



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

FOR RELEASE

June 29, 2007

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Human Services for the year ended June 30, 2006.

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.

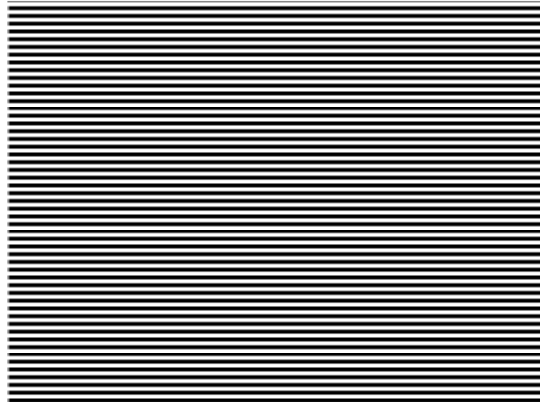
The report contains recommendations the Department:

- (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, 2006**

Office of  
**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



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









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June 26, 2007

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, 2006.

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 25 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 Chester J. Culver, Governor  
Charles J. Krogmeier, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2006

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

**CFDA Number: 10.551 – Food Stamps**

**Agency Number: 00801619956008**

**Federal Award Year: 2005, 2006**

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**

**Agency Number: G-0501IATANF/G-0601IATANF**

**Federal Award Year: 2005, 2006**

**CFDA Number: 93.778 – Medical Assistance Program**

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

**5-0605IA5028/5-0605IA5048**

**Federal Award Year: 2004, 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-USDA-401-1/06-III-HHS-401-10**

- (1) DHS Field Office Supervisor Case Readings – For fiscal year 2006, ten county offices were visited. In conjunction with this limited review, the following condition was noted.

Title 24-A-11 of the Employees' Manual states, in part, Income Maintenance Supervisors shall read cases for accuracy and thoroughness. The Department's quality assurance review process requires a minimum of twenty-four cases to be read per month. In three county offices, the minimum number of required cases per month were not read by a supervisor.

Recommendation – The Department should ensure compliance with the provisions of the Employees' Manual and the quality assurance review process.

Response and Corrective Action Planned – For the Income Maintenance (IM) Supervisor out of compliance regarding case readings, an individual corrective action plan will be requested by April 16, 2007.

Conclusion – Response accepted.

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**

**Agency Number: G-0501IATANF/G-0601IATANF**

**Federal Award Year: 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-4**

- (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 2006 case file testing:

- (a) Title 4-G-31 and 4-G-32 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 three of thirty-five cases reviewed, the IEVS review was not documented in the case file.
- (b) Title 4-C-8 of the Employees' Manual states, in part, each applicant or participant must assign to the Department any rights the person may have to support from any other person. For one of thirty-five cases reviewed, the form assigning all rights to support could not be located.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

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

Response and Corrective Action Planned – Field staff will be reminded by Financial Health and work Support (FHWS) policy staff at the April 19, 2007 Income Maintenance (IM) monthly conference call of the necessity of documenting review of IEVS in the current case record. A System/Policy Interpretation Response System (SPIRS) note will be sent after the conference call as follow up.

Assignment of support is automatic when Family Investment Program (FIP) is approved. IM workers are required to explain to all applicants the requirement to cooperate with child support recovery and the right to claim good cause for a refusal to participate. Field staff will be reminded by FHWS policy staff at the April 19, 2007 IM monthly conference call of the necessity of documenting this notification in the current case record. A SPIRS note will be sent after the conference call as a follow up.

Conclusion – Response accepted.

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**

**Agency Number: G-05011ATANF/G-06011ATANF**

**Federal Award Year: 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-5**

- (3) ACF-196 Financial Report – The quarterly ACF-196 financial report is required to be submitted within 45 days of the quarter end. The report for the period June 30, 2006 was not submitted until August 31, 2006.

Recommendation – The Department should establish procedures to ensure the quarterly ACF-196 financial reports are submitted as required.

Response and Corrective Action Planned – The Department acknowledges the TANF Federal Report for the period ended June 30, 2006 was not submitted by the due date of August 15, 2006. The position responsible for completing the report was vacated at the end of June and the responsibility for completing the report temporarily reassigned. In order to assure accuracy of the information submitted, a second level review was undertaken which required additional time. Staff completing Federal reports are required to complete them on or before the due date and enter the completion date for each report on a spreadsheet monitored by the Chief of the Bureau of Budget and Accounting. Absent extenuating circumstances such as above, we believe the existing procedures are sufficient to ensure timely submission.

Conclusion – Response accepted.

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**

**Agency Number: G-05011ATANF/G-06011ATANF**

**Federal Award Year: 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-6**

- (4) Computer Match – Family Investment Program (FIP) – Title 4-C-36 of the Employees' Manual states, in part, a participant whose needs are included in a FIP grant cannot receive at the same time a grant from any other public assistance program administered by the Department, including foster care and subsidized adoption. Title 13-C(1)-13 of the Employees' Manual states, in part, a child shall not concurrently receive subsidized adoption maintenance payments and FIP.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

The Department does allow a participant to receive both FIP and foster care or FIP and subsidized adoption for the same month the child is removed from the home to enter foster care or for the same month the child begins receiving subsidized adoption payments.

A computer match of payment data was performed for cases receiving both FIP and foster care payments during fiscal year 2006. We reviewed thirty-four cases receiving both FIP and foster care payments during the same month of service. Of the thirty-four cases reviewed, twenty-one were eligible for FIP on the first day of the month. The remaining thirteen children, or thirty-eight percent, improperly received FIP benefits for one to five months after entering foster care. No recoupments have been established for these overpayments. The unallowable FIP payments for these thirteen children total \$2,690. The potential exists for additional questioned costs had we tested additional matches.

A computer match of payment data was performed for cases receiving both FIP and subsidized adoption payments during fiscal year 2006. We reviewed fifty-one cases receiving both FIP and subsidized adoption payments during the same month of service. Of the fifty-one cases reviewed, thirty six cases were eligible for FIP on the first day of the month. The remaining fifteen children, or twenty-nine percent, improperly received FIP benefits for one to five months after entering subsidized adoption. No recoupments have been established for these overpayments. The unallowable FIP payments for these fifteen children total \$5,247.

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

Response and Corrective Action Planned – Regarding the finding related to subsidized adoption, there were unallowable Family Investment Program (FIP) payments for fifteen children totaling \$5,247 and there has been no recoupment of these payments. The Department agrees in these cases both FIP and subsidized adoption payments were received for the same child(ren) for the same months. However, the Department also maintains, under current departmental procedures, no overpayment subject to recoupment occurred. With respect to FIP, assistance can only be canceled at the point the subsidized adoption has been approved through entries on the computer system *to issue payment*. IM workers are advised a child has been approved for subsidized adoption only at the point the approval is entered into the computer system *to issue payment* by the social worker making the approval. Once the subsidized adoption has been entered into the system and the IM worker is notified, FIP is canceled.

For these fifteen cases, the approval for subsidized adoption was not entered into the system until one or more months had passed from the effective date of the approval. Consequently, the IM workers did not receive notice and had no basis for canceling FIP until the entries were made and notice received. Although the subsidy adoption could be approved retroactively to cover past periods of time, FIP cannot be cancelled retroactively. Based on the information entered into the computer system and known to the IM workers at the time, the child(ren) was in fact eligible for FIP. At most, the Department maintains failure to timely enter the subsidized adoption approval resulting in FIP cancellation constitutes a "procedural error" which does not represent an overpayments under 441 IAC 46.2.

With respect to any possible overpayment of subsidized adoption, federal regulations provide the subsidy payment not be reduced by any FIP received by the caretaker relative.

Recognizing steps do need to be taken to prevent the payment of FIP and subsidized adoption for the same child(ren) for the same months, the Department intends the following corrective measures:



Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

By April 16, 2007, provide the Service Area Managers a memo to be shared from them with their Service and Income Maintenance staff regarding the need to improve communication between Service and IM when a child receiving FIP goes into foster care or is approved for subsidized adoption.

Provide the Service Area Managers a memo to be shared from them with their Service staff regarding the importance of immediately entering the approval and payment information for subsidized adoption assistance on the Family and Children Services (FACS) system.

Financial, Health and Work Support (FHWS) staff will write a service request by April 16, 2007 for a solution agreed upon by the IM Administrators to highlight the report that is sent to IM staff when a FIP recipient begins receiving foster care or subsidized adoption payments and provide clearer instructions on what to do.

FHWS staff will review at the April 19, 2007 IM monthly conference call the requirement that a child receiving FIP is to be removed from the FIP grant when the child goes into foster care and also, the requirement to remove a child from FIP when subsidized adoption payments have been initiated through FACS.

Conclusion – Response acknowledged. The Department should consult with the U.S. Department of Health and Human Services to determine corrective action for questioned costs.

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**

**Agency Number: G-05011ATANF/G-06011ATANF**

**Federal Award Year: 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-7**

- (5) Non-Cooperation with Child Support Recovery Unit (CSRU) – Title 4-C-18 and 4-C-21 of the Employees' Manual states, in part, all applicants and participants in the Family Investment Program (FIP) must cooperate with child support recovery. If an applicant or participant refuses to cooperate without good cause, the family's FIP grant is to be reduced by twenty-five percent. The grant reduction becomes effective the month after the income maintenance worker is notified of the non-cooperation. For five of twenty-three cases reviewed, the FIP grant was not reduced for the month following non-cooperation with CSRU.

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

Response and Corrective Action Planned – Child Support Recovery Unit (CSRU) field staff are required to give a 10 day notice for the reduction of FIP when a client has not cooperated with CSRU. In the cases reviewed, the notice of non-cooperation was received late in the month and staff had to cancel FIP for the first day of the 2<sup>nd</sup> month after the CSRU notification in order to give the client 10 days notice. However, field staff should have recouped FIP for the month after the notification was received from CSRU. The specific individual cases have since had a recoupment completed. Field staff will be reminded at the April 19, 2007 IM monthly conference call by FHWS policy staff of the necessity to complete a recoupment of the FIP overpayment when they are not able to reduce the FIP for non-cooperation with CSRU the month after notification from CSRU because of the 10 day timely notice requirement. A follow up SPIRS note will also be sent to all field IM staff.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**

**Agency Number: G-0501IATANF/G-0602IATANF**

**Federal Award Year: 2005, 2006**

**CFDA Number: 93.563 – Child Support Enforcement**

**Agency Number: G-0504IA4004/G-0604IA4004**

**Federal Award Year: 2005, 2006**

**CFDA Number: 93.575 – Child Care and Development Block Grant**

**Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF/G0601IACCDF**

**Federal Award Year: 2003, 2004, 2005, 2006**

**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/G0601IACCDF**

**Federal Award Year: 2003, 2004, 2005, 2006**

**CFDA Number: 93.645 – Child Welfare Services – State Grants**

**Agency Number: G-0501IA1400/G-0601IA1400**

**Federal Award Year: 2005, 2006**

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

**Agency Number: G-0501IA1401/G-0601IA1401**

**Federal Award Year: 2005, 2006**

**CFDA Number: 93.659 – Adoption Assistance**

**Agency Number: G-0501IA1407/G-0601IA1407**

**Federal Award Year: 2005, 2006**

**CFDA Number: 93.778 – Medical Assistance Program**

**Agency Number: 5-0405IA5028/5-0505IA5028/5-0505IA5048/  
5-0605IA5028/5-0605IA5048**

**Federal Award Year: 2004, 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-8**

- (6) DHS Field Office Internal Controls – For fiscal year 2006, ten county offices and two Child Support Recovery Unit (CSRU) offices were visited. In conjunction with this limited review, the following conditions were noted.

In six county offices, a receipt log is used as an initial receipt listing to track the deposit of funds received by the office. However, the receipt log used does not identify which employee performed each step throughout the deposit process, including receipt preparer, employee sending funds to central office, employee logging the receipt and employee documenting the return of the validated receipt from central office.

In one county office and two CSRU offices, a receipt log is not used.

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 one of these four county offices, the person can also prepare the receipt.

In three county offices, the person who writes receipts also enters the receipt information on the receipt log and sends the receipt to central office.

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

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

In two of ten 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. In both county offices, the person can also enter provider agreements onto POSS.

In two of ten county offices no one reviews the transaction report from central office.

During our review of 100 receipts throughout the ten county offices, a total of twenty-nine errors were identified. Title 23-B-5 of the Employees' Manual states, in part, if central office has not returned a duplicate copy within 30 days of issuance, the appropriate division or administrative office is to be contacted. For three receipts reviewed, the validated duplicate copy had not been received from central office for more than 30 days and there was no evidence of follow up or contact with central office to investigate. In addition, twenty receipts were not properly filled out by the receipt preparer, five yellow copies of receipts were not sent to central office with the funds upon deposit and one receipt was written out of date sequence.

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 individual counties not in compliance will be required to write an individual corrective action plan by April 16, 2007 for each item cited.

A Take 5 Training on receipts by the Income Maintenance Training Academy will be delivered on the IM monthly conference call on April 19, 2007

As of February 19, 2007 for the Ottumwa CSRU and May 2, 2006 for the Carroll CSRU, the supervisor implemented the appropriate policy where all checks or money orders are restrictively endorsed immediately upon receipt at the CSRU office.

The CSRU offices cited for not using a receipt log will implement a corrective action plan by April 1, 2007. The corrective action plan will require either a receipt log be maintained or an alternate procedure be used to ensure proper segregation of duties.

Conclusion – Response accepted.

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**

**Agency Number: G-0501IATANF/G-0601IATANF**

**Federal Award Year: 2005, 2006**

**CFDA Number: 93.575 – Child Care and Development Block Grant**

**Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF/G-0601IACCDF**

**Federal Award Year: 2003, 2004, 2005, 2006**

**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/G-0601IACCDF**

**Federal Award Year: 2003, 2004, 2005, 2006**

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

**Agency Number: G-0501IA1401/G-0601IA1401**

**Federal Award Year: 2005, 2006**

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

**CFDA Number: 93.659 – Adoption Assistance**  
**Agency Number: G-0501IA1407/G-0601IA1407**  
**Federal Award Year: 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-9**

- (7) DHS Field Office – Case Records – For fiscal year 2006, ten county offices were visited. In conjunction with this limited review, the following conditions were noted.

Temporary Assistance for Needy Families (TANF)

Title 4-B-1 of the Employees' Manual states, in part, an application for the family investment program (FIP) must be submitted on the "Health and Financial Support Application" form 470-0462. For one out of thirty-six cases reviewed, the Health and Financial Support Application was not in the case record.

Title 14-B-39 of the Employees' manual states, in part, a "Notice of Decision" form 470-0485 is issued to approve, deny, change, suspend, cancel or reinstate assistance. For one out of thirty-six cases reviewed, the Notice of Decision was not in the case record.

Child Care Cluster

Title 13-G-39 of the Employees' Manual states, in part, for nonregistered child care home providers a "Minimum Health and Safety Requirements for Nonregistered Child Care Home Providers" form should be included in the provider's file. For three of twenty-six cases reviewed, the Minimum Health and Safety Requirements for Nonregistered Child Care Home Providers was not maintained in the provider's file.

Foster Care (Title IV-E)

Title 12-B-2 of the Employees' Manual states, in part, when a "Certificate of License" form 470-0727 is issued, a copy should be placed in the Department's licensing file. For two of thirty-three cases reviewed, the Certificate of License was not maintained in the Department's licensing file.

Title 18-D-45 of the Employees' Manual states, in part, a new case permanency plan form 470-3453 "Case Permanency Plan," should be completed at least every six months. For seven out of thirty-three cases reviewed, a current case permanency plan was not maintained in the child's case record.

Foster Care (Title IV-E) Adoption Assistance

Title 13-C-2a of the Employees' 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 three cases reviewed, the Notice of Decision was not maintained in the child's case record.

Title 13-C-19 of the Employees' Manual states, in part, when a "Consent to Adoption" form 470-0755 is issued, a copy should be placed in the case file. For one of three cases reviewed, the Consent to Adoption 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 –

TANF – Field Staff will be reminded at the April 19, 2007 IM monthly conference call by Financial Health and Work Support (FHWS) policy staff of the necessity of ensuring the Health and Financial Support Application and Notice of Decision are maintained in the current case record. A SPIRS note will be sent after the conference call as a follow up.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

Child Care Cluster – Service Supervisors will review with the appropriate staff by April 30, 2007 that the “Minimum Health and Safety Requirements for Nonregistered Child Care Home Providers” forms are to be maintained in the provider’s file.

Foster Care – Service Supervisors will review with appropriate staff by April 30, 2007 that a copy of the “Certificate of License” form should be in the DHS licensing file.

The Service Business Team will develop a corrective plan to address the issue of current case permanency plans not being developed every six months and maintained in the child case record by April 16, 2007.

Foster Care – Adoption Assistance - Service Supervisors will review with appropriate staff by April 30, 2007 that the “Notice of Decision” and “Consent to Adoption” should be in the case file.

Conclusion – Response accepted.

**CFDA Number: 93.563 – Child Support Enforcement**

**Agency Number: G0504IA4004/G-0604IA4004**

**Federal Award Year: 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-11**

- (8) DHS Field Office Transfer of Cases – For fiscal year 2006, two Child Support Recovery Unit (CSRU) offices were visited. In conjunction with this limited review, the following condition was noted.

Title 9-H-20 of the Employees’ Manual states, in part, the Unit office transferring the IV-D case should initiate the transfer within three working days from the date a transfer was requested. In one CSRU office, the policy is the transfer of IV-D cases are initiated within seven days from the date a transfer was requested.

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

Response and Corrective Action Planned – Effective March 8, 2007, the supervisor in the cited CSRU office implemented the appropriate policy that any case appropriate for transfer will be transferred within three working days.

Conclusion – Response accepted.

**CFDA Number: 93.575 – Child Care and Development Block Grant**

**Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF/G-0601IACCDF**

**Federal Award Year: 2003, 2004, 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-14**

- (9) Grant Management – The Office of Inspector General (OIG) is conducting an on-going investigation related to the Iowa Child Care and Development Block Grant funding for Infant and Toddler and Quality Expansion earmarking requirements for federal fiscal years 1998 through 2004. The Department’s allocations earmarked for these services during the time period reviewed totaled \$13,044,275. A report will be issued by the Office of Inspector General when the investigation is completed.

Response and Corrective Action Planned – Department response not requested.

June 30, 2006

**CFDA Number: 93.575 – Child Care and Development Block Grant**  
**Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF/G-0601IACCDF**  
**Federal Award Year: 2003, 2004, 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-15**

- (10) 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.

Response and Corrective Action Planned – The reports do require grantees to list their expenses in the categories as submitted in the budget. In addition, they are required to maintain detailed records and receipts. In the past, the Department had not been resourced to complete a significant number of wrap-around grant site visits annual. The Department has hired additional staff and intends to increase the number of site visits.

Conclusion – Response accepted.

**CFDA Number: 93.575 – Child Care and Development Block Grant**  
**Agency Number: G-0301IACCDF/G-0401IACCDF/G-0501IACCDF/G-0601IACCDF**  
**Federal Award Year: 2003, 2004, 2005, 2006**

**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/G-0601IACCDF**  
**Federal Award Year: 2003, 2004, 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-16**

- (11) ACF-696 Financial Report – The quarterly ACF-696 Financial Report is required to be submitted within one month of the quarter end. The report for the quarter ended June 30, 2006 was not submitted until August 22, 2006.

Recommendation – The Department should establish procedures to ensure quarterly ACF-696 Financial Reports are submitted as required.

Response and Corrective Action Planned – The Department acknowledges that the Child Care and Development Block Grant Federal report for the period ending June 30, 2006 was not submitted by the due date of July 31, 2006. The position responsible for completing the report was vacated at the end of June and the responsibility for completing the report temporarily reassigned. In order to assure accuracy of the information submitted, a second level review was undertaken which required additional time. Staff completing Federal reports are required to complete them on or before the due date and enter the completion date for each report on a spreadsheet monitored by the Chief of the Bureau of Budget and Accounting. Absent extenuating circumstances stated above, we believe the existing procedures are sufficient to ensure timely submission.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

**CFDA 93.658 – Foster Care – Title IV-E**

**Agency Number: G-0501IA1401/G-0601IA1401**

**Federal Award Year: 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-17**

(12) 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 2006 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 fifteen of thirty-one 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 seventeen of thirty-five 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 three of thirty-five cases reviewed, the case permanency 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 – The Service Business Team will develop a corrective plan by April 16, 2007 to address the issues of:

- Developing the case plan within the appropriate 45/60 day timeframe.
- Ensuring case plans are re-evaluated every six months.
- Ensuring the case permanency plan is signed by the supervisor as required.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

**CFDA 93.658 – Foster Care – Title IV-E**

**Agency Number: G-0501IA1401/G-0601IA1401**

**Federal Award Year: 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-18**

- (13) 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 four in-state facility licensing files reviewed, an unannounced visit was not documented for the current year.

Title 12-B-87 of the Employees' Manual states, in part, at least one unannounced visit is conducted to each licensed foster family home each year. For two of twenty-three licensed foster family home 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 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.

Service Supervisors will review with appropriate staff by April 30, 2007 the requirement that at least one unannounced visit is conducted and documented for each licensed foster family each year.

Conclusion – Response accepted.

**CFDA Number: 93.778 – Medical Assistance Program**

**Agency Number: 5-0505IA5028/5-0505IA5048/5-0605IA5028/5-0605IA5048**

**Federal Award Year: 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-19**

- (14) 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 three of the 24 cost reports tested, the cost report was not submitted within the required three months of the end of the fiscal year. The reports were submitted 3 to 61 days late. These facilities were not subject to a reduction or penalty.

Desk reviews of facilities' cost reports are required to be performed within two months after the month the report is received. For two of the 22 desk reviews tested, reviews were completed thirteen days late.



Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

Recommendation – The Department should establish procedures to ensure compliance with OMB Circular A-133 and the Iowa Administrative Code.

Response and Corrective Action Planned – The Department has established procedures to ensure compliance with OMB Circular A-133 and the Iowa Administrative Code. On April 12, 2006 Informational Release No. 494 was issued to all nursing facility providers. The release described the rule IAC 441 81.6(3) and informed providers that beginning with cost reports with fiscal year end June 30, 2006 (which will be due to the Department by September 30, 2006), the policy will be enforced.

The Provider Cost Audit and Rate Setting Unit of the Iowa Medicaid Enterprise (IME) now sends a letter to each nursing facility shortly after their fiscal year end informing them of their cost report due date and the consequences for past due cost reports. This letter will serve as the only notice that penalties will be forthcoming if the cost report is not received by the due date. Once this letter is sent to the facility, the IME Provider Cost Audit and Rate Setting Unit sets up in their proprietary rate-setting program a record for each provider containing year end and due date information. At the first of each month, the IME Provider Cost Audit and Rate Setting Unit runs a report which summarizes period end, due date, received date and other information concerning the status of each cost report.

In fiscal year 2007, cost reports that have not been received by the IME Provider Cost Audit and Rate Setting Unit before the first day of the fourth month following a provider's fiscal year end (October 1<sup>st</sup> for a facility with a fiscal year end of June 30<sup>th</sup>) are considered past due. Once a cost report is past due, the facility's payment rate will be reduced to 75% of their current rate effective the first day of the fourth month following the provider's fiscal year end. A letter containing notification of the effective date and amount of the reduced payment rate will be sent to facilities whose cost reports are past due. This letter will also notify the facility of the date their cost report must be received by in order to avoid the suspension of payments. After a cost report is three months past due, no further payments will be made to the facility. The facility will be notified of the effective date for the suspension of payments. The reduced payment rate and/or the suspension of payments will remain in effect until the completed cost report is received. Payment rates will be restored effective on the date the completed cost report is received.

Conclusion – Response accepted.

**CFDA Number: 93.778 – Medical Assistance Program**

**Agency Number: 5-0405IA5028/5-0505IA5028/5-0505IA5048/  
5-0605IA5028/5-0605IA5048**

**Federal Award Year: 2004, 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-20**

(15) Medicaid Waivers – The Department administers seven home and community based waiver services (HCBS). 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.

- (a) Title 8-N-27 of the Employees' Manual states, in part, a person who is not currently eligible for Medicaid and chooses to apply for home and community based waiver program services must complete form 470-2927, Health Services Application. For two of seven case files reviewed, the recipient did not have Medicaid eligibility or the required form documented in the case file.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

- (b) Title 8-N-35 and Title 8-C-5 of the Employees' Manual require all applicants and recipients to cooperate with certain processes related to obtaining medical resources as a condition of eligibility for Medicaid including cooperation with the Health Insurance Premium Payment (HIPP) Unit. The purpose of the HIPP program is to pay the cost of health insurance for Medicaid recipients when it is determined doing so would result in cost savings to the Medicaid program. One of the two following items are required to be included in the recipient's case file:
- (1) Title 5-B-7 of the Employees' Manual requires a Health Insurance Premium Payment Program Application form 470-2875.
  - (2) Title 8-B-3 of the Employees' Manual requires form 470-2826, Supplemental Insurance Questionnaire.

For three of seven case files reviewed, the recipient did not have one of the required forms noted above included in the case file.

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

Response and Corrective Action Planned –

- (a) Field staff will be reminded by Financial, Health and Work Support (FHWS) policy staff at the April 19, 2007 IM monthly conference call of the necessity of documenting Medicaid eligibility and having the Health Service Application in the current case record. A SPIRS note will be sent after the conference call as a follow up.
- (b) Field staff will be reminded by FHWS policy staff at the April 19, 2007 IM monthly conference call of the necessity of having the Health Insurance Premium Payment Program Application or the Supplemental Insurance Questionnaire in the current case record. A SPIRS note will be sent after the conference call as a follow up.

Conclusion – Response accepted.

**CFDA Number: 93.778 – Medical Assistance Program**

**Agency Number: 5-0405IA5028/5-0505IA5028/5-0505IA5048/  
5-0605IA5028/5-0605IA5048**

**Federal Award Year: 2004, 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-21**

- (16) Medicaid Facilities – Title 8-A-21 of the Employees' Manual states, in part, an adequate notice should be issued when an application is approved, rejected or withdrawn or when a change in a member's circumstances affects eligibility. For two of twenty-two cases reviewed, the notice of decision covering the time period tested could not be located.

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

Response and Corrective Action Planned – Field staff will be reminded by FHWS policy staff at the April 19, 2007 IM Monthly conference call of the necessity of having the Notice of Decision in the current case record. A SPIRS note will be sent after the conference call as a follow up.

Conclusion – Response accepted.

June 30, 2006

**CFDA Number: 93.778 – Medical Assistance Program**  
**Agency Number: 5-0405IA5028/5-0505IA5028/5-0505IA5048/  
5-0605IA5028/5-0605IA5048**  
**Federal Award Year: 2004, 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-22**

- (17) Medicaid Assistance Bank Account – The Iowa Medicaid Enterprise (IME) maintains a Medical Assistance account at Wells Fargo Bank for the payment of provider claims. The Department's Fiscal Management personnel perform monthly reconciliations of the Medical Assistance account. As of April 2006, bank reconciliations for this account had not been performed for the months of January 2006 through March 2006.

Recommendation – The Department should perform timely reconciliations of the Medical Assistance account.

Response and Corrective Action Planned – The Department completed all reconciliations for the Medical Assistance account by the close of the fiscal year. Monthly reconciliations for the Medical Assistance account are now being performed on a timely basis.

Conclusion – Response accepted.

**CFDA Number: 93.958 – Block Grants for Community Mental Health Services**  
**Agency Number: C-04B1IACMHS/C-05B1IACMHS/C-06B1IACMHS**  
**Federal Award Year: 2004, 2005, 2006**

**State of Iowa Single Audit Report Comment: 06-III-HHS-401-23**

- (18) SF-269 Financial Status Report (FSR) – Title 45 CFR 96.30(b) of the Code of Federal Regulations states, in part, each grantee shall report to the Department of Health and Human Services the date of the last obligation and the date of the last expenditure. Additionally, grantees are to provide the requested information within 90 days of the close of the applicable statutory grant periods. The FSR for the period ended September 30, 2005 did not include the date of the last obligation and date of the last expenditure. Additionally, the FSR was not submitted until January 31, 2006.

Recommendation – The Department should establish procedures to ensure compliance with the Code of Federal Regulations.

Response and Corrective Action Planned – The Department acknowledges the date of the last obligation and the date of the last expenditure were not included in the federal report. Future reports will include this information. The Department also acknowledges the FSR was not submitted until January 31, 2006. The Federal regulation states that a FSR should be submitted by December 31<sup>st</sup>, but does not require the final to be submitted at this time. The State must submit a FSR for the period ending September 30 by December 31<sup>st</sup>, but may submit either an interim or a final. Future reports will be submitted by the December 31<sup>st</sup> deadline with a final submitted when all balancing and reconciling transactions have been completed.

Conclusion – Response accepted.

June 30, 2006

**Findings Related to Internal Control:**

- (1) Child Welfare Procurement Cards – The Iowa DHS Child Welfare Procurement Card Program Handbook (Handbook) requires the following:
- (a) Page seven 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 one of seventeen transactions tested, the maximum costs approved were exceeded.
  - (b) Page four of the Handbook states, in part, all purchases made with procurement cards must have prior supervisory approval. Form 470-4127 was developed for this purpose. For three of seventeen transactions tested, supervisory approval was not given prior to the purchase.
  - (c) Page eight of the Handbook states, in part, the cardholder is to notify 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 six of seventeen transactions tested, the cardholder did not e-mail the CPC after the purchase was made. For one of seventeen transactions tested, the cardholder did not e-mail the CPC within one business day of the purchase.
  - (d) Page five of the Handbook states, in part, all purchases made with procurement cards shall be supported by the original receipt for purchase. For one of seventeen transactions tested, the transaction was not properly supported with an original receipt containing a description of the items purchased.
  - (e) Page five of the Handbook states, in part, the CPC in each service area shall ensure all procurement card purchases are entered into the electronic transaction log for their service area. For one of seventeen transactions tested, the purchase was recorded in the electronic transaction log. However, the total price and client name did not agree with the support attached to the procurement card payment voucher.

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

Response – The Department agrees with the findings. The procedures cited will be reviewed with staff in all offices using the state procurement card. A notice of specific transactions and procedural violations noted in these findings will be shared with the Central Point of Contact and the Service Area Manager so they can prepare a corrective action plan.

The Department will begin maintaining a monthly log of procedural violations noted as statements are processed each month. These errors will be shared with the Central Point of Contact and Service Area Manager. This tracking will allow the Department to monitor the types of errors, the frequency, and repetitiveness by individual personnel. Training and discipline can be targeted to meet specific occurrences. If specific cardholders are demonstrating repetitive problems despite reminders and training interventions, this tracking will allow action to be taken to rescind that individual’s cardholding authority.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

- (2) DHS Field Office – In Home Health – For fiscal year 2006, ten county offices were visited. In conjunction with this limited review, case records were tested for completeness of documentation. The following conditions were noted.
- (a) Title 16-J-30 of the Employees' Manual states, in part, the client shall complete and sign form 470-2927, Health Services Application, annually. For fifteen of nineteen cases reviewed, the Health Services Application was not completed annually.
  - (b) Title 16-J-6 of the Employees' Manual states, in part, form 470-0506, Service Report, shall be used to communicate certain matters including new applications, approval for payment of services and determination of client participation. For four of nineteen cases reviewed, the Service Report was not included in the case record.
  - (c) Title 16-J-4a of the Employees' Manual states, in part, the Provider Health Assessment, form 470-0672, shall be obtained annually. For three of nineteen cases reviewed, the Provider Health Assessment was not completed annually.
  - (d) Title 16-J-4a of the Employees' Manual states, in part, form 470-3951, Authorization to Obtain or Release Health Care Information, shall be signed annually by the client and provider. For one of nineteen cases reviewed, the Authorization to Obtain or Release Health Care Information was not included in the case record.
  - (e) Title 16-J-8 of the Employees' Manual states, in part, eligibility determination shall be completed within thirty days from the date of the application. For one of nineteen cases reviewed, the notice of decision was issued approximately eleven months after the application date.

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

Response – Each of the eight Service Areas now has a specialized unit to handle the In Home Health Related Care (IHHRC) cases. It is believed specialization will improve compliance with the manual requirements. Supervisors will review the audit findings and the appropriate manual requirements with staff by June 1, 2007.

Conclusion – Response accepted.

June 30, 2006

**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) A \$41,168 adjustment was made to the beginning accumulated depreciation at July 1, 2005. However, no documentation was available to support this adjustment.
  - (b) Thirty-one of 43 current year deletions tested were not deleted from the I/3 system within a reasonable time (within one month). The timing of the 31 asset deletions from the I/3 system ranged from over one month to over thirty-two months. Of these 31, eight were disposed of prior to fiscal year 2006 and for nine the disposal date was unknown.
  - (c) Four of 43 current year deletions tested did not have proper documentation approving the disposal of the assets.
  - (d) Four of 74 assets tested for existence were disposed of during fiscal year 2006 but were not deleted from the listing.
  - (e) Three of 74 assets tested for existence did not display a state property tag.

Recommendation – The Department should develop procedures to ensure an accurate inventory of all real and personal property belonging to the state is maintained. Additionally, the Department should ensure all asset deletions are supported by an approved disposal or surplus form.

Response – The Department acknowledges responsibility for accurately tracking capital assets.

- (a) During preparation of the FY06 GAAP report for capital assets, the Department determined an adjustment of \$41,168 was necessary to reconcile the account. This adjustment was the accumulation of prior year(s) reporting errors. In order to reconcile the account for FY06 and forward, a one time adjusting entry was booked.
- (b) The Department agrees these assets were not deleted within one month. All of the referenced assets have now been deleted from the inventory. The Department had been using a requirement that all assets be deleted within the proper fiscal year. Policy has now been revised to require deletions are processed within 30 days. The revised Employee Manual was published March 16, 2007 and includes this updated policy.
- (c) Department policy has been revised to require a signature by a supervisor or authorized person other than the employee responsible for preparing the delete document and coordinating the transfer of assets to or from State Surplus.
- (d) These assets have now been deleted from the inventory. All four of the assets were deleted after the close of the fiscal year by units unable to complete their physical inventory by the end of the state fiscal year. The Department is closely monitoring the physical inventory counts to ensure compliance going forward.
- (e) Two of the 3 assets that did not display a state property tag were the result of equipment returned for exchange. Employees have now been advised that when equipment is returned to the vendor for replacement, the asset must be deleted from the inventory. A new tag is to be placed on the replacement equipment at the time it is received and it is to be added to the inventory. The third item was an asset at a County Office. The item has been assigned an ID number and a new tag has been sent to the office.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

(2) Iowa Code Compliance – The following compliance items were noted for fiscal year 2006:

- (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 2006 Council members consisted of five members appointed by the governor, three members appointed by the majority leader of the senate and one member appointed by the speaker of the house. Additionally, there were only four members who were consumers of personal services.

- (e) Chapter 217.11 of the Code of Iowa requires the establishment of a thirteen-member family development and self-sufficiency council. The council is to include two recipients or former recipients of the family investment program selected by the other members of the council.

The fiscal year 2006 Council consisted of one recipient or former recipient of the family investment program.

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 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.

- (c) For State Fiscal Year 2008, the legislature appropriated funding for the creation of a data warehouse for disability data and set clearer expectations on data collection and usage. As a result, the intent of Chapter 220A.3 will likely be met.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

- (d) DHS staff have been in contact with the Governor's office. They have a list of people meeting the requirements to fill a position on the family support council. The list will be shared with DHS so the Department can contact individuals and determine if they are interested in serving on the council. The vacant positions are expected to be filled by July 2008.
- (e) The family development and self-sufficiency council filled its vacant citizen representative (recipient or former recipient) spot in September 2006.

Conclusion – Response accepted.

- (3) DHS Field Office – Iowa Administrative Code Compliance – The following compliance items were noted during field office visits for fiscal year 2006:

- (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 five of ten 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 fifteen of fifteen 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 group foster care, purchased foster family care or purchased supervised apartment living where the permanency goal is long-term foster care, the worker is required to visit the child at least quarterly. All other children shall be visited at a least every 45 days, except when the workload exceeds 150 cases. When the workload exceeds 150 cases, the minimum visits for group care and purchased foster family care shall be at least quarterly and at least every other month, respectively.

In 23 of 33 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) Supervisors will review audit findings and 20% spot check requirement with appropriate staff by June 1, 2007. Child Care Resource and Referral will continue to do some of the child care home spot checks. Supervisors will track and monitor compliance to ensure 20% of the child care homes have an annual spot check.
- (b) Each of the eight Service Areas now have a specialized unit to handle the In Home Health Related Care (IHHRC) cases. It is felt specialization will improve compliance with the manual requirements. Supervisors will review the audit finding and the appropriate manual requirements with staff by June 1, 2007.



Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

- (c) In the past year DHS has had significant improvement in timely visiting children since a program improvement plan was implemented based on the Children and Family Service Review. Workers are aware of the visitation requirements. DHS is tracking visits with children, the Supervisors are reviewing the tracking and that information is being shared with the Social Work Administrators and Service Area Managers. DHS continues to emphasize the requirement to visit children timely. The FY08 DHS appropriation added money to hire additional staff to increase the timeliness of foster care visitation.

Conclusion – Response accepted.

- (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 are governed under Iowa Administrative Code Chapters 105 through 107.

For fiscal year 2006, twenty-five contracts were reviewed. The following compliance items were noted:

- (a) 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. Seven of twenty-five contracts reviewed did not have signatures from all parties prior to commencement of contracted services.
- (b) 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 Web site. Three of nine contracts reviewed did not have documentation to support they were posted to the specified Web site.
- (c) 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 the procurement meets the definition of sole source procurement. For one of six contracts reviewed, no documentation existed justifying sole source procurement.
- (d) Section 11 Chapter 106.5(1) of the Iowa Administrative Code states, in part, when the estimated annual value of the service contract is equal to or greater than \$50,000 or the estimated value of a multiyear service contract in the aggregate exceeds \$150,000, a state agency shall use a formal competitive selection process to procure the service. One of five contracts reviewed was not properly bid via a formal competitive selection process.
- (e) Section 11 Chapter 106.5(2) of the Iowa Administrative Code states, in part, when the estimated annual value of the service contract is equal to or greater than \$5,000 but less than \$50,000 and the estimated value of the multiyear service contract in the aggregate does not exceed \$150,000, a state agency shall use either a formal or informal competitive selection process to engage a service provider. One of six contracts reviewed was not properly bid via a formal or informal competitive selection process.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

- (f) Section 11 Chapter 107.4(3) of the Iowa Administrative Code requires a clause or clauses describing the methods to effectively review performance of a service contract. For one of twenty-five contracts reviewed, the required clause was included in the contract. However, the Department could not provide evidence of the review being performed.
- (g) Department of Administrative Services – State Accounting Enterprise (SAE) Procedure No. 240.102, section IV, requires the Department to determine whether the contractor has an employer/employee relationship with the State. Contracts which create an employer/employee relationship are not allowed. SAE determines whether employer/employee relationships exist and assigns an SAE control number to a contractor when it is determined there is no such relationship. The Department is required to enter the SAE control number on the Pre-Contract Questionnaire prior to signing a contract. For three of twenty-five contracts reviewed, the SAE control number was not documented on the Pre-Contract Questionnaire.

Recommendation – The Department should implement procedures for procuring services to ensure compliance with SAE 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. We will distribute to all contracting staff information regarding the compliance requirements for the six areas identified in the State fiscal year 2006 audit. Regular random quality reviews of service contracts will continue and have been increased to assure contracts include all required terms and conditions.

The Department continues to refine the procedures and is making a targeted effort to provide staff with the tools needed to comply with all contracting requirements. 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. Desk aides, training presentations and best practice procedures are also provided to staff who work with contracts. Four contract trainings for contracting staff were held through the end of October 2006 and three of these trainings repeated in April 2007. These include a newly added training module on contract monitoring. The Department also publishes a bi-monthly contracting newsletter that highlights new items and areas of concern.

The Department is also the lead agency partnering with the Department of Administrative Services to enter service contracts into I/3 that will allow for additional controls and accuracy in payments.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Services

June 30, 2006

Staff:

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