



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 21, 2006

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, 2005.

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.

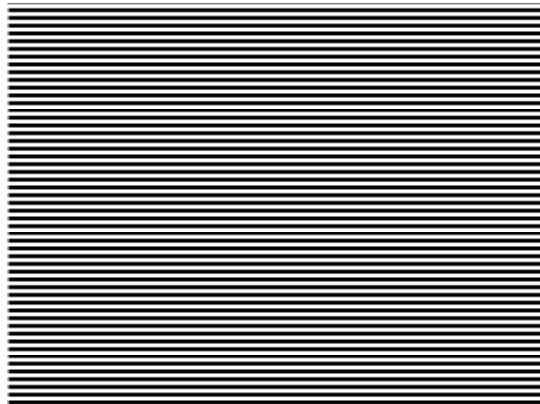
The report contains recommendations the Department:

- (1) Improve controls over cash receipts and Purchase of Service Data System (POSS) payments in the field offices.
- (2) Improve monitoring procedures over wrap-around grant recipients.
- (3) Comply with established guidelines related to various programs such as child care assistance, temporary assistance for needy families (TANF), foster care, adoption assistance and medicaid.
- (4) Comply with provisions of the Code of Iowa which require the maintenance of an accurate and up-to-date listing of capital assets owned by the Department.
- (5) Comply with provisions of the Iowa Administrative Code applicable to child development homes, in-home health services and foster care homes.
- (6) Comply with provisions of Executive Order Number 25 related to services contracting.

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, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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

JUNE 30, 2005

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





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July 17, 2006

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, 2005.

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 24 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
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2005

Findings Reported in the State's Single Audit Report:

CFDA Number: 10.561 – State Administrative Matching Grants for Food Stamp Program

Agency Number: 008016199S6008

Federal Award Year: 2004, 2005

CFDA Number: 93.558 – Temporary Assistance for Needy Families

Agency Number: G-0401IATANF/G-0501IATANF

Federal Award Year: 2004, 2005

CFDA Number: 93.563 – Child Support Enforcement

Agency Number: G-0404IA4004/G-0504IA4004

Federal Award Year: 2004, 2005

CFDA Number: 93.575 – Child Care and Development Block Grant

Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF

Federal Award Year: 2003, 2004, 2005

CFDA Number: 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF

Federal Award Year: 2003, 2004, 2005

CFDA Number: 93.658 – Foster Care – Title IV-E

Agency Number: G-0401IA1401/G-0501IA1401

Federal Award Year: 2004, 2005

CFDA Number: 93.659 – Adoption Assistance

Agency Number: G-0401IA1407/G-0501IA1407

Federal Award Year: 2004, 2005

CFDA Number: 93.767 – State Children's Insurance Program

Agency Number: 05-0405IA5021/05-0505IA5R21

Federal Award Year: 2004, 2005

CFDA Number: 93.778 – Medical Assistance Program

**Agency Number: 5-0305IA5028/5-0405IA5028/5-0405IA5048/
5-0505IA5028/5-0505IA5048**

Federal Award Year: 2003, 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-USDA-401-9/05-III-HHS-401-10

- (1) Semi-Annual Certifications – OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, Attachment B-8(h)(3), requires semi-annual certifications to support salaries and wages for all employees who work exclusively on a single federal program.

The Department does not obtain semi-annual certifications for employees who work exclusively on a single federal program.

Recommendation – The Department should comply with OMB Circular A-87.

Response and Corrective Action Planned – The Department began obtaining semi-annual certifications for employees who work exclusively on a single federal program in July 2005.

Conclusion – Response accepted.

June 30, 2005

CFDA Number: 93.558 – Temporary Assistance for Needy Families

Agency Number: G-04011ATANF/G-05011ATANF

Federal Award Year: 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-7

- (2) Temporary Assistance for Needy Families (TANF) – The TANF program provides assistance payments to individuals based upon an application of need.

The following conditions were identified during the fiscal year 2005 case file testing:

- (a) Title 4-G-32 and 4-G-33 of the Employees' Manual states, in part, when State Income and Eligibility Verifications System (IEVS) information is received, the worker should determine if the information was previously reported and verify new and previously unverified information. The worker should document the IEVS review on the IEVS report and file it in the case record or note and date the information in a narrative in the case record. For sixteen of twenty-nine cases reviewed, the IEVS review was not documented in the case file.
- (b) Title 4-C-8 of the Employees' Manual states, in part, the parent/caretaker must assign all rights to support from any other person to the Department. For four of twenty-nine cases reviewed, the form assigning all rights to support could not be located.
- (c) Title 4-B-1 of the Employees' Manual states, in part, any family has the right to apply for assistance by completing an application for Family Investment Program (FIP) on form 470-0462, Public Assistance Application. For two of twenty-nine cases reviewed, there was no Public Assistance Application located in the case file.
- (d) Title 4-A-10 and 4-A-11 of the Employees' Manual states, in part, the Notice of Decision must be in the case file to document the calculation and support of the payment made for a particular month. For one of twenty-nine cases reviewed, there was no Notice of Decision covering the month tested in the case file.
- (e) Title 4-C-1 of the Employees' Manual states, in part, the fundamental qualification for Family Investment Program (FIP) benefits (the State's TANF program) is there is a dependent child who is living with a specified relative. During foster care case file testing, for five of thirty-two cases reviewed, TANF/FIP benefits were paid to the family while the child was in foster care.

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

Response and Corrective Action Planned –

Individual corrective action was taken on the specific cases in error.

Statewide corrective action is as follows:

Based on the fiscal year '04 Single Audit, an IEVS corrective action plan was developed and implemented. The IEVS corrective action plan was submitted to the TANF federal staff on August 12, 2005 and accepted. Income Maintenance (IM) Bureau teleconference call training was provided in September, 2005, to all staff with regards to handling IEVS reports. Effective October 1, 2005 IM staff will review, document and file all non-IRS related IEVS reports in the case records as appropriate. Effective October 1, 2005 and thereafter the IM Supervisors are monitoring compliance by randomly reviewing selected samplings of IEVS documents. The implementation of the IEVS corrective action plan should be reflected in the findings of the fiscal year '06 Single Audit.

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Training will be provided at the April 20, 2006 IM Bureau teleconference call for field staff to clarify when the "Requirements for Support Enforcement" form 470-0169 is required to be completed.

Each local office supervisor will review by April 28, 2006 with IM and clerical staff the requirement that the application for the Family Investment Program (FIP) on form 470-0462 "Public Assistance Application" be kept in the case record.

Each local office supervisor will review by April 28, 2006 with IM staff the requirement that the "Notice of Decision" must be in the case file to document the calculation and support of the payment made for a particular month.

The Service Area Managers, by April 28, 2006, will discuss with their Service Administrators and Income Maintenance Administrators the issue of notification by Service staff to IM staff when a child on FIP enters Foster Care and implement a strategy to improve communication on this issue.

Conclusion – Response accepted.

CFDA Number: 93.558 – Temporary Assistance for Needy Families
Agency Number: G-0401IATANF/G-0501IATANF
Federal Award Year: 2004, 2005

CFDA Number: 93.563 – Child Support Enforcement
Agency Number: G-0404IA4004/G-0504IA4004
Federal Award Year: 2004, 2005

CFDA Number: 93.575 – Child Care and Development Block Grant
Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF
Federal Award Year: 2003, 2004, 2005

**CFDA Number: 93.596 – Child Care Mandatory and Matching Funds of the
Child Care and Development Fund**
Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF
Federal Award Year: 2003, 2004, 2005

CFDA Number: 93.658 – Foster Care – Title IV-E
Agency Number: G-0401IA1401/G-0501IA1401
Federal Award Year: 2004, 2005

CFDA Number: 93.659 – Adoption Assistance
Agency Number: G-0401IA1407/G-0501IA1407
Federal Award Year: 2004, 2005

CFDA Number: 93.778 – Medical Assistance Program
**Agency Number: 5-0305IA5028/5-0405IA5028/5-0405IA5048/
5-0505IA5028/5-0505IA5048**
Federal Award Year: 2003, 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-8

- (3) DHS Field Office Internal Controls – For fiscal year 2005, eleven county offices and three Child Support Recovery Unit (CSRU) offices were visited. In conjunction with this limited review, the following conditions were noted.

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In nine 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 eight of these nine county offices, the person can also prepare the receipt.

In three county offices and one CSRU office, checks or money orders are not restrictively endorsed by the field office immediately upon receipt.

In one county office, checks or money orders are not submitted to central office in a timely manner.

In seven county offices, the person who enters invoices for payment onto the Purchase of Service Data System (POSS) is also able to receive and review the transaction report from central office. For five of these seven county offices, the person can also enter provider agreements onto POSS.

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

Response and Corrective Action Planned – The Service Area Managers or their designees will develop and implement a corrective action plan by April 14, 2006 for each county office:

- (a) To ensure one person sends the receipt to central office, a second person compares the validated transmittal from central office to the receipt book or receipt log and the person who compares the receipt to the receipt book or receipt log does not write the receipt.
- (b) All checks and money orders are restrictively endorsed immediately upon receipt.
- (c) All checks and money orders are submitted in a timely manner to central office.
- (d) One person enters the invoices for payment onto the POSS. A second person receives and reviews the transaction report from central office. The person who enters provider agreements on POSS is different from the person who enters invoices for payments.

The eight Service Area Managers will review the field offices in their service areas to determine if they are in compliance with one person entering invoices for payment on POSS, a second person receiving and reviewing the transaction report from central office and a third person entering provider agreements on POSS. If any offices are out of compliance, a plan will be developed by May 1, 2006 and implemented by June 1, 2006 to bring the office into compliance.

All eight Service Area Administrators will be required to attest in writing by April 14, 2006 the counties within their Service Areas are in compliance regarding the writing and management of receipts, restrictively endorsing checks and money orders and submitting checks and money orders timely to central office.

In the one CSRU office, the supervisor implemented the appropriate policy on July 27, 2005. As of that date, all checks or money orders are restrictively endorsed immediately upon receipt at the CSRU office.

Conclusion – Response accepted.

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CFDA Number: 93.558 – Temporary Assistance for Needy Families
Agency Number: G-0401IATANF/G-0501IATANF
Federal Award Year: 2004, 2005

CFDA Number: 93.563 – Child Support Enforcement
Agency Number: G-0404IA4004/G-0504IA4004
Federal Award Year: 2004, 2005

CFDA Number: 93.575 – Child Care and Development Block Grant
Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF
Federal Award Year: 2003, 2004, 2005

CFDA Number: 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF
Federal Award Year: 2003, 2004, 2005

CFDA Number: 93.658 – Foster Care – Title IV-E
Agency Number: G-0401IA1401/G-0501IA1401
Federal Award Year: 2004, 2005

CFDA Number: 93.659 – Adoption Assistance
Agency Number: G-0401IA1407/G-0501IA1407
Federal Award Year: 2004, 2005

CFDA Number: 93.767 – State Children’s Insurance Program
Agency Number: 05-0405IA5021/05-0505IA5R21
Federal Award Year: 2004, 2005

CFDA Number: 93.778 – Medical Assistance Program
**Agency Number: 5-0305IA5028/5-0405IA5028/5-0405IA5048/
5-0505IA5028/5-0505IA5048**
Federal Award Year: 2003, 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-9

- (4) Cash Management Controls – Effective Cash Management procedures provide for minimizing the amount of time between the request for federal funds (drawdown) and the disbursement of these funds. They also minimize the amount of state funds which must be used to operate the program until the federal funds are received. The Department’s procedure for preparing drawdown requests include an independent approval of the request prior to the drawdown being made.

For eight of sixty-two drawdown requests reviewed, the same employee prepared and approved the drawdown. Also, for three of sixty-two drawdown requests reviewed, the individual documented as the preparer on the drawdown was not a current employee of the Department. Therefore, it could not be determined if the preparer and approver were the same individual.

Per discussions with Department personnel, it was determined some Department personnel were not always changing the name on the electronic form used for the drawdown request. Therefore, it is possible there were additional drawdown requests with the same preparer and approver.

Recommendation – The Department should implement procedures to strengthen internal controls by segregating the preparer of drawdown requests from the approver.

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Response and Corrective Action Planned – The Department hired an Accountant 3 position in February 2005. The Accountant 3 now approves all drawdown request forms. In the event of absence, the drawdowns are approved by the Bureau Chief. In March 2006, the Department also implemented a new procedure requiring both the preparer and the approver to initial the drawdown request forms to document the duties are properly segregated.

Conclusion – Response accepted.

CFDA Number 93.575 – Child Care and Development Block Grant
Agency Number: G-0301IACCDF, G-0401IACCDF, G-0501IACCDF
Federal Award Year: 2003, 2004, 2005

CFDA Number 93.596 – Child Care Mandatory and Matching Funds of the
Child Care and Development Fund
Agency Number: G-0301IACCDF, G-0401IACCDF, G-0501IACCDF
Federal Award Year: 2003, 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-13

(5) Child Care Assistance – The Child Care Assistance program provides assistance payments for child care services.

The following conditions were identified during the fiscal year 2005 case file testing:

- (a) Title 14-L-6 of the Employees' Manual states, in part, before an invoice is processed an authorized person at the local office level is to approve the invoice for payment. This person should be different from the individual on-lining the invoice onto the Purchase of Service Data System (POSS). For ten of twenty-seven cases reviewed, the person approving the paper invoice was the same as the individual on-lining the invoice onto POSS. For four of twenty-seven cases reviewed, no independent approval was evident on the paper invoice.
- (b) Title 13-G-73 of the Employees' Manual states, in part, provider invoices are to be reviewed to verify the units billed are within the units authorized by the Notice of Decision. For two of the twenty-seven cases reviewed, the number of units charged exceeded the number of units authorized per the Notice of Decision.
- (c) Title 13-G-61 of the Employees' Manual requires a fee to be assessed for each half-day unit of service for families above 100% of the federal poverty guidelines. For three of the twenty-seven cases reviewed, the Notice of Decision or the family's income level indicated a fee should have been assessed. However, fees were not assessed to the individual.
- (d) Title 13-G-51 of the Employees' Manual establishes the maximum half-day rate of payment by child age and provider type. For one of twenty-seven cases reviewed, the half-day rate exceeded the maximum allowed.

Recommendation – The Department should implement procedures to ensure compliance with the Employees' Manual and to ensure providers are authorized on POSS.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2005

Response and Corrective Action Planned –

Corrective action was taken on the individual cases found to be in error.

For statewide corrective action:

Each local office supervisor will review their local procedure for handling invoices to ensure they have separate persons responsible for approving Child Care Assistance (CCA) payments and entering invoices. The local office supervisor will also provide training by April 28, 2006 to all staff responsible for handling CCA to ensure they understand the policy of having separate individuals approving payments and entering them on POSS.

The Notice of Decision (NOD) is only a best estimate of monthly child care need. Payment in excess of units approved on the NOD is acceptable with proper documentation of need. Local office supervisors will provide training by April 28, 2006 to all staff responsible for handling CCA cases regarding the need to document when approved number of units exceeds the number of units on the NOD.

Local office supervisors will provide training by April 28, 2006 to all staff responsible for handling CCA cases regarding the need to require a fee for each half-day unit of service for families above 100% of the federal poverty guidelines. Per 13-G-63, fees may be waived under certain conditions and local office supervisors will train on the need to document why in the case record, if fees are waived.

Local office supervisors will review their procedures for establishing and entering provider rates into POSS to ensure staff understand the correct policy. The local office supervisor will provide training by April 28, 2006 to all staff responsible for this task.

Conclusion – Response accepted.

CFDA Number 93.575 – Child Care and Development Block Grant
Agency Number: G-0301IACCDF, G-0401IACCDF, G-0501IACCDF
Federal Award Year: 2003, 2004, 2005

CFDA Number 93.596 – Child Care Mandatory and Matching Funds of the
Child Care and Development Fund
Agency Number: G-0301IACCDF, G-0401IACCDF, G-0501IACCDF
Federal Award Year: 2003, 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-14

- (6) Wrap-Around Grant Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of its subrecipients, as necessary, to ensure federal awards are used to authorized purposes in compliance with laws, regulations and provisions of the contract or grant.

The monitoring procedures developed by the Department include the submission of a 6 month report and an annual report by each recipient. However, these reports lack the disclosure of detailed expenditure activity. In addition, on-site visits do not include a review of financial activity for allowable costs nor are they performed by the Department on a regular basis.

Recommendation – The Department should develop written subrecipient monitoring procedures which include the review of financial activity for allowable costs. Additionally, the Department should consider performing on-site monitoring visits on a regular basis.

Report of Recommendations to the Iowa Department of Human Services

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Response and Corrective Action Planned – The 2005-2006 annual report will be revised to require additional financial documentation. We are working with the State Auditor's Office to have their staff conduct financial audits of wrap-around grantees on a regular basis.

Conclusion – Response accepted.

CFDA 93.658 – Foster Care – Title IV-E

Agency Number: G-0301IA1401/G-0401IA1401

Federal Award Year: 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-15

(7) 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 2005 case file testing:

- (a) Title 18-A-82 of the Employees' Manual states, in part, 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 four of thirty-two cases reviewed, an initial case plan was not developed within the prescribed limits.
- (b) Title 18-A-55 of the Employees' Manual states, in part, 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 seven of thirty-two cases reviewed, case plans were not re-evaluated within six months.
- (c) Title 18-A-85 of the Employees' Manual states, in part, the case permanency plan should be signed by both the case worker and their supervisor. For two of thirty-two cases reviewed, the case plan was not signed by the supervisor as required.

Recommendation – The Department should enforce the provisions of the Employees' Manual.

Response and Corrective Action Planned –

Individual cases affected were reviewed by supervisors with individual workers and corrective action, if possible, was taken.

All items, (a), (b) and (c), are part of the new case reading tool being rolled out in all eight service areas. Currently, 25 Service Supervisors are using and testing the new case reading tool. By the end of May 2006, all Service Supervisors will have been trained on how to use the new case reading tool and be expected to immediately begin using it. Also, performance reporting is occurring as a result of administrative data pulls in addition to case reading. Cases are then reviewed by the supervisors with their staff.

All items, (a), (b) and (c), will be reviewed at the April 27, 2006 bi-monthly teleconference call. All service staff attend the bi-monthly teleconference call. The Des Moines Area Service Administrator will be reiterating to all field staff compliance related to developing the case permanency plan timely, evaluating the case permanency plan every six months and having both the supervisor and worker signing the case permanency plan.

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In addition, all items, (a), (b), and (c), will be forwarded to the Service Area Quality Assurance Committees for further compliance discussions.

Conclusion – Response accepted.

CFDA Number: 93.658 – Foster Care – Title IV-E

Agency Number: G-0401IA1401/G-0501IA1401

Federal Award Year: 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-16

- (8) Foster Care Licensing – Title 12-C-100 of the Employees’ Manual states, in part, at least one unannounced visit to all foster group care facilities shall be conducted annually. For three of three in-state facility licensing files reviewed, an unannounced visit was not documented for the current year.

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

Response and Corrective Action Planned – The Department of Human Services (DHS) contracts with the Department of Inspections and Appeals (DIA) to conduct licensing inspections of group foster care facilities. Iowa Code Chapter 237.7 requires DIA to conduct the annual unannounced inspections. DHS will reemphasize this particular requirement with DIA to ensure compliance. DHS will also work with DIA to determine if additional resources are needed to conduct the annual unannounced visits.

Conclusion – Response accepted.

CFDA Number: 93.658 – Foster Care – Title IV-E

Agency Number: G-0401IA1401/G-0501IA1401

Federal Award Year: 2004, 2005

CFDA Number: 93.659 – Adoption Assistance

Agency Number: G-0401IA1407/G-0501IA1407

Federal Award Year: 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-17

- (9) DHS Field Office – Case Records – For fiscal year 2005, eleven county offices and three Child Support Recovery Unit (CSRU) offices were visited. In conjunction with this limited review, case records were tested for completeness of documentation. The following conditions were noted.

Foster Care (Title IV-E)

Title 18-Appendix-54 of the Employees’ Manual states, in part, a completed copy of the form 470-0716 “Foster Family Placement Contract,” should be placed in the child’s case record. For three of thirty-five cases reviewed, this form was not maintained in the child’s case record.

Title 18-D-45 of the Employees’ Manual states, in part, a new case permanency plan form 470-3453 “Family Case Plan,” should be completed at least every six months. For five of thirty-five cases reviewed, a current case permanency plan was not maintained in the child’s case record.

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Foster Care (Title IV-E) Adoption Assistance

Title 13-C-2a of the Employee's Manual states, in part, when a "Notice of Decision" form 470-0745 is issued, a copy should be placed in the case file. For two of six cases reviewed, the Notice of Decision was not maintained in the child's case record.

Recommendation – The Department should enforce the provisions of the Employees' Manual.

Response and Corrective Action Planned –

Individual cases affected were reviewed by supervisors with individual workers and corrective action, if possible, was taken.

Regarding the completion of the family case plan, the new case reading tool being rolled out in all eight service areas identifies compliance in this area. Currently, 25 Service Supervisors are using and testing the new case reading tool. By the end of May 2006, all Service Supervisors will have been trained on how to use the new case reading tool and be expected to immediately begin using it.

As the new case reading tool evolves, consideration will be given to adding the "Foster Family Placement Contract" and "Notice of Decision" as items the supervisors specifically check to see are in the case record.

At the April 27, 2006 bi-monthly teleconference call, the Des Moines Area Service Administrator will be reiterating to all field staff compliance of (a) a copy of Form 470-0716 "Foster Family Placement Contract" is to be in the child's case record, (b) a new case permanency plan form 470-3453 "Family Case Plan" is to be completed every six months, and (c) when a "Notice of Decision" form 470-0745 is issued, a copy is to be put in the child's case record.

Each service area has a newly formed Service Area Quality Assurance Committee. Each of these items will be forwarded to those committees for continued compliance discussions.

Conclusion – Response accepted.

CFDA Number: 93.659 – Adoption Assistance

Agency Number: G-0401IA1407/G-0501IA1407

Federal Award Year: 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-18

(10) 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 2004 case file testing:

- (a) Title 13-C(1)-35 of the Employees' Manual states, in part, the adoption subsidy case record should contain an Adoption Subsidy Agreement, form 470-0749. For two of thirty-five cases reviewed, the subsidy agreement was not maintained in the subsidy case record.
- (b) The Adoption Subsidy Agreement, form 470-0749, establishes the daily maintenance payment rate. For one of thirty-five cases reviewed, the daily maintenance rate did not agree with the approved amount on the subsidy agreement. The payment was less than the subsidy agreement.

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- (c) The Adoption Assistance program allows for payment of special issuances such as supplies and equipment. For one of thirty-five cases reviewed, no supporting documentation was maintained for a special issuance payment.

Recommendation – The Department should implement procedures to ensure compliance with the Employees' Manual. In addition, the Department should ensure supporting documentation is maintained for all special issuances.

Response and Corrective Action Planned –

Individual cases affected were reviewed by supervisors with individual workers and corrective action, if possible, was taken.

All items, (a), (b) and (c), will be reviewed at the April 27, 2006, bi-monthly teleconference call. The Des Moines Area Service Administrator will be reiterating to all the field staff compliance with the Adoption Subsidy Agreement form 470-0749 being maintained in the adoption subsidy case, the need for the daily maintenance rate to agree with the amount on the subsidy agreement and the case record having the supporting documentation for special issuance payments.

In addition, all items, (a), (b) and (c), will be forwarded to the Service Area Quality Assurance Committees for further compliance discussions.

Conclusion – Response accepted.

CFDA Number: 93.778 – Medical Assistance Program

**Agency Number: 5-0305IA5028/5-0405IA5028/5-0405IA5048/
5-0505IA5028/5-0505IA5048**

Federal Award Year: 2003, 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-20

- (11) Medicaid Cost Reports – OMB Circular A-133 states, in part, the State Medicaid Agency is required to provide for the filing of uniform cost reports by each participating provider of Medicaid services. These cost reports are used by the State Medicaid Agency to aid in the establishment of payment rates. The State Medicaid Agency is required to provide for periodic audits of the financial and statistical records of the participating providers which could include desk review or on-site reviews.

Iowa Administrative Code section 441 Chapter 81.6(3) requires Medicaid facilities to submit a cost report annually within three months of the facility's fiscal year end. Failure to submit a report within this time shall reduce payment to 75 percent of the current rate for a period no longer than three months, after which no further payments are to be made.

For four of the 25 desk reviews tested, the cost report was not submitted within the required three months of the end of the fiscal year. The reports were submitted 43 to 69 days late. These facilities were not subject to a reduction or penalty.

For five of the five on-site reviews tested, the facilities submitted amendments to their original cost reports after the due date. The original cost reports could not be located by the Department, nor did the Department have record of when the originals were submitted. Therefore, it could not be determined if the original cost reports were submitted timely.

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During separate rate testing, the rate per the cost report was not made available for review for five of twenty-five payments tested. Therefore, it could not be determined if the payment rate was allowable.

Recommendation – The Department should establish procedures to ensure compliance with OMB Circular A-133 and the Iowa Administrative Code. Additionally, the Department should maintain documentation of when original cost reports are received.

Response and Corrective Action Planned – Prior to July 1, 2005, cost reports were submitted to the Department's contractor (Ryun, Givens, Wenthe & Co.), who was located in West Des Moines. Coordination and tracking of the dates the cost reports were received was difficult and responsibility for the tracking between the contractor and the Bureau of Long Term Care was not always clear.

Beginning July 1, 2005, the Iowa Medicaid Enterprise (IME) was implemented. Now the IME Provider Cost Audit and rate setting contractor is located in the same building as the State Medicaid Agency staff, the Bureau of Long Term Care. Coordination and tracking of receipt of nursing facility cost reports are now the responsibility of this IME unit. Procedures have been established to record the due date and date of receipt of the cost reports and the information is logged in a database. Reminder letters are sent when a cost report is not received.

In addition, cost reports are now maintained electronically for ease in locating upon request. It is the experience of the IME providers have become timelier in their filing of cost reports. In order to ensure full compliance with the regulations, the Department plans to issue an informational release to all nursing facility providers in April 2006. This informational release will describe the rule IAC 441 81.6(3) and inform providers, beginning with cost reports with fiscal year end June 30, 2006, this policy will be enforced.

Conclusion – Response accepted.

CFDA Number: 93.778 – Medical Assistance Program

**Agency Number: 5-0305IA5028/5-0405IA5028/5-0405IA5048/
5-0505IA5028/5-0505IA5048**

Federal Award Year: 2003, 2004, 2005

State of Iowa Single Audit Report Comment: 05-III-HHS-401-21

(12) Medicaid Waivers – Medicaid waivers enable eligible recipients to remain in their own home or communities rather than be admitted into a medical institution. The services are limited to certain client eligibility groups who have requested a waiver and have been given departmental approval. The mental retardation (MR) waiver is an eligibility group of recipients with a primary diagnosis of mental retardation. The following information is required to be included in a clients case file for MR waivers:

(a) Title 8-N-24 of the Employees' Manual requires form 470-2927, Health Services Application.

(b) Title 8-N-39 of the Employees' Manual requires a Notice of Decision.

During fiscal year 2005 testing of Medicaid claims, five waiver case files were reviewed, one of which was an MR waiver case. The required forms noted above were not included in the MR waiver case file reviewed.

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

Response and Corrective Action Planned –

- (a) IM workers are required to have a Health Services Application in the file for consumers that are not already Medicaid eligible. If they are Medicaid eligible, a Medicaid application is to be in the file. Upon further review, it appears neither form was located in the file. The IM worker is sending an application to the consumer to complete immediately.
- (b) A Notice of Decision is to always be present in the file.

The Bureau of Long Term Care will clarify the expectations of consumer file content and will address this with IM field staff from central office. Changes will be made to come into compliance with the Employees' Manual. A plan of correction will be developed from this meeting that identifies the needed changes in policy and procedure. Training on the changes will occur on one of the regularly scheduled IM teleconference calls conducted by the Department. In meeting with the field staff, a timeline will be developed for implementation of the required changes. It is anticipated the required changes will be completed by December 31, 2006.

Conclusion – Response accepted.

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Findings Related to Internal Control:

- (1) Disaster Recovery Plan – The Department follows the state-wide disaster recovery plan, last modified in 1996. This plan is not specific to the Department and does not incorporate all computer systems used by the Department.

Recommendation – The Department should develop a disaster recovery plan incorporating all of its computer systems. Additionally, the Department should test the plan.

Response – The Department had completed and submitted the Continuity of Operations Plan and the Continuity of Government Plan to the Emergency Management Division and Homeland Security in May 2005. The Department is also developing a disaster recovery plan specific to each area of the Department. Several have been completed and the remainder are prioritized for completion as resources allow.

Conclusion – Response accepted.

- (2) Child Welfare Procurement Cards – The Iowa DHS Child Welfare Procurement Card Program Handbook (Handbook) requires the following:

- (a) Page eight of the Handbook states, in part, the “Request for Funding,” form 470-4127, shall include the maximum estimated costs per item. The DHS supervisor reviews the Request for Funding and communicates the decision to the caseworker on the maximum amounts approved. For seven of 26 transactions tested, the maximum costs approved were exceeded.
- (b) Page four of the Handbook states, in part, purchases may only be made by a cardholder through in-person presentation of their card. For seven of 26 transactions tested, the purchases were made over the phone.
- (c) Page four of the Handbook states, in part, all purchases made with procurement cards must have prior supervisory approval. For one of 26 transactions tested, supervisory approval was not given prior to the purchase.
- (d) Page nine of the Handbook states, in part, the cardholder notifies the Central Point of Contact person (CPC) of the purchase by e-mail within one business day of the purchase. The e-mail should include the following: child’s name, FACS identification number, date of purchase, what was purchased, cost of purchase and name/address of the merchant. For two of ten transactions tested, the cardholder did not e-mail the CPC after the purchase was made. For three of ten transactions tested, although the cardholder e-mailed the CPC timely, the e-mail did not include all required items.

Recommendation – The Department should implement procedures to ensure compliance with the Iowa DHS Child Welfare Procurement Card Program Handbook.

Response – The Department reviewed transactions that were made by phone rather than in person. In most instances these charges were for past due utility bills. Further research indicated the utility companies will only accept payment by phone. After consulting with the Service Business Team, the Department procurement manual was revised to allow payment by phone for gas and electric utility bills.

A copy of the updated manual was circulated to all service areas. In January 2006, a teleconference call was hosted to discuss the audit findings and review the need to follow all procedures in the manual. Representatives from all service areas participated in the call.

Conclusion – Response accepted.

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- (3) Mailroom Receipts – An important aspect of internal control is the safeguarding of mailroom receipts. The safeguarding of mailroom receipts includes ensuring all mail is opened and distributed by an individual not responsible for the recording of receipts.

The Department does not require all mail to be opened in the centralized mail room. Certain mail, which does not appear to contain checks or cash, is distributed directly to a separate division within the Department based on the description found on the envelope.

The Department performed a review in 1998 to evaluate the dollar amount of receipts not opened in the mailroom and determined the amount was not significant. However, no analysis has been performed since that date.

Recommendation – The Department should implement procedures to ensure all receipts are safeguarded by periodically performing a review of receipts not being opened in the mailroom.

Response – The Department will undertake a review of receipts not opened in the mailroom during FY07.

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 Integrated Information for Iowa (I/3) system to maintain a listing of assets. The following findings were noted:
- (a) One of eighteen assets tested for completeness during field office visits was sent to surplus in 2003, but was included on the asset listing as of June 30, 2005.
 - (b) A \$24,605 adjustment was made to the beginning vehicle balance at July 1, 2004. However, no documentation was available to support this adjustment.
 - (c) Forty-nine of 62 current year deletions tested were not deleted from the I/3 system within a reasonable time (within one month). The timing of the 49 asset deletions from the I/3 system ranged from over one month to over twenty months. Of these 49, four were disposed of prior to fiscal year 2005.
 - (d) Three of 62 current year deletions tested did not have proper documentation approving the disposal of the assets.
 - (e) Six of 72 assets tested for existence could not be located.
 - (f) One of 72 assets tested for existence was disposed of during fiscal year 2005, but was not deleted from the listing.
 - (g) Ten expenditure transactions tested for capital asset completeness included purchases of thirteen items which individually exceeded the Department's capitalization threshold of \$5,000. These thirteen items, totaling \$122,375, were not included on the fiscal year 2005 capital asset listing.

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, the Department should continue to develop procedures to reconcile the I/3 system to amounts reported on the GAAP package for statewide reporting purposes.

Response – The Department recognizes the importance of accurately reporting capital assets. The capital asset manual will be updated and distributed to employees to ensure policy and procedures are available to those employees responsible for tracking capital assets. In addition, training has been provided to and procedures have been reviewed with the capital asset liaison. The Department will also perform a physical inventory count in FY06 to ensure the accuracy of the capital asset listing. The individual findings noted have been addressed as follows:

- (a) This asset will be deleted in FY06.
- (b) During the preparation of the FY05 GAAP report for vehicles, the department determined an adjustment of \$24,605 was necessary to reconcile the account. This adjustment was the accumulation of prior year(s) reporting errors. In order to reconcile the account for FY05 and forward, a one time adjusting entry was booked.
- (c) The Department practice has been to ensure all deletions occur within the proper fiscal year. This procedure will be incorporated in the fixed assets manual.
- (d) The Department concurs documentation for the disposal for three assets was not available. Procedures will be reviewed with Department personnel responsible for disposing of and deleting assets.
- (e) The Department will conduct an investigation as to the current status of these assets.

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- (f) This asset will be deleted during FY06.
- (g) One of these assets is located at the Independence Mental Health Institute. The asset was added to their inventory so should not have been entered on our inventory.

Two of these assets are located in the Department of Administrative Services-Information Technology Enterprise (ITE). The Department is having conversations with ITE to determine whether they should be listed on the ITE capital asset listing or the Department's capital asset listing.

The remaining seven assets will be added to our inventory during FY06.

Conclusion – Response accepted.

- (2) Iowa Code Compliance – The following compliance items were noted for fiscal year 2005:

- (a) 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.

- (b) Chapter 217.40 of the Code of Iowa requires the Department, or a person designated by the director, to establish training programs designed to assist all duly appointed guardians and conservators in understanding their fiduciary duties and liabilities, the special needs of the ward, and how to best serve the ward and the ward's interests.

The Department eliminated the training coordinator position due to budget constraints.

- (c) Chapter 220A.3 of the Code of Iowa designates the Department as 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.

- (d) Chapter 225C.48 of the Code of Iowa requires the establishment of an eleven-member personal assistance and family support services council. The council is to include five members appointed by the governor, three members appointed by the majority leader of the senate and three members appointed by the speaker of the house. Additionally, at least five of the members shall be consumers of personal services.

The fiscal year 2005 Council members consisted of four members appointed by the governor, three members appointed by the senate and one member appointed by the speaker of the house. The three members appointed by the senate were not confirmed. Additionally, there were only four members who were consumers of personal services.

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.

Response – (a) and (b) In previous 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 to identify a process to expedite such Code changes and where necessary, propose and/or support legislation that more accurately reflects the current structure.

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- (c) The Department is in the process of establishing a new Disability Division. One of the focuses of this new Division is to determine the need for and use of disability data. A review of the need for an Interagency Case Information Service will be conducted through that analysis.
- (d) The Council has formed a nomination committee to submit names to the governor, the senate, and the house for terms beginning in fiscal year 2007. The Department did submit rule changes to the legislature regarding the Council that will be implemented in fiscal year 2007 per Senate File 2217.

Conclusion – Response accepted.

- (3) DHS Field Office – Iowa Administrative Code Compliance – The following compliance items were noted during field office visits for fiscal year 2005:

- (a) Section 441 Chapter 110.6 of the Iowa Administrative Code requires the Department to check twenty percent or more of all child development homes in each county for compliance with registration requirements during a calendar year.

In four of eleven counties visited, the child development home checks were not being performed.

- (b) 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 of every sixty days by the physician, every three months by the service worker and every sixty days by the nurse.

In twelve of seventeen cases tested, this review was not performed within the minimum time frames.

- (c) Section 441 Chapter 202.11 of the Iowa Administrative Code requires the service worker to maintain a continuous relationship with children placed in foster care. For a child placed in a foster family home, the worker is required to visit the child at least monthly. For a child placed in foster care where the permanency goal is long-term foster care, the worker is required to visit the child at least quarterly.

In nineteen of 36 cases tested, the visits were not made by the service worker as required.

Recommendation – The Department should implement procedures to ensure compliance with the Iowa Administrative Code.

Response –

- (a) The four counties out of compliance will be required to write and implement a corrective action plan by July 1, 2006 to ensure twenty percent or more of all child development homes in each county are checked for compliance with registration requirements.
- (b) The Service Business Team will write a corrective action plan by July 1, 2006. The Service Business Team will review a better alignment of timeframes for physician, nurse and service worker reports.
- (c) The Service Business Team will write a corrective action plan by July 1, 2006 to ensure compliance by service workers in timely visiting children placed in family foster homes or group homes.

Conclusion – Response accepted.

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- (4) Executive Order Number 25 – State agencies are directed to participate in the state service procurement program outlined in Executive Order Number 25. Executive Order Number 25 states all agencies in the executive branch of state government shall procure services in accordance with Iowa Code Chapters 8.47 and 18.3 and all administrative rules developed in accordance with the Iowa Accountable Government Act. Contracts entered into before October 1, 2002 are governed under Department of Administrative Services – State Accounting Enterprise (DAS – SAE) Pre-Audit Procedure No. 240.102. Contracts entered into after October 1, 2002 are governed under Iowa Administrative Code Chapters 105 through 107.

For fiscal year 2005, 25 contracts were reviewed. Of the 25 reviewed, ten were entered into before October 1, 2002 and fifteen were entered into after October 1, 2002.

- (a) For contracts entered into before October 1, 2002, DAS - SAE Pre-Audit Procedure No. 240.102, Section IV, Paragraph (9) states, in part, contracted services are not to be performed until all signatures are obtained. Four of ten contracts reviewed did not have signatures from all parties prior to commencement of contracted services.
- (b) The following compliance items were noted for contracts entered into after October 1, 2002:
- (i) Section 11 Chapter 106.12(2) of the Iowa Administrative Code requires, except in an emergency procurement, services shall not be performed pursuant to a service contract for a state agency until all parties to the contract have signed the contract. Two of fifteen contracts reviewed did not have signatures from all parties prior to commencement of contracted services.
 - (ii) Section 11 Chapter 106.12(1) of the Iowa Administrative Code requires the Department, whether utilizing informal or formal competition, to provide a notice of each procurement for services to the targeted small business Web page located at the Iowa Department of Economic Development's Website. Five of fifteen contracts reviewed did not have documentation to support they were posted to the Targeted Small Business (TSB) Website. For three of these five contracts, notices were sent individually to approved TSB Information Technology (IT) vendors, but there was no evidence of a waiver for the requirement of the posting to the TSB Website.
 - (iii) Section 11 Chapter 105.4(5)b of the Iowa Administrative Code states, in part, for exemption from competitive processes, the requesting agency shall submit to the director justification that the procurement meets the definition of sole source procurement. In one of fifteen contracts reviewed, no documentation existed justifying the reason for sole source procurement.

Recommendation – The Department should implement procedures for procuring services to ensure compliance with DAS – SAE Pre-Audit Procedures and the Iowa Administrative Code.

Response – The Department recognizes the importance of having procedures to ensure compliance with DAS-SAE Pre-Audit Procedures and Iowa Administrative Code for the procurement of services. Regular random quality review of service contracts is conducted to assure contracts include all required terms and conditions. Development of desk aides, training presentations and best practice procedures are also provided to staff who work with contracts. The Department continues to refine the procedures that are in place and is making a targeted effort to provide staff with the tools needed to comply with all contracting requirements. Additional training sessions are currently

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being developed for on-going training needs. The Department's Quick Guide to Contracting Services guidebook provides fundamental information and links to examples, clarifications, rules and code cites, to assist staff in the appropriate procurement of service contracts. The guidebook is updated regularly. The Department will continue its focus on strengthening the Department's procedures to assure consistency in practice and compliance with state policy and rules for all current contracts

Conclusion – Response accepted.

- (5) Payroll Procedures – Title 23-A-1 of the Employees' Manual states, in part, form PS-1311-0, "Request for Leave," shall be prepared and approved for each instance of leave usage. The Department is currently utilizing the "Application for Leave", form 470-3930. The usage and retention of the leave form is determined by each division administrator. The policy, which applies to all employees, has not been updated since April 30, 1985.

Recommendation – The Department should comply with the Employees' Manual or update the Employees' Manual to reflect current practices.

Response – Effective June 17, 2005, Employees' Manual 23-A was rendered obsolete. Employees are referred to the DHS Employees Handbook, "Employee Work Rules and Policies", Section A-3 which directs the employee to the appropriate leave form as well as the retention policy.

Conclusion – Response accepted.

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