



**OFFICE OF AUDITOR OF STATE**  
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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 16, 2004

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Human Services for the year ended June 30, 2003.

The Iowa Department of Human Services provides assistance of many types to Iowans in need. The Department also is responsible for the mental health institutions, hospital/schools, and juvenile institutions.

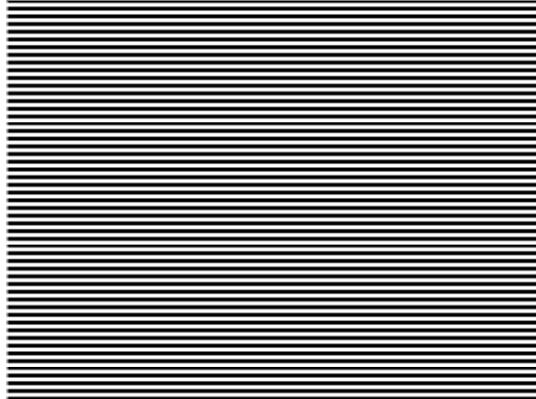
The report contains recommendations that the Department:

- (1) Improve controls over cash receipts in the field offices and over timesheets in the central office.
- (2) Ensure controls over the payment of child care services are in place and operating effectively.
- (3) Comply with established guidelines related to:
  - foster care provisions and adoption assistance,
  - payment of assistance benefits,
  - timely referral of child support enforcement, and
  - over-sight of in-home health related services.
- (4) Improve controls within the Eligibility Tracking System (ETS).
- (5) Comply with the Code of Iowa, which requires the maintenance of an accurate and up-to-date listing of capital assets owned by the Department.

The report also includes the Department's responses to the recommendations.

A copy of the report is available for review at the Iowa Department of Human Services or the Office of Auditor of State.

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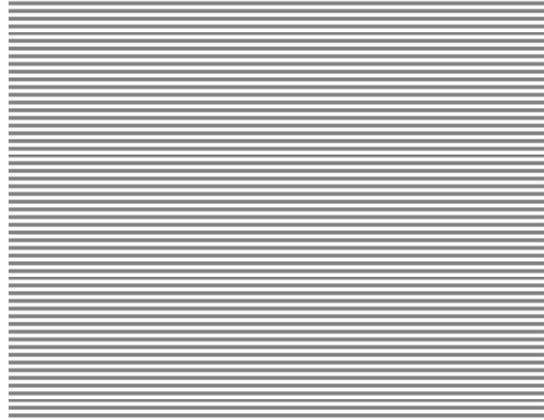
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF HUMAN SERVICES**

**JUNE 30, 2003**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
**Auditor of State**









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March 12, 2004

To the Council Members of the  
Iowa Department of Human Services:

The Iowa Department of Human Services is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2003.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which include those reported in the State's Single Audit Report, as well as other recommendations pertaining to the Department's internal control, compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Human Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Human Services may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Department of Human Services during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 13 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor  
Cynthia P. Eisenhauer, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2003

**Findings Reported in the State's Single Audit Report:**

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**  
**Agency Number: G-0201IATANF/G-0301IATANF**  
**Federal Award Year: 2002, 2003**

**CFDA Number: 93.575 – Child Care and Development Block Grant**  
**Agency Number: G-0201IACCDF/G-0301IACCDF**  
**Federal Award Year: 2002, 2003**

**CFDA Number: 93.596 – Child Care Mandatory and Matching Funds of the  
Child Care and Development Fund**  
**Agency Number: G-0201IACCDF/G-0301IACCDF**  
**Federal Award Year: 2002, 2003**

**CFDA Number: 93.658 – Foster Care – Title IV-E**  
**Agency Number: G-0201IA1401/G-0301IA1401**  
**Federal Award Year: 2002, 2003**

**CFDA Number: 93.659 – Adoption Assistance**  
**Agency Number: G-0201IA1407/G-0301IA1407**  
**Federal Award Year: 2002, 2003**

**CFDA Number: 93.778 – Medical Assistance Program**  
**Agency Number: 05-0105IA5028/05-0205IA5028/05-0205IA5048/  
05-0305IA5028/05-0305IA5048**  
**Federal Award Year: 2001, 2002, 2003**

**State of Iowa Single Audit Report Comment: 03-III-HHS-401-7**

- (1) DHS Field Office Internal Controls – For fiscal year 2003, twelve county offices and three Child Support Recovery Unit (CSRU) offices were visited. In conjunction with this limited review, the following reportable conditions were noted.

In four county offices, the person who sends the receipt to central office also compares the validated transmittal from central office to the receipt in the receipt log or receipt book. For three of these four county offices, the person can also prepare the receipt.

Recommendation – The Department should implement changes to strengthen internal control and develop policies and procedures to ensure compliance with the Employees' Manual.

Response and Corrective Action Planned – The Service Area Manager for each of the four counties will write and implement a corrective plan to ensure that the manual requirements found in Employees' Manual 23-B Collections are correctly followed. One individual will send in the receipt and monies to Central Office (CO) and log them. A second individual will check the validated receipt from CO. Neither person will be able to write receipts. The corrective action plans are to be written and implemented no later than April 1, 2004.

Conclusion – Response accepted.

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**CFDA Number: 93.558 – Temporary Assistance for Needy Families**  
**Agency Number: G-0201IATANF/G-0301IATANF**  
**Federal Award Year: 2002, 2003**

**CFDA Number: 93.659 – Adoption Assistance**  
**Agency Number: G-0201IA1407/G-0301IA1407**  
**Federal Award Year: 2002, 2003**

**State of Iowa Single Audit Report Comment: 03-III-HHS-401-8**

- (2) Eldora Training School/Toledo Juvenile Home Duplicate Assistance – The Department paid Temporary Assistance for Needy Families (TANF) benefits and Adoption Assistance benefits during fiscal year 2003 to families of children under the guardianship of Eldora Training School (Eldora) and Toledo Juvenile Home (Toledo).

Title 4-C-1 of the Employees' Manual states in part that the fundamental qualification for Family Investment Program (FIP) benefits (the State's TANF program) is that there is a dependent child who is living with a specified relative. In addition, Title 18-J(1)-20 of the Employees' Manual states in part that when a child enters foster care temporarily with the goal to return to the adoptive family, the adoptive family may receive a partial monthly maintenance subsidy each month to cover such areas as mileage to attend therapy sessions, meals, and overnights, as necessary. Discussions with Department employees have indicated that children adjudicated to Eldora and Toledo are treated as if they are in foster care.

The following is a summary of duplicate benefits paid:

- (a) Eldora Training School – For nine of 14 cases tested, a total of \$29,093 in TANF and Adoption Assistance payments were made to children's families while the children were residing at Eldora. For one of the nine cases, \$847 was for TANF benefits. For the remaining eight cases, \$28,246 was for Adoption Assistance benefits. The Department has initiated recoupment of the TANF benefits. The Adoption Assistance payments were not reduced as required by Title 18-J(1)-20 of the Employees' Manual.
- (b) Toledo Juvenile Home – For one of 16 cases tested, a total of \$1,146 in Adoption Assistance payments were made to a child's family while the child was residing at Toledo. The Adoption Assistance payments were not reduced as required by Title 18-J(1)-20 of the Employees' Manual.

Recommendation – The Department should enforce the provisions of the Employees' Manual. In addition, the Department should implement recoupment procedures for the remainder of the overpayments.

Response and Corrective Action Planned –

The Division of Behavior, Development and Protective Services (BDPS) will provide policy clarification by April 1, 2004 as to reductions required by Title 18-J(1)-20 of the Employees' Manual. A policy clarification or reminder will be issued.

A Family and Children Services (FACS) system entry for Eldora and Toledo placements will be developed and field staff trained on this entry by July 1, 2004.

A service request to generate an alert to the worker will be submitted by April 1, 2004 and acted on based on existing priorities.

Conclusion – Response acknowledged. In addition, the Department should implement recoupment procedures for the remainder of the overpayments.

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**CFDA Number: 93.563 – Child Support Enforcement**  
**Agency Number: G-0204IA4004/G-0304IA4004**  
**Federal Award Year: 2002, 2003**

**State of Iowa Single Audit Report Comment: 03-III-HHS-401-9**

- (3) Child Support Enforcement Referral – Title 45 Code of Federal Regulations (CFR) 303.7(b)(2) states in part that the IV-D agency must within 20 calendar days of determining that the non-custodial parent is in another state, refer any interstate IV-D case to the responding state’s interstate central registry for action, including requests for location, document verification, administrative reviews in federal income tax refund offset cases, wage withholding, and state income tax refund offset. For one of the five cases reviewed, the case was not referred within 20 calendar days.

Recommendation – The Department should implement procedures to ensure compliance with 45 CFR 303.7(b)2.

Response and Corrective Action Planned – In one of the five cases reviewed, the Child Support Recovery Unit did not refer this case to the responding interstate central registry within the required 20 calendar day timeframe. This case has been reviewed with the local child support office. Procedures are already in place so that an additional staff member helps process these referrals and serves as back-up so that time sensitive work is completed within the required timeframes. These staff members have also been directed to reprioritize their work so these timeframes are met.

Conclusion – Response accepted.

**CFDA 93.658 – Foster Care – Title IV-E**  
**Agency Number: G-0201IA1401/G-0301IA1401**  
**Federal Award Year: 2002, 2003**

**State of Iowa Single Audit Report Comment: 03-III-HHS-401-12**

- (4) Foster Care (Title IV-E) – The Title IV-E program provides assistance payments for maintenance, adoption assistance and voluntary foster care.

The following conditions were identified during the fiscal year 2003 case file testing:

- (a) Title 18-A-83 of the Employees’ Manual states in part that the case plan shall be developed within 45 days from the date the judicial notice (court order) is received or within 60 days from the date the state assumed responsibility for providing services, whichever is later. For 12 of 41 cases reviewed, an initial case plan was not developed within the prescribed limits.
- (b) Title 18-A-83 of the Employees’ Manual states in part that the case plan shall be re-evaluated every six months. The case plan covering the payment selected was reviewed, as well as the prior and subsequent case plans, when available. For 12 of 41 cases reviewed, case plans were not re-evaluated within six months. Six of the 41 case files selected for review were cases in which the Department has payment responsibility while the file maintenance responsibility of the child was assigned to a Juvenile Court Officer. In two of the six cases tested, no documentation existed in the case file to verify that cases were being re-evaluated every six months.

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Recommendation – The Department should enforce the provisions of the Employees’ Manual. In addition the Department should coordinate with the Court to ensure documentation of six month evaluations are provided to the Department.

Response and Corrective Action Planned –

- (a) Supervisor will review timeframes with staff in staff meetings by April 1, 2004. Supervisors will ensure staff maintains tracking methods to know when family plans are to be done.
- (b) Service Area Supervisor 3’s and the Division of Behavior, Development and Protective Services (BDPS) will work with Court Improvement Project (CIP) to align court review dates and Department case plan review due dates.

BDPS will share policy clarification with all staff by April 1, 2004 regarding case plan evaluation requirements, specifically, when a revised plan needs to be written and signed and when a narrative entry of a review will suffice.

Juvenile Court Services (JCS) case plan requirements for timeliness will be an agenda item for Service Area Manager/Chief Juvenile Court Officer (JCO) meeting in March 2004.

BDPS will ensure that JCS responsibilities for providing timely case plans for Department payment only files are included in 28E agreements with JCS.

Conclusion – Response accepted.

**CFDA Number: 93.659 – Adoption Assistance**  
**Agency Number: G-0201IA1407/G-0301IA1407**  
**Federal Award Year: 2002, 2003**

**State of Iowa Single Audit Report Comment: 03-III-HHS-401-13**

- (5) Foster Care (Title IV-E) Adoption Assistance – The Adoption Assistance program provides assistance payments for maintenance and adoption assistance.

The following conditions were identified during the fiscal year 2003 case file testing:

- (a) Title 18-J(1)-41 of the Employees’ Manual states in part that the re-evaluation of the subsidy agreement plan shall be completed within two years. For 18 of 43 cases, the subsidy agreement was not re-evaluated within the two year time limit.
- (b) Title 18-J(1)-23 of the Employees’ Manual documents applicable adoption subsidy rates based on the age group of the child. For two of 43 cases, the subsidy rate paid did not increase when the child reached the next age group.
- (c) Title 18-B-33 of the Employees’ Manual states that the adoption subsidy agreement should be in effect before finalization of the adoption. For two of 43 cases, the subsidy agreement was not in effect at the appropriate time.
- (d) For two of 43 cases, the amount paid by the Department was less than the amount approved on the adoption subsidy agreement.

Recommendation – The Department should implement procedures to ensure compliance with the Employees’ Manual.

Report of Recommendations to the Iowa Department of Human Services

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Response and Corrective Action Planned –

- (a) For the 18 cases involved, the individual workers reviewed the appropriate policy when they reviewed the auditor's preliminary case findings and responded as to whether they agreed or disagreed. Staff took appropriate corrective action at that time, if necessary.

A policy to eliminate the mandatory two year review of subsidy agreements will be effective March 10, 2004. A system service request will be developed upon implementation to change the Family and Children Services (FACS) system to eliminate alerts for two year review. As the Employees' Manual states, the family is responsible for reporting changes that might affect subsidy amounts and most of the time, changes are not made based on the review. A review of adoption subsidy agreements is not required by Federal law. It was determined that the staff time and form processing for two year reviews are not cost effective for adoption subsidy cases specifically.

- (b) For the two cases involved, the individual workers reviewed the appropriate policy when they reviewed the auditor's preliminary case findings and responded as to whether they agreed or disagreed with the findings. Staff took appropriate corrective action at that time, if necessary.

A service request for a system alert to be generated to a worker 45 days prior to a child reaching a new age group will be made by April 1, 2004. If this system change cannot be accomplished by July 1, 2004, the development of an alternative hand or database tracking system will be verified via e-mail by October 1, 2004.

- (c) For the two cases involved, the individual workers reviewed the appropriate policy when they received the auditor's preliminary case findings and responded as to whether they agreed or disagreed with the findings. Staff took appropriate corrective action at that time, if necessary.

A policy clarification or reminder will be issued to all adoption subsidy workers and supervisors by April 1, 2004 reminding staff that adoption subsidy agreements should be in effect prior to adoption finalization.

- (d) For the two cases involved, the individual workers reviewed the appropriate policy when they reviewed the auditor's preliminary case findings and responded as to whether they agreed or disagreed with the findings. Staff took appropriate corrective action at that time, if necessary.

A policy clarification or reminder will be issued to all adoption subsidy workers and supervisors by April 1, 2004 reminding staff to assure actual subsidy payment amounts are reflected in the subsidy agreement.

Conclusion –

- (a) Response acknowledged. Although Federal law may not require two year reviews of adoption subsidy agreements, the Department should establish and maintain procedures which ensure cases are current and accurate.
- (b) – (d) Response accepted. To clarify, preliminary results of our testing were presented to the Department. The Department concurred with all findings identified above. The corrective action noted by the Department will be reviewed during the subsequent audit period.

Report of Recommendations to the Iowa Department of Human Services

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**Findings Related to Internal Control:**

- (1) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department's financial statements. For six pay periods tested, an employee initiated and approved the timesheet on the automated Human Resource Information System (HRIS).

Recommendation – Duties should be segregated so the same person does not initiate and approve the same transaction.

Response – Employee Services performed a review of the day-to-day steps followed for processing time sheet and P-1 approvals. The practice that had been followed allowed Human Resource Associate (HRA) staff to make all approvals for the employee, supervisor and department approval when needed. Effective June 11, 2004, the approval process for processing timesheets and P-1's has been modified to limit approvals made consecutively for a single employee by a HRA. HRA staff will make the employee or supervisor approval for the DHS employees in the assigned areas they work with and a different HRA, not working with the same area on a day-to-day basis, will review and make the department approval entry. If an employee action or request requires being processed with three levels of internal DHS approval by Employee Services, the HRA will alternate approvals so no two consecutive levels of approval are made by the same HRA.

Conclusion – Response accepted.

- (2) Child Care Assistance Payments – On June 3, 2002, the Department provided information regarding the processing of administrative appeal board claims for the Child Care Assistance Program. A *Report on Review of Department of Human Services Selected Child Care Assistance Payments* was issued by the Office of Auditor of State on August 13, 2002. It was determined that an Accounting Technician 2 had made fraudulent invoices in the amount of \$18,752.63 of which \$17,369.93 had been recovered at the time of the report.

As a result, recommendations were made to strengthen internal controls. New procedures for handling prior fiscal year child care claims were written and made effective, December 1, 2002. From July 1, 2002 thru November 30, 2002 written procedures did not exist.

Recommendation – The Department should ensure controls are in place and operating effectively.

Response – As the comment acknowledges, the Department's internal control processes identified unauthorized day care payments within the Child Care Assistance Program and brought them to the attention of the State Auditors. A thorough review of the procedures was undertaken by the Department to determine if there were changes that might further enhance the procedures. As a result, the Department developed and implemented enhancements to strengthen internal controls which became effective December 1, 2002. Those procedures remain in place.

The Department continues to collect on the outstanding balance of this claim. As of May 30, 2004 the Department has received payments of \$495.00 leaving an unpaid balance of \$887.70.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

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- (3) Access of Former Employees – When employees leave the Department, their immediate supervisors are responsible for sending an “Electronic Security Information” to the Eligibility Tracking System (ETS) Security Officer so the employee’s access to ETS will be revoked. However, the access of five of ten employees tested was not revoked in a timely manner upon separation. Access of one employee was revoked 12 days after separation, access of two employees was revoked within 30 days of separation and access of two employees was revoked 45 to 60 days after separation.

Recommendation – The Department should implement procedures to ensure access of former employees is revoked on a timely basis.

Response – Each of the five instances you referenced for revocation in a timely manner upon separation was reviewed. One was missed when the change in procedure was implemented. The four remaining ones have resulted in an immediate change in procedure. When notified by personnel that an employee was terminated, the Security Team would notify the Supervisor that a Security Information Form was required to delete the access of the terminated employee. Each case created a further delay due to the need to wait for the form. Now, when notified of termination of employees by personnel, the Security Team will delete the user access and then notify the Supervisor.

Conclusion – Response accepted.

- (4) System Software – Access to system software should be restricted to a limited number of personnel whose job responsibilities require they have such access. The Eligibility Tracking System (ETS) runs on a Sequence Query Language (SQL) platform. While application programmers need view only access to SQL, only SQL administrators should have update access. The Department’s Division of Data Management’s policies restrict update access to SQL administrators, but it was noted the ETS application programmers also have update access to SQL.

Recommendation – The Department should implement procedures to ensure only SQL administrators have update access to SQL.

Response – The Bureau of Network Support agrees with this finding and has begun the process of implementing this change. Meetings have been held with each of the Application Teams and Bureau Chiefs sharing the effect of this change to the Production SQL environments.

Conclusion – Response accepted.

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**Findings Related to Statutory Requirements and Other Matters:**

- (1) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each Department of the state to keep a written, detailed, up-to-date inventory of all real and personal property belonging to the state. The Iowa Department of Human Services utilizes the Advantage Financial System (AFS) to maintain a listing of assets. The following findings were noted:
- (a) Twelve of 23 assets tested as current year additions were purchased during or before 1999 but were not recorded to the Department's listing until fiscal year 2003. Also, documentation could not be located to determine proper approval for the purchase of these assets.
  - (b) Six of 104 assets tested for existence could not be located.
  - (c) Written procedures were developed in fiscal year 2002 for reconciling the Advantage Financial System to capital asset activity reported on the GAAP package for statewide reporting purposes. However, these procedures do not appear to be complete, as the source of information is not documented in those procedures for certain elements of the capital asset activity reported on the GAAP package.

Recommendation – The Department should develop procedures to ensure an accurate inventory of all real and personal property belonging to the state is maintained. In addition, DHS should continue to develop procedures to reconcile the Advantage Financial System to amounts reported on the GAAP package for statewide reporting purposes.

Response – Regarding (a), DHS concurs that proper documentation should be available to support all purchases and will maintain proper documentation for all future purchases.

DHS concurs with items (b) and (c) and the auditor's recommendation. Inventory items that could not be located have been investigated. Those that are no longer in DHS have been deleted from the inventory. Written procedures for the GAAP reconciliation were updated in November 2003. DHS will continue to improve these procedures.

Conclusion – Response accepted.

- (2) Iowa Code Compliance – The following compliance items were noted for fiscal year 2003:

- (a) Chapter 220A.3 of the Code of Iowa designates the administrative agency to provide for a central data control and exchange agency known as the interagency case information service.

The Department has not established an interagency case information service.

- (b) Chapter 217.15 of the Code of Iowa requires the administrator of the division of administration be qualified in the general field of governmental administration with special training and experience in the areas of competitive bidding, contract letting, accounting and budget preparation.

The division of administration was eliminated when the Department reorganized.

Recommendation – The Department should take steps to ensure compliance with the Code of Iowa or the Department should seek the repeal of outdated Code sections or Code sections that are contrary to federal regulations.

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Response –

- (a) This is a part of the Code of Iowa that has never been developed. The Department intends to ask for deletion of this Code section in the 2005 legislative session.
- (b) In recent legislative sessions, the General Assembly has directed the Department to revise Code sections to more accurately reflect organizational structure changes. The Governor has vetoed these sections indicating that updating the Code is the responsibility of the Code Editor. The Department will work with the Code Editor over the interim to identify a process to expedite such Code changes and where necessary propose and/or support legislation that more accurately reflects the current structure.

Conclusion – Response accepted.

- (3) DHS Field Office – In Home Health Care – Section 441 Chapter 177.6(3) of the Iowa Administrative Code requires a review of the continuing need for in-home health care services at a minimum or every sixty days by the physician, every three months by the social worker and every sixty days by the nurse. In eleven of 32 cases tested, this review was not performed within the minimum amount of time allowed.

Recommendation – The Department should implement procedures to review in-home health care services to ensure compliance with the Iowa Administrative Code.

Response – The program regulations for the In Home Health Care programs will be reviewed by the Service Business Team which consists of both field and central office staff to determine the value and frequency of the physician, nurse and worker reviews. This will result in a plan of action to address the concern.

The individual cases were reviewed with the respective workers regarding the errors noted by the auditors.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2003

Staff:

Questions or requests for further assistance should be directed to:

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Randi J. Rowedder, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

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