the proper verification of income.

c. Income and Household Size Changes not Considered

For one case, verification of decreased income and increased household size were received before the CHIP review was processed but were not considered before processing the review, as required by CHIP policy 704. This caused a child eligible for the Newborn Medicaid Program to be placed on CHIP. This error resulted in total questioned costs of \$677. The cause of this error appears to be caseworker misunderstanding of CHIP policy.

d. Income Calculation Error

- 1) For two cases, unearned income was incorrectly calculated. Per CHIP Policy 402-4 and Medicaid Policy 403-4, the additional unemployment compensation provided by the American Recovery and Reinvestment Act of 2009 was required to be excluded from household income. The errors for these cases caused the children that were eligible for the Newborn Plus Medicaid Program to be placed on CHIP. These errors resulted in total questioned costs of \$2,291.
- 2) For one case, the earned income disregard was not applied in accordance with Medicaid Policy 409-3, which resulted in incorrect income calculation. This error caused a child that was eligible for the Newborn Plus Medicaid Program to be placed on CHIP. This error resulted in total questioned costs of \$1,418.
- 3) For one case, the household's income was calculated incorrectly for self-employment income. CHIP Policy 410-2 requires certain documentation to be obtained to determine allowable business deductions to determine CHIP eligibility. This error caused the household to be placed on the incorrect CHIP plan, with a lower quarterly premium than that for which the household was eligible. This error resulted in total questioned costs of \$240.
- 4) For one case, rental income was not considered when calculating the household's income. CHIP Policy 402-9 requires rental income to be included as countable income. This error caused the household to be placed on the incorrect CHIP plan, with a lower quarterly premium than that for which the household was eligible. This error resulted in total questioned costs of \$144.
- 5) For three cases, best estimate of monthly income was calculated incorrectly by not annualizing unemployment income as required by CHIP Policy 415-1. These errors resulted in the household being placed on the incorrect CHIP plan. After we brought these cases to DWS' attention, they made corrections for these errors; therefore, we have not questioned any costs associated with these errors.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

The cause of these income calculation errors appears to be caseworker misunderstanding of policies regarding best estimate income calculations, as well as human error. Five of the 55 total cases tested (9%) were eligible for CHIP, but put on the wrong CHIP plan.

e. **Improper Documentation**

For one case, the name used on a paystub was not properly documented as belonging to a member of the household. We have not questioned costs associated with this case because it appears the name on the paystub was an alias for a household member and the household was eligible for CHIP; however, not verifying/documenting an alias could result in improper household eligibility. The cause of this error appears to be caseworker oversight.

Recommendation:

We recommend that DWS caseworkers:

- a. Properly analyze Medicaid and CHIP eligibility during the CHIP application and/or review process.**
- b. Properly verify household monthly income.**
- c. Properly consider changes to household size and monthly income during the CHIP review.**
- d. Properly calculate household monthly income.**
- e. Properly document pertinent case information.**

DWS' Response:

The Department concurs with the finding and recommendations. A statewide initiative is currently being implemented which allows for real time case reviews. This process will enable incorrect cases to be identified and in many cases corrected before benefit issuance. Each team has one assigned case reviewer responsible for providing timely feedback and mentoring to each Eligibility Specialist. Case reviewers will be closely engaged with the teams they support and will work with supervisors to address and correct error trends on a daily basis.

Over the next several months, one hundred percent of CHIP approvals and denials will be reviewed internally for all four of the CHIP teams through the end of November of this year.

New eREP case review functionality will be employed to evaluate approximately 800 CHIP determinations for the correct program and plan.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

To support this initiative, resources from across ESD and from the Department of Health, will dedicate time and efforts to conducting thorough real time case reviews and provide direct and immediate feedback to staff and supervisors resulting in prompt correction of errors.

To maximize efforts and quickly educate staff, case reviews will be conducted on site whenever possible and at least one review per week will be conducted with the Eligibility Specialist present and involved. In addition, supervisors will participate in at least one review per worker per week and will receive weekly feedback regarding all reviews conducted.

Case reviewers will assist staff in correcting cases if needed while providing mentoring to staff regarding appropriate procedure and application of policy.

The most common causes of errors will be shared weekly with all staff and trends will be comprehensively reviewed at the end of each week.

The final results of the case review project will be evaluated in early December for trends and supplemental mentoring, case reviews, and process changes will be instituted accordingly.

*Contact Persons: Debbie Herr, Associate Director, (801) 526-9831
or Kevin Burt, Associate Director, (801) 597-3907*

Anticipated Correction Date: March 2012

MEDICAID

3. INCORRECT ELIGIBILITY DETERMINATION AND INADEQUATE DOCUMENTATION OF ELIGIBILITY

Federal Agency: **DHHS, CMS**

CFDA Numbers and Titles: **1) 93.778 Title XIX Medicaid Cluster
2) 93.778 Title XIX Medicaid Cluster – ARRA**

Federal Award Numbers: **1) 05-1105UT5MAP 2) 05-1105UTARRA**

Questioned Costs: **1) \$3,098 2) \$420 = \$3,518**

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

We reviewed the case files for 60 Medicaid service expenditures at the Department of Health. The expenditures for these cases totaled \$3,969,482 and were taken from a total population of \$1,879,169,761. We noted 7 cases (11.7%) with eligibility determination errors, including 1 case (1.7%) with a payment totaling \$14 where household members were considered ineligible due to incorrect eligibility decisions. As a result of the incorrect eligibility decisions, we have questioned the federal portion of costs associated with these cases totaling \$3,518 (\$3,480 for federal fiscal year 2011 and \$38 for federal fiscal year 2010).

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

Although all Medicaid expenditures are processed at the Department of Health, eligibility and case file management for Medicaid is handled by DWS. The causes of these errors appear to be that caseworkers did not correctly determine or document eligibility as required by Medicaid policy and did not make corrections when known deviations occurred mainly due to human error or unfamiliarity with policy.

a. Improper Verification of Assets

For one case, the caseworker did not include the household's vehicles as part of the household's assets when determining eligibility, as required by Medicaid Policy Manual 500 and 731-1. Documentation obtained later indicates that these vehicles would have put the household over the asset limit for Medicaid; however, the child in the household would have been eligible for the Newborn Medicaid Program since that program does not have an asset limit. We have questioned costs of \$3,518 for the other household members as a result of this error.

b. Improper Verification of Disability

For one case, the caseworker did not obtain proof of disability, as required by Medicaid Policy Manual 303-2, before approving Disabled Medicaid. After bringing this error to their attention, DWS applied for and received a retroactive disability determination for this case from the Medical Review Board. Therefore, this error did not result in an incorrect eligibility decision and we did not question costs associated with this case. However, not obtaining proof of eligibility could result in improper eligibility decisions and/or payments.

c. Incomplete Verification of Income or Income Calculation Errors

1) For one case, the caseworker relied on the client's statement when verifying income at the time of eligibility determination; however, a client's statement cannot be used to verify income, per Medicaid Policy Manual 731-3. After bringing this error to DWS' attention, verification of income was subsequently obtained and did not result in an incorrect eligibility decision. We did not question any costs associated with this case. However, such errors could result in improper eligibility decisions.

2) For two cases, the caseworker calculated the client's income incorrectly when determining eligibility. These errors did not result in improper eligibility decisions, so no costs are questioned. However, such errors could result in improper eligibility decisions.

d. Improper Verification of Pregnancy

For one case, the caseworker did not verify pregnancy as required by Medicaid Policy Manual 731-1. Verification that the client was pregnant and was eligible for Medicaid was subsequently evidenced by the birth of twins; therefore, we did not question any costs

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

associated with this case. However, improper verification of a pregnancy could result in an incorrect eligibility decision.

e. **Improper Review Procedure**

For one case, the caseworker properly closed a program when the household returned a review after the deadline but improperly reopened the program without requiring the household to submit a new application, as required by Medicaid Policy Manual 721-1 C.8. We did not question costs because other documentation in the case file indicates that the household would likely still be eligible for the same program. However, such errors could result in improper eligibility decisions.

Recommendation:

We recommend that DWS follow established policies and procedures when determining eligibility for Medicaid Programs, including adequate documentation of all eligibility factors and decisions.

DWS' Response:

The Department agrees with the finding and recommendation. A statewide initiative is currently being implemented which allows for real time case reviews. This process will enable incorrect cases to be identified and in many cases corrected before benefit issuance. Each team has one assigned case reviewer responsible for providing timely feedback and mentoring to each Eligibility Specialist. Case reviewers will be closely engaged with the teams they support and will work with supervisors to address and correct error trends on a daily basis.

Case reviewers and eligibility staff will receive detailed information regarding the above findings and will target these issues along with evaluating cases comprehensively to ensure the correct program is approved.

Trends will be identified across teams, hierarchies, and the division as a whole and will be reviewed to the worker level.

The Department will continue to produce the Quality News Desk, which is a feature that provides training to Eligibility Workers on commonly misapplied policy and procedures.

The Department is currently engaged in an initiative to evaluate income across programs to identify error prone areas such as inconsistent policy and procedure and difficult to calculate income sources. Automation solutions will be explored in addition to refining policy and procedure to support staff in achieving correct income calculations on cases.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

Cases will be closely evaluated to ensure appropriate application of policy and procedure, adequate verification, and sufficient documentation.

*Contact Persons: Debbie Herr, Associate Director, (801) 526-9831
or Kevin Burt, Associate Director, (801) 597-3907*

Anticipated Correction Date: June 2012

4. THIRD PARTY LIABILITY INFORMATION NOT ADEQUATELY OBTAINED OR UPDATED

Federal Agency: **DHHS, CMS**

CFDA Numbers and Titles: **1) 93.778 Title XIX Medicaid Cluster**
2) 93.778 Title XIX Medicaid Cluster – ARRA

Federal Award Numbers: **1) 05-1105UT5MAP 2) 05-1105UTARRA**

Questioned Costs: **1) \$201,242 2) \$26,156 = \$227,398**

Pass-through Entity: N/A

We reviewed the case files for 60 Medicaid service payments at the Department of Health and noted errors related to Third Party Liability (TPL) with 2 (3.33%) of the cases totaling \$49,575. As a result of these errors, we have questioned the federal portion of costs associated with these cases totaling \$227,398 (\$79,266 for federal fiscal year 2011 and \$148,132 for federal fiscal year 2010).

Although all Medicaid expenditures are processed at the Department of Health, TPL determination and case file management for Medicaid is handled by DWS. The cause of these errors appears to be that caseworkers did not follow through with TPL policy, either by overlooking TPL and human error or unfamiliarity with TPL policy. The errors noted were as follows:

- a. For one case, the caseworker never notified the Office of Recovery Services (ORS) or the Buy-Out Unit in the Department of Health's Division of Medicaid and Health Financing of TPL coverage reported during the original Medicaid application or of the client's option to enroll in COBRA when TPL coverage ended, as required by Medicaid Policy Manual 225. Given the client's poor health and recent hospitalization and the fact that he was applying for Disabled Medicaid, it is more than likely that the Buy-Out Unit would have approved the Buy-Out (paying COBRA premiums rather than covering costs through Medicaid) as cost-effective. COBRA coverage would have lasted at least 18 months, and Medicaid costs would have been avoided. In addition, TPL should have been charged through the date TPL coverage ended. The federal portion of the amount that may have been recovered from the third party or avoided through payment of COBRA premiums is \$225,612. After we notified ORS of this issue, ORS opened a case and filed a claim with the third party insurer for costs incurred prior to the end of coverage, totaling \$9,637.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

- b. For one case, the caseworker obtained TPL information at the time the household applied for Medicaid but did not report this information to ORS as required by Medicaid Policy Manual 225-3 and by federal regulations (42 CFR 433.135 through 433.154). The federal portion of the amount that may have been recovered from a third party is \$1,786.

Recommendation:

We recommend that DWS follow policies and procedures to report TPL information to the Office of Recovery Services and the Buy-Out Unit (if applicable) in a timely manner.

DWS' Response:

The Department agrees with the finding and recommendation. This year a statewide training was conducted for all Eligibility Staff covering TPL policy and processes. Each Eligibility Specialist was required to pass a test following the training.

All staff and leadership recently participated in quality sessions in which TPL errors, causes, costs, and preventative measures were discussed.

The Department has committed to increase the level of case reviews performed on each Eligibility Specialist. This process will include real time case reviews, which will allow potential errors to be identified and corrected in many cases before benefit issuance. One specific area of focus is access to and availability of third party liability.

*Contact Persons: Debbie Herr, Associate Director, (801) 526-9831
or Kevin Burt, Associate Director, (801) 597-3907*

Anticipated Correction Date: January 2012

UNEMPLOYMENT INSURANCE

5. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE

Federal Agency: **DOL**

CFDA Numbers and Titles: **1) 17.225 Unemployment Insurance**
2) 17.225 Unemployment Insurance – ARRA

Federal Award Numbers: **various**

Questioned Costs: **1) \$-0- 2) \$1,065**

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

We tested expenditures of the Unemployment Insurance (UI) Program at DWS by reviewing a sample of 30 individual benefit issuances totaling \$10,071 from a population of \$645,970,863. We noted three cases (10%) with benefit payment errors totaling \$584 (5.8% of the total sample

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

benefit amount). We questioned a total of \$56 of the benefit payment error noted, as described below. We also questioned additional claim overpayments related to the sample payments, totaling \$1,009. The total of all questioned costs is \$1,065.

- a. For one case, the claims worker used the wrong date when calculating a new regular UI Weekly Benefit Amount (WBA), resulting in the claimant remaining on Emergency Unemployment Compensation (EUC) benefits when he should have been covered on a regular UI claim. EUC benefits are only allowable if a claimant has no rights to regular UI compensation during the benefit week or if a new regular UI claim has a WBA that is at least \$100 or 25% less than an open EUC WBA. This error resulted in overpayments to the claimant because the claimant's EUC benefit amount was higher than the regular UI benefit amount, but not by an amount that met the required threshold. Therefore, we have questioned the difference between what the claimant received and what he should have received, totaling \$1,065.
- b. For one case, the claims worker presumably used a date on a letter sent to the claimant as an effective date for a new regular UI claim rather than making the effective date the day after the expiration date of the original regular UI claim. As a result, the claimant remained on EUC for one week longer than eligible. In addition, because the date used and the expiration date of the original claim spanned the period between two quarters, the claimant's WBA and Maximum Benefit Amount (MBA) for the new regular UI claim were also incorrect. An overpayment for one benefit week has been offset by underpayments in this case; therefore, we are not questioning any costs related to this error.
- c. For one case, after an extension of the EUC program, a manual monetary redetermination was not completed due to oversight. This resulted in the claimant not receiving EUC benefits for which she was eligible. Because this is an underpayment of benefits, we have not questioned any costs.

Not following proper procedures to determine eligibility for UI programs may result in claimants receiving benefits for which they are not eligible or receiving the incorrect amount of benefits. In addition, questioned costs may result.

Recommendation:

We recommend that DWS strengthen existing controls to ensure that proper dates are used in determining eligibility for UI benefits and that applicable monetary redeterminations due to changes in UI programs are completed.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

DWS' Response:

The Department agrees with the finding and recommendation. We implemented continuous training for the UI Benefit staff in May 2011, focusing on the errors associated with these findings. Also in May we started running a daily query to monitor claims where the effective date of the claim may be incorrect. If an error is found, it is corrected the same day it was created. In addition, we now have UI Staff Services review a random sample of claims on a monthly basis. These reviews started in June 2011. The reviews monitor all aspects of the claims to identify any potential problems. If problems are identified, we focus on those areas as part of our continuous training. No problems have been identified on the claims reviewed in the samples for August and September.

Contact Person: Bill Starks, UI Director, (801)526-9575
Correction Date: July 2011

CHILD CARE AND DEVELOPMENT FUND (CCDF) CLUSTER

6. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE

Federal Agency: **DHHS**

CFDA Numbers and Titles: 1) **93.596 Child Care and Development Fund**
2) **93.713 Child Care and Development Block Grant – ARRA**

Federal Award Numbers: 1) **G-0901UTCCDF, G-1001UTCCDF, G-1101UTCCDF**
2) **G-0901UTCCD7**

Questioned Costs: 1) **\$2,812** 2) **\$10 = \$2,822**

Pass-through Entity: N/A

We tested expenditures of the Child Care and Development Fund (CCDF) Cluster by selecting a sample of 50 Child Care payments, totaling \$21,370 from a population of approximately \$47 million. Of the Child Care payments tested, we noted benefit payment errors totaling \$1,152 (5.39% of the total sample benefit amount). We questioned a total of \$556 of the benefit payment errors noted, as described below. We also questioned additional payments made in State fiscal year 2011 related to the sample payments, totaling \$2,266. The total of all questioned costs is \$2,822.

a. Inadequate Verification Of Providers' Charges and Child Care Need

For three cases, caseworkers did not verify the providers' charges or the child care monthly need on the Child Care Subsidy Worksheet (form 980). Per the DWS Child Care Eligibility Manual (Eligibility Manual) §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." For two cases, form 980 was not

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

included in the case record for four months and five months, respectively. For these two cases, the caseworkers either failed to obtain a form 980 from the applicable providers to verify required information before ordering child care payments or did not image a copy of form 980 in the participants' case record. For one of the two cases, we were able to determine that the child care payments made during the months where no form 980 was submitted were paid at the correct rate and were for allowable activities. Therefore, we have not questioned any costs associated with this case; however, we have questioned the costs associated with the other case, totaling \$2,540. For the third case, a wrong provider charge on form 980 resulted in an underpayment to the participant; therefore, we have not questioned any costs associated with this case.

b. Incorrect Earned Income and Hours Worked Determinations

For four cases, we were unable to reconcile the participants' earned income and/or hours worked entered into the Electronic Resource Eligibility Product (eREP) system to the earned income and hours worked documentation in the case record. Per the Eligibility Manual §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." These errors occurred because the caseworker did not apply the "best estimate" methodology correctly and/or did not correctly follow established procedures to include paid time off and bonuses as earned income and in hours worked. Not correctly calculating the best estimate for earned income and hours worked can result in an incorrect eligibility determination and/or an incorrect child care need determination. These errors resulted in overpayments of child care benefits totaling \$282. We have questioned these costs.

c. Incorrect Child Care Need Determination

For one case, the child care need amount entered into the eREP system did not match the actual needs of the parents. Per the Eligibility Manual §620-1, the child care payment is determined by the lowest of the following three factors: Participation Cost, Provider Charge, or the Monthly Local Market Rate (MLMR). For this case, the worker incorrectly determined the children were "out of school" during the majority of the time children were in need of child care. The children should have been considered "in school" based on their parents' work schedules, which would have resulted in a decreased subsidy payment. However, the caseworker also accidentally selected an inactive provider for one of the children which resulted in no subsidy payment for that child, creating a net underpayment for the case. Therefore, we have not questioned any costs for these errors.

Recommendation:

We recommend that DWS strengthen caseworkers' understanding of established policies and procedures to ensure that they are able to effectively administer the Child Care program. Specifically, DWS caseworkers should:

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

- a. Verify the accuracy and completeness of data submitted by child care providers on form 980 prior to ordering child care payments and ensure form 980 is imaged in participants' case record.**
- b. Correctly apply "best estimate" procedures when calculating participants' earned income and hours worked to ensure participants are eligible and the child care benefit is based on actual need.**
- c. Verify the child care need for each participant and ensure that children are correctly coded as "in school" or "out of school" for applicable months.**

DWS' Response:

The Department agrees with the finding and recommendations. Child Care Program Specialists reviewed the three cases cited in the audit for Inadequate Verification of Providers' Charges and Section 330-3A of our Eligibility Manual with CBT Supervisors at our meeting held on August, 24, 2011. Community Based Teams (CBT) are responsible for approving child care subsidy payments. The Child Care Program Specialists also reviewed the audit findings and policy at each CBT supervisor's team meeting. A root cause of these errors occurs when program reviews are updated but not synchronized with the months indicated on the Form 980, Provider Worksheet. Effective July 2011, ESD created a new eREP screen and procedure to help workers align reviews; by implementing this new process we are taking positive steps to ensure the Form 980, Child Care Subsidy Worksheet, will be complete for the correct review cycle. We also enhanced eREP to automatically send a Form 980 when a provider's evidence is end-dated in the system; provider evidence is end-dated when the Form 980 does not contain the provider charges for all months required in the review cycle or when a parent changes providers.

To reinforce Section 450 of our Eligibility Manual, and to help workers in establishing a valid best estimate, the Program and Training Team, Supervisors, and ESD Managers in meetings and forums are emphasizing the importance of taking the extra time to review the income and hours entered into eREP before approving the assistance. We are also instituting a state-wide best practice for caseworkers to view specific screens in eREP prior to issuing the assistance. The best practice of checking eligibility, reviewing the benefit calculation, and child details screen in our eREP system may ensure the correct income is being used, the correct program is open, and the benefit level is correct.

Real time case reviews of individual worker actions on Child Care applications and reviews will be increased over the next three to six months with the goal of expanding worker's program and policy knowledge to minimize future incorrect income and hours determinations.

The Child Care Program Specialists also reviewed the 'in/out of school' policy with CBT supervisors at the quarterly CBT supervisor meeting held on August 24, 2011. We discussed the importance of correctly coding children as 'in school' or 'out of school' at each application and

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

review with individual CBT teams. In the summer of 2012, the policy will change to one rate for all school age children so workers will no longer be required to determine if the children are 'in or out of school' the majority of the time the parent is working.

*Contact Person: Lynette Rasmussen, Director, Office of Child Care, (801) 468-0042
Anticipated Correction Date: July 2012*

WORKFORCE INVESTMENT ACT (WIA) CLUSTER

7. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE

Federal Agency: **DOL**

CFDA Numbers and Titles: 1) **17.258 WIA Adult Program**
2) **17.258 WIA Adult Program – ARRA**
3) **17.259 WIA Youth Activities**
4) **17.259 WIA Youth Activities – ARRA**
5) **17.260 WIA Dislocated Workers – ARRA**

Federal Award Numbers: **various**

Questioned Costs: 1) **\$6,019** 2) **\$8,562** 3) **\$11,587** 4) **\$1,793** 5) **\$1,176** = **\$29,137**

Pass-through Entity: N/A

We tested benefit expenditures of the Workforce Investment Act (WIA) Cluster at DWS by selecting a sample of 40 benefit payments, totaling \$11,837, from 38 cases from a population of approximately \$6.777 million. Of the WIA benefit payments tested, we questioned a total of \$3,768 (31.8%). We also questioned additional payments made in State fiscal years 2008, 2009, 2010, and 2011 related to the sample cases tested totaling \$40, \$1,209, \$15,016, and \$9,104, respectively. The total of all costs questioned is \$29,137. We noted at least one error in 23 of the 38 sample cases tested (60.5%); certain cases had multiple errors.

a. Participants Not Eligible

For four cases, participants' eligibility was not properly established, as follows:

- For two cases, WIA Youth participants' case records did not contain justification that the participants required additional assistance to complete an educational program or to secure and hold employment (29 USC 1801(13)(C)(vi)) in accordance with the DWS Workforce Development Division Policy Manual (WDDPM) §710-2. These errors occurred because the employment counselors were new at the time of the respective eligibility determinations and were not properly trained before enrolling youth in WIA. We have questioned all costs associated with these cases, totaling \$9,478.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

- For one case, the WIA Adult participant's case record did not contain acceptable documents to show that the employment counselor verified the participant's income in accordance with WDDPM §720-5. The employment counselor believes required documents were obtained at eligibility, but they were not imaged in the case record. We have questioned all costs associated with this case, totaling \$3,788.
- For one case, the WIA Dislocated Worker participant's layoff was not properly verified in accordance with WDDPM Table 9. The error occurred because the employment counselor attempted to verify the participant's layoff status using sources other than those allowed in policy. Subsequent to our audit, the employment counselor obtained proper documentation from the participant; therefore, we did not question any costs associated with this case.

b. Lack of Reconciliation to Determine Whether WIA Funds were Expended for Allowable Activities

For three cases, employment counselors did not obtain and reconcile receipts for certain purchases made by participants using WIA funds to verify allowable expenditures in accordance with WDDPM §910. As a result, we were unable to determine whether WIA funds were expended for allowable activities. The lack of reconciliation occurred because of the following: 1) for one case, the employment counselor was new and was not properly trained on receipt reconciliation, 2) for one case, the employment counselor did not follow policy, and 3) for the remaining case, employment counselor oversight. We did not question any costs associated with the errors for two of the cases because all WIA funds expended on behalf of the participants were questioned in part a. above or part f. below. For the remaining case, we have questioned the amount of WIA funds expended for which receipts were not obtained and reconciled by the employment counselor, totaling \$77.

c. Lack of Compliance with Military Selective Service Act

For one case, the employment counselor did not verify the Selective Service registration for a WIA Youth participant who reached the age of 18 while enrolled in WIA in accordance with WDDPM §720-4. If a WIA Youth participant turns 18 after eligibility is determined, he must submit to Selective Service registration as a condition of ongoing eligibility (29 USC 2939(h)). The error occurred because the employment counselor did not set a task to withhold additional benefits until such time that the registration occurred. Not verifying that participants have complied with the Military Selective Service Act could result in unallowable costs being charged to the grant. We have questioned WIA funds expended on behalf of this participant after the participant reached the age of 18, totaling \$75.

d. Evidence of Financial Aid Status Not Obtained

For five cases, the employment counselor did not determine whether the participants were eligible for a Federal Pell grant and/or assistance from other sources or programs to pay the

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

cost of training and/or supportive services (29 USC §§2864(d)(4)(B), 2864(e)(2)). A participant enrolling in a training program that qualifies for financial aid must apply for the aid annually and must provide information regarding financial aid status upon determination (WDDPM §710-4). The financial aid status for these cases was not verified because of the following: 1) for one case, the employment counselor was not properly trained in case management and administering training services, 2) for one case, the employment counselor was not aware of the requirement to verify participants' financial aid status, 3) for one case, the employment counselor accepted the participant's statement regarding Pell ineligibility, and 4) for two cases, employment counselor oversight. Not obtaining evidence of participants' financial aid status and not considering all available assistance from other sources or programs could result in unallowable costs being charged to the grant. We did not question any costs associated with the errors for three of these cases because all WIA funds expended on behalf of the participants were questioned in part a. above or part f. below; however, we have questioned all costs associated with the remaining two cases, totaling \$1,592.

e. Inappropriate Use of WIA Training and Supportive Services Funds

For one case, a WIA Adult participant received WIA training funds to pay tuition for coursework that was already completed prior to enrolling in WIA. Per WDDPM §900(A)(2)(a), WIA funds cannot be used to pay for any services that have occurred before eligibility and enrollment; therefore, we have questioned the WIA training funds expended for tuition for this participant, totaling \$682. We also noted that the participant used supportive services funds to purchase prescription medication when the medication should have been obtained through Medicaid. WIA funds may only be used to provide supportive services to participants who are unable to obtain supportive services through other programs providing such services (29 USC 2864(e)(2)(B); 20 CFR 663.805(a)(2)). Because the participant was eligible to obtain the prescription medication through Medicaid, we have also questioned the WIA funds expended for the medication, totaling \$12.

For one case, WIA Youth funds were expended for training and supportive services for a participant who was co-enrolled as an Education and Training Voucher (ETV) participant. ETV funds may be used for both post-secondary education/vocational training and other support. Participant needs are met by first using Pell grant funds, then ETV funds, and then WIA funds if necessary (WDDPM §§710-4(A)(2)(b), 905). Funds were mistakenly issued from WIA as a result of the employment counselor's habit of always selecting WIA Youth as the funding source since almost all of the employment counselor's participants use WIA Youth funding exclusively. Because these expenses should have been paid with ETV funds, we have questioned all WIA Youth funds expended on behalf of this participant after the participant's enrollment in ETV, totaling \$381.

For one case, the employment counselor authorized WIA training funds for a specific purpose. A supervisor subsequently authorized additional WIA training funds for the same

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

purpose which resulted in the WIA Youth participant spending most of the second authorization on personal items because the participant thought the funds were part of a youth incentive bonus. The second authorization was made while the supervisor was covering for the employment counselor who was out of the office. We have questioned the WIA funds expended by the participant from the second authorization, totaling \$14.

f. Participants Not Qualified to Complete Training

For one case, the employment counselor did not adequately document that the WIA Adult participant possessed the skills and qualifications to successfully complete the selected training program in accordance with WDDPM §710-4. Training services are provided to adults who, after an interview, evaluation, or assessment, and case management, have been determined to be in need of training services and to have the skills and qualifications to successfully complete the selected training program (29 USC 2864(d)(4)(A)(ii); 20 CFR 663.310(b)). The error occurred because the employment counselor did not understand or follow applicable policies. We have questioned all costs associated with this case, totaling \$3,750.

For one case, the participant's financial resources do not appear to be sufficient to pay training costs not covered by WIA and other funding sources. Employment counselors use the financial needs assessment process for participants enrolled in training services to determine whether the participant has adequate financing to complete the training program selected (WDDPM §710-4). The employment counselor completed a financial needs assessment for this participant, but erred by not adequately documenting how the participant would pay the balance of the training costs not covered by WIA and other funding sources. Because this participant does not have adequate financing to complete the selected training, the participant does not qualify for WIA funding; therefore, we have questioned all WIA funds expended for training on behalf of the participant, totaling \$2,288.

g. Participants' Financial Need Not Established

For one case, the case record indicates that the participant's monthly household resources exceeded monthly expenses by amounts ranging from \$30 to \$1,360 per month. In addition, the employment counselor included either a \$100 or a \$500 monthly household expense for "savings—to move out on own" when performing the participant's financial needs assessment. Although the WDDPM does not clearly define what constitutes a financial need, it appears that the participant's financial resources would have covered the participant's expenses for training and supportive services that were authorized during a majority of the months the participant was enrolled in WIA. Employment counselors calculate participants' resources and expenses and use WIA funds to cover unmet need (WDDPM §605-3). Funding is not to be provided when the same support is available through other resources, including personal or family financial resources. Not clearly defining what constitutes a financial need could result in WIA funds being expended when

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

other resources are available. The employment counselor documented numerous times in the case record that there were no funding sources available to pay for the participant's training and supportive services. The financial needs assessment, however, does not appear to support the conclusion that the participant has unmet need. Therefore, we have questioned all training and supportive services costs associated with this case expended during the months where there appears to be no need for WIA funding, totaling \$3,145.

For one case, the employment counselor did not perform a financial needs assessment for the participant, so we were unable to determine whether a need for WIA funding existed for the participant. Employment counselors calculate participants' resources and expenses and use WIA funds to cover unmet need (WDDPM §605-3). The financial needs assessment was not completed for this participant because the employment counselor was new and was not properly trained in case management and training services. Not performing a financial needs assessment could result in WIA funds being expended when other resources are available. No costs were questioned for this error because all WIA funds expended on behalf of this participant were questioned in part a. above.

For one case, the employment counselor did not properly consider the WIA Youth participant's Pell grant award when performing a financial needs assessment for the participant. As a result, the amount of WIA Youth funds obligated for the case by the employment counselor does not appear to be justified. Employment counselors estimate and obligate funds based on the participant's financial need and the case record should justify this need (WDDPM §900). Additionally, the employment counselor used WIA Youth funds to pay for tuition and student fees for this participant when these training costs should have been paid with Pell grant funds (29 USC 2864(d)(4)(B)). The errors occurred because the employment counselor was under the impression that the Pell grant was not considered a resource to the participant until the participant actually received a disbursement. Because WIA funds should supplement, not supplant, other sources of training funds (20 CFR 663.320), we have questioned all WIA funds expended for this case that supplanted other sources of funds, totaling \$665.

h. Incorrect Training Stipend Rate/Hours Paid for WIA Youth Internships

For one case, the comparable hourly wage amount was not documented by the employment counselor on the Paid Internship Position Agreement (DWS form 341PAID), so we were unable to determine if the stipend rate for the WIA Youth paid internship was appropriate. For one additional case, the stipend rate amount on the applicable form 341PAID for each of three paid WIA Youth internships exceeded 80% of the comparable wage amount. The training stipend should be equal to but not greater than 80% of the wage for an equivalent position, but not less than the federal minimum wage (WDDPM §1105-2(B)). Accurate completion of form 341PAID is critical since it constitutes the internship agreement between DWS, the participant, and the worksite, and establishes the stipend rate and other terms and conditions. These errors occurred because the worksite employers had no

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

equivalent positions, so employment counselors negotiated a stipend rate with the worksite employers and the comparable hourly wage was then “arbitrarily written in” on form 341PAID. There is no provision in policy, however, for employment counselors to negotiate the stipend rate with employers. If an employer does not have an equivalent position, employment counselors should obtain wage data for an equivalent position in the applicable service area and then calculate the stipend rate at 80% of the equivalent wage amount. We used Utah Occupational Wages data to determine an hourly occupational wage amount in the applicable region for positions equivalent to the participants’ paid internship positions, calculated the stipend rate, and have questioned the amount of WIA Youth funds which were expended at a rate greater than this stipend rate, totaling \$793.

For one case, the employment counselor erred when calculating the number of hours participated in a paid internship by the WIA Youth participant for one pay period, resulting in an overpayment to the participant totaling \$232. We have questioned these costs.

For one case, the WIA Youth participant participated in a paid internship 42.5 hours during one week. Paid internship participants are not to work more than 40 hours per week (WDDPM §1105-2(B)(1)). This error occurred because the employment counselor was new to WIA and was not properly trained before enrolling youth in WIA. No costs were questioned for this error because all WIA funds expended on behalf of this participant were questioned in part a. above.

i. Inadequate Monitoring

For one case, the only monitoring occurred more than a year after the WIA Adult participant was enrolled. When monitoring activities occurred for this case and two additional cases, employment counselors knew or should have known that the participants were not meeting performance expectations of the negotiated activities in their respective employment plans. The employment counselors erred by continuing to fund training and supportive services for each participant. Employment counselors must perform activities to confirm, substantiate, document, and/or verify participant success at least once every 4 months (WDDPM §820). If the participant does not meet the performance expectations of a negotiated service activity or task in the employment plan, employment counselors should not continue to expend program dollars on the service activity or task (WDDPM §835-7). Untimely monitoring together with not taking appropriate action when participants fail to meet performance expectations could result in unallowable costs being charged to the grant. No costs have been questioned for these errors because all WIA funds expended on behalf of these participants were questioned in parts a. or f. above.

j. Required Supervisory Approval Not Obtained

For two cases, employment counselors extended paid internships for WIA Youth participants beyond 3 months without documenting supervisory approval for the extension

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

as required by WDDPM §1105-2. Paid internships are generally limited to 3 months; however, supervisors may approve internships for up to an additional 3 months. Subsequent to our audit, we determined that supervisors had given verbal approval to extend both paid internships but did not narrate their approval in the case record. Supervisory approval should always be narrated in the case record at the time the approval is granted. For one of the two cases, the paid internship extended beyond the 6 month limit by 3 months; therefore, we have questioned all WIA funds expended for the paid internship beyond the 6 month limit, totaling \$542. For one additional case, the employment counselor initially established the WIA Youth participant's paid internship for a period of 8 months. No supervisory approval to extend the internship beyond the 3 month limit was obtained at the time the paid internship was established due to employment counselor oversight; therefore, we have questioned all WIA funds expended for this paid internship beyond the 3 month limit, totaling \$1,623.

For two cases, employment counselors authorized certain issuances of supportive services funds and training funds as "cash-unrestricted" without obtaining the supervisory approval required by WDDPM §910. The error occurred for one case because the employment counselor was new and was not properly trained on how to issue supportive services funds and when to obtain supervisory approval. For the other case, the employment counselor did not follow applicable policy. We did not question any costs associated with these errors because all WIA funds expended on behalf of the participants were questioned in parts a. or f. above.

k. Service Priority Level Determination Errors

For two cases, the employment counselors did not narrate in the case record how they determined that WIA Adult participants had no transferrable skills (WDDPM §755). The "no transferrable skills" criterion is one of the components used by DWS to calculate the service priority level for participants (29 USC 2864(d)(4)(E); 20 CFR 663.600). For one of the cases, the employment counselor realized the error and added the required narration to the case record 3 months after the eligibility determination; however, we determined that the participant *did* have transferrable skills. These errors occurred due to the employment counselors misunderstanding applicable policy. Not properly determining whether participants have transferrable skills and not adequately documenting the determination in the case record could result in incorrect calculation of participants' service priority level. We did not question any costs associated with these errors because we were able to determine that the participants were still eligible without meeting the "no transferrable skills" criterion.

l. Missing, Incomplete, or Late Forms

For eight cases, certain forms required by DWS policy were either missing, incomplete, or not completed timely. For two cases, the errors occurred because the employment

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

counselors were new and were not properly trained before enrolling youth in WIA. For the remaining six cases, the errors occurred for various reasons including compressed timeframes involved in placing WIA Youth participants at worksites, employment counselors being unable to meet with certain participants without first arranging special accommodations, employment counselors not being aware of applicable policy, employment counselors not imaging forms in the case record, and employment counselor oversight. Since the completion of these forms did not affect eligibility of WIA participants, we did not question any costs associated with these errors.

Recommendation:

We recommend that DWS adequately train and supervise employment counselors to ensure that they are able to effectively administer WIA programs in compliance with all applicable laws, compliance requirements, and established policies and procedures. We further recommend that employment counselors not be allowed to perform WIA eligibility, enrollment, and case management functions until they have received adequate training.

DWS' Response:

The Department agrees with the finding and recommendation. Workforce Development Division (WDD) has created a team called Program Review Team (PRT) to conduct program and compliance reviews. PRT began piloting the compliance review tool in the Fall of 2010, with the full reviews starting in the late Spring of 2011. These reviews started after the pull of cases for the audit. PRT is completing compliance reviews of 10 percent of total caseloads when eligibility is determined. Review of the cases allows errors to be caught and corrected before funding is issued. Spot compliance reviews are also completed. The results of the audit were shared with PRT with emphasis on the findings. WDD anticipates that the compliance reviews will greatly reduce the amount of findings in the future.

In addition, the findings were shared with each Service Area Director, Supervisor and the impacted Employment Counselor. Each Employment Counselor received training and created a corrective action plan to ensure that the error was not repeated. State staff will visit offices in order to provide training to all Employment Counselors on the findings and to clarify policy to ensure that errors are not made in the future. During these visits input will be gathered from Employment Counselors and supervisors to find additional ways to make improvements to policy, the system, etc. Training of staff is scheduled during the current program year.

*Contact Person: Rachael Stewart, Program Manager, (801) 526-9257
Anticipated Correction Date: June 30, 2012*

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

8. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE

Federal Agency: **DHHS, ACF**

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

Federal Award Numbers: **G-0802UTTANF, G-0902UTTANF, G-1002UTTANF**

Questioned Costs: **\$548**

Pass-through Entity: N/A

We tested benefit expenditures of the Temporary Assistance for Needy Families (TANF) program at DWS by selecting a sample of 60 benefit payments, totaling \$21,460, from a population of approximately \$33 million. We did not identify questioned costs in our sample benefit payments, but we have questioned payments made in State fiscal year 2011, totaling \$548, related to the cases associated with the sample benefit payments.

a. Benefits Issued to Non-Eligible Participant

For one case, the participant began earning over the maximum gross allowable earned income amount for TANF but continued to receive TANF benefits. Table 1 in the DWS Financial Eligibility Manual details income levels that all potential TANF participants must meet in order to qualify to receive benefits. If earned income (usually verified through information provided by participants) is not regularly compared to these income levels, ineligible individuals may receive benefits. This error occurred because the participant did not report their change in income as required. When income documentation was obtained, the caseworker did not update the participant's earned income in the Electronic Resource Eligibility Product (eREP) system. We have questioned TANF benefits issued to this participant during months in which earned income exceeded the maximum gross allowable amount, totaling \$548.

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

For two cases, caseworkers did not utilize the available Income Eligibility and Verification System (IEVS) database within a reasonable time following the receipt of the application for assistance. In accordance with §1137 of the Social Security Act, as amended, 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 TANF benefits. For one case, the caseworker did not use IEVS to verify participants' information because they had only been in the United States for 3 days and did not have Social Security Numbers (SSNs). The verification process should occur, however, even if participants do not have SSNs. For the other case, the error occurred due to caseworker oversight. The IEVS database was subsequently utilized for both cases and no evidence was found to

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

contradict eligibility for TANF benefits; therefore, we have not questioned any costs related to these cases.

c. Inadequate follow-up on Fleeing Felon status

For one case, the participant did not complete the fleeing felon question on the initial TANF application and the caseworker did not follow up on the fleeing felon status in a timely manner. A TANF participant may not be 1) fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or attempted felony, or 2) violating a condition of probation or parole (42 USC 608(a)(9)(A)). If the fleeing felon status is not appropriately addressed, payments to ineligible individuals may occur. The error occurred due to oversight by the caseworker. The fleeing felon status was addressed for the participant in a subsequent review; therefore, we have not questioned any costs related to this case.

Recommendation:

We recommend that DWS caseworkers:

- a. Immediately update participants' earned income information in eREP when income changes are reported (or determined) to ensure the participant is still eligible to receive TANF benefits.**
- b. Utilize the IEVS system in determining eligibility for all applicants at the first opportunity following receipt of the application.**
- c. Address the fleeing felon status when determining and reviewing eligibility of every potential and current TANF participant.**

DWS' Response:

The Department agrees with the finding and recommendations. Eligibility caseworkers are instructed to:

- Update participants' earned income information in eREP when income changes are reported or learned from another source.*
- Always pull an eFIND query, which includes the IEVS system, at first opportunity following receipt of the application.*
- Pull an eFIND query at every review of TANF program eligibility to ensure the information from the IEVS system has not changed.*
- Address the fleeing felon status of every potential and current TANF participant.*

Real time case reviews of individual worker actions on TANF applications and reviews will be increased over the next three to six months with the goal of expanding workers' program and

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

policy knowledge to minimize future errors for income and lack of IEVS information. The case reviews will include review of the proper updating of changes to income to ensure the customer continues to be eligible to receive TANF benefits and that the IEVS database is utilized. In addition, the eREP eligibility system has been programmed to require the information on fleeing felon status be entered for each participant before TANF can be approved for benefits. A detailed corrective action plan for the errors on these identified cases has been put into place and is recorded on the Audit Corrective Action document.

*Contact Person: Kathy Link, Program Manager, (801) 526-9230
Anticipated Correction Date: December 1, 2011*

9. NONCOMPLIANCE WITH CHILD SUPPORT NON-COOPERATION REDUCTION IN BENEFIT REQUIREMENTS

Federal Agency: **DHHS, ACF**

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

Federal Award Numbers: **G-0802UTTANF, G-0902UTTANF, G-1002UTTANF**

Questioned Costs: **\$1,664**

Pass-through Entity: N/A

DWS uses an official, two-phase problem solving process to review a participant's participation in child support (including cooperation in establishing paternity or in establishing, modifying, or enforcing a support order with respect to their child), encourage future participation, and ensure the participant is aware of consequences of non-participation. This process is outlined in the DWS Workforce Development Division Policy Manual §825-2. If a participant is still considered to be non-cooperative, DWS must (1) deduct an amount equal to not less than 25% from the TANF assistance that would otherwise be provided to the family of the individual, and (2) may deny the family any TANF assistance (42 USC 608(a)(2)). DWS Financial Eligibility Manual §305-4 requires the benefits to be denied. We selected a sample of 40 cases from a population consisting of non-cooperation notices received from the Office of Recovery Services (ORS), Utah's IV-D agency. We tested the selected cases to ensure that DWS took appropriate action on the non-cooperation notices and noted the following issues for two (5%) of the cases:

a. Problem Solving Did Not Address Non-cooperation with ORS

For one case, the problem solving process did not address ORS non-cooperation due to an oversight by the caseworker. Not addressing all participation issues during problem solving may lead to incorrect conclusions regarding the participant's participation and may result in overpayments in benefits and questioned costs. The case was subsequently closed for other reasons. We have questioned benefits issued to the participant for the months in which problem solving could and should have been taking place until the time the case was closed, totaling \$1,166.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

b. Non-cooperation Not Addressed

For one case, ORS non-cooperation was never addressed by the caseworker. The error occurred due to insufficient training of a new caseworker. We have questioned the benefits issued to the participant for the months in which problem solving could and should have been taking place until the time when the participant was considered to be cooperating, totaling \$498.

Recommendation:

We recommend that DWS adequately train and supervise caseworkers to ensure that non-cooperation notices are appropriately addressed in a timely manner in order to comply with applicable regulations.

DWS' Response:

The Department agrees with the finding and recommendation. FY11 TANF audit findings were reviewed with TANF managers across the state October 2011. All staff with TANF case findings created their own corrective action plans to include fixing case errors in the system when possible and noting discrepancies in the case, as well as reviewing proper policy and procedure requirements to avoid repetition of these errors in the future. All staff training and reviews of policy/procedure will be completed by December 1, 2011.

Contact Person: Helen Thatcher, Program Manager, (801) 526-4370

Anticipated Correction Date: December 1, 2011

10. **ACF-199/ACF-209 REPORTING ERRORS**

Federal Agency: **DHHS, ACF**

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

Federal Award Numbers: **G-0802UTTANF, G-0902UTTANF, G-1002UTTANF**

Questioned Costs: **\$-0-**

Pass-through Entity: N/A

For 5 of the 60 cases tested to ensure accurate participation reporting, we noted discrepancies between the hours of participation reported on the ACF-199/ACF-209 reports for the quarter ended September 30, 2010, and the hours of actual participation contained in the case records. The discrepancies noted involved instances where reported participation hours did not match supporting documentation in the case record. The State is required to maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. Reported hours of participation should be accurate and agree to the hours of actual participation, and hours of actual participation as calculated by employment counselors should be supported by documentation in applicable case records. The

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

errors were caused by employment counselor oversight and/or miscalculation of hours of participation by employment counselors. These errors in reporting participation hours for the 5 cases ranged from between 3 hours understated to 12 hours overstated each month during the quarter ended September 30, 2010.

Recommendation:

We recommend that DWS employment counselors accurately calculate hours of participation and ensure that reported hours of participation are supported by documentation in participants' case records.

DWS' Response:

The Department agrees with the finding and recommendation. FY11 TANF audit findings were reviewed with TANF managers across the state October 2011. All staff with TANF case findings created their own corrective action plans to include fixing case errors in the system when possible and noting discrepancies in the case, as well as reviewing proper policy and procedure requirements to avoid repetition of these errors in the future. All review of policy/procedure and training errors have been corrected as of October 20, 2011.

*Contact Person: Helen Thatcher, Program Manager, (801) 526-4370
Correction Date: October 20, 2011*

11. ACF-204 REPORTING ERRORS

Federal Agency: **DHHS, ACF**

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

Federal Award Numbers: **G-0802UTTANF, G-0902UTTANF, G-1002UTTANF**

Questioned Costs: **\$-0-**

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

While performing testwork on the TANF ACF-204 (the annual report), we noted that for 1 (Humanitarian Center) of the 9 (11%) programs described in the ACF-204, the question of "Was this program authorized and allowable under prior law?" (Line 10) was marked "Yes" and should have been marked "No." This was an entry error by DWS personnel preparing the report. In addition, the amount of FY1995 Expenditures (Line 11) did not agree to actual expenditures in fiscal year 1995. This resulted in expenditures being overreported by \$758,621. This error was the result of miscalculations by personnel preparing the report and the third-party consultant. Reports should be accurate and agree to underlying documentation in order to comply with federal regulations regarding the submission of this report.

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

Recommendation:

We recommend that DWS establish controls to ensure reports are prepared accurately and agree to supporting documentation.

DWS' Response:

The Department agrees with the finding and recommendation. We have corrected the formula error which caused the FY 95 expenditure data to change when new-year data is entered. The consultants who first created the formula agreed that the FY 95 numbers used in the FFY 09 ACF-204 should be used from now on. To prevent this type of error in the future, the Department will implement a process to utilize and retain supporting documentation in reconciling federal reports before submission.

*Contact Person: John Talcott, Director of Administrative Support, (801) 526-9402
Correction Date: November 1, 2011*

12. **ARRA EXPENDITURES OVERREPORTED**

Federal Agency: **DHHS, ACF**

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

Federal Award Number: **G-0902UTTANF**

Questioned Costs: **\$-0-**

Pass-through Entity: N/A

DWS overreported ARRA expenditures by \$349,011 on the federal fiscal year 2009 ACF-196 Financial Report for the quarter ended December 31, 2010. As a result, non-ARRA TANF expenditures were underreported by the same amount. The error occurred because the DWS Budget Accounting personnel responsible for preparing the ACF-196 Financial Report inadvertently reported certain payments made to a subrecipient during the quarter as ARRA expenses when the subrecipient was not paid with ARRA funds. Also, DWS Budget Accounting personnel did not use the procedure prescribed by the State for tracking ARRA funds for TANF on the State's accounting system, which also contributed to the reporting error.

Management is responsible for the design and operation of internal controls to ensure the accuracy of data reported on the ACF-196 Financial Report. Management is also responsible for ensuring that personnel are following established procedures for the tracking of ARRA funds on the State's accounting system.

Recommendation:

We recommend that DWS establish or strengthen existing controls to ensure TANF expenditures are accurately reported on the ACF-196 Financial Report. We further

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

recommend that DWS personnel follow the State's prescribed procedures for tracking ARRA funds on the State's accounting system.

DWS' Response:

The Department agrees with the finding and recommendation. The use of ARRA funds to pay for the Road Home contract expenditures in the 2nd quarter of SFY 11 was done in error. The report will be corrected and resubmitted. Expenditures for the Road Home contract are tied to the same program (TFCS) and object (6135) codes as other contracted expenses that are appropriately charged to ARRA funding, and the analyst responsible for the ACF-196 did not distinguish expenses for the Road Home contract in completing the ACF-196 report.

To ensure that this error does not occur again, DWS will from now on assign the S9WS activity code to all appropriate expenditures funded through ARRA. Use of this code will allow support for the reconciliation and review of the federal reports and will assist in the preparation of the supporting documentation needed to complete the federal reports.

The use of the S9WS activity code will also have the added benefit of assisting auditors to tie out ARRA expenditures to FINET, instead of having to refer to multiple tables in cost allocation.

*Contact Person: John Talcott, Director of Administrative Support, (801) 526-9402
Anticipated Correction Date: November 1, 2011*

MULTIPLE PROGRAMS

13. INADEQUATE INTERNAL CONTROLS OVER SEFA PREPARATION

Federal Agency: **Various**
CFDA Numbers and Titles: **Various**
Federal Award Numbers: **Various**
Questioned Costs: **\$-0-**
Pass-through Entity: N/A

During our review of the data reported for DWS in the State's Schedule of Expenditures of Federal Awards (SEFA) for State fiscal year 2011, we noted the following deficiencies and errors in the way the data was presented:

- a. ARRA-related expenditures for the Temporary Assistance for Needy Families program were not separately identified as required by federal regulations (2 CFR 176.210(b));
- b. Pass-through amounts for the Child Care and Development Fund Cluster were not presented as required by OMB Circular A-133;

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2011

- c. Various Workforce Investment Act (WIA) expenses were not broken out by the new Catalog of Federal Domestic Assistance (CFDA) numbers in effect for certain WIA awards issued on or after July 1, 2010;
- d. Other, less significant errors for various grants which included incorrect or missing award numbers for 4 of the 36 lines reviewed and incorrect pass-through amounts for 2 of the 36 lines reviewed.

These errors likely occurred because DWS Operational Accounting personnel who prepared DWS' portion of the State's SEFA were new to this task and were not aware of all of the specific data required to be included in the SEFA. In addition, there was confusion surrounding the new CDFA numbers for WIA and whether certain entities should be considered subrecipients for purposes of reporting pass-through amounts.

Management is responsible for the preparation and accuracy of the data reported in the DWS portion of the State's SEFA and is also responsible for establishing internal controls and procedures to report expenditures of federal awards accurately, completely, and in conformity with established requirements.

Recommendation:

We recommend that DWS establish or strengthen internal controls to ensure data reported in the State's Schedule of Expenditures of Federal Awards (SEFA) is accurate, complete, and presented in conformity with established requirements. Specifically, we recommend that DWS reconcile data reported in the SEFA to applicable federal financial reports, grant award documents, data in the State's accounting system, amounts passed through to subrecipients, and other pertinent sources of information prior to submitting the SEFA.

DWS' Response:

The Department agrees with the finding and recommendation to strengthen internal controls to ensure data is accurately and completely reported in the State's Schedule of Expenditures of Federal Awards (SEFA) and conforms to established requirements.

The Operational Accounting Team will work with the Budget Team to develop a process to ensure Operational Accounting has complete and accurate subrecipient information, including grant award documents. Additionally, Operational Accounting will reconcile the data reported in the SEFA to federal reports, grant award documents, data recorded in FINET, and other sources of information prior to submitting the SEFA.

*Contact Person: John Talcott, Director of Administrative Support, (801) 526-9402
Anticipated Correction Date: November 1, 2011*