

REPORT DIGEST

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
FINANCIAL AND COMPLIANCE AUDIT
(In Accordance with the Single Audit Act of 1984
and OMB Circular A-128)**

For the Two Years Ended June 30, 1992

INTRODUCTION

Our 1991 and 1992 audit of the Department of Children and Family Services is presented in two volumes. Volume One presents our reports on compliance and internal controls, and thirty-two findings related to State compliance issues. Volume Two presents our reports on the financial statements and federal schedules, and four findings related to federal compliance issues. In total, both volumes contain thirty-six findings with our recommendations to improve operations at the Department.

AUDITORS' OPINION

AUDITORS' DISCLAIMER OF OPINION ON 1992 FINANCIAL STATEMENTS

Our audit of the Department of Children and Family Services was for the two years ended June 30, 1992. Our auditors present reports on the Department's financial statements that differ greatly between the two fiscal years. For Fiscal Year 1991, our auditors were able to perform sufficient auditing procedures for them to express an opinion that the Department's financial statements are fairly presented. For Fiscal Year 1992, our auditors were not able to perform sufficient auditing procedures and could not express an opinion on the Department's financial statements. Our auditors' disclaimer of opinion for Fiscal Year 1992 was caused by a lack of detailed records and supporting expenditure data. One of the major areas of concern was the problems the Department had with its computer system.(See Finding 3, below)

COMPUTER SYSTEM PROBLEMS

The Department's data processing system encountered operational problems when Fiscal Year 1992 changes to process expenditure vouchers were not properly implemented. The Department's general ledger is generated by a computer system called MARS (Management and Accounting and Reporting System). Changes were made to 280 programs within the MARS network. As of June 30, 1992, the general ledger was out of balance by \$2.8 million for vouchers that were not accepted by the system. The Department devoted over 2,000 hours to correcting the system and the data. However, at the time of our audit, our auditors were unable to properly audit the 1992 data.(Finding 3, page 19)

We recommended the Department develop formal testing and approval procedures to strengthen controls over the computer systems.

Department officials stated all reconciling items were noted and coded for processing at a later date. The Department also stated that standard testing and approval procedures were not adhered to due to heavy workloads and staff shortages. The Department stated that the system is now running properly and was fully operational on February 5, 1993.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

ADMINISTRATIVE CONTROL DEFICIENCIES

Our audit contains numerous instances of the Department's failure to properly establish and maintain internal controls to provide management with assurances that assets and transactions are recorded and controlled. We noted the following deficiencies in the Department's administrative controls.

- **Cash Receipts** - Checks and cash received by the Department are not recorded and deposited timely but are kept in a locked file cabinet overnight and sometimes longer. The monies are not recorded as soon as possible after they are received. (Finding 10, page 34).
- **Cash Disbursements** - Expenditure vouchers processed by the Department are not filed and maintained in a systematic manner. The Department processes over \$580 million in expenditures on an annual basis. The Department was unable to promptly locate 114 vouchers of the 1,050 requested. (Finding 5, page 26).
- **Trust Funds** - General ledger records have not been properly maintained for the Children's Trust Fund checking and savings accounts. The Department maintains the accounts on behalf of certain children. At June 30, 1992, the Children's Trust Fund accounts totalled almost \$1.2 million. (Finding 8, page 29).
- **Merchandise Certificates** - Merchandise certificates purchased in bulk are not adequately controlled. Annually, the Department purchases significant amounts of certificates for use in purchasing clothing for foster children. At one point, over \$424,000 in merchandise certificates were on hand. Receipts signed by the children and caseworkers were not obtained for 85 certificates valued at \$150 each for a total of \$12,750. (Findings 13 and 14, pages 38 and 40).
- **Long-Range Plan** - The Department's planning process has not developed a long-range plan which addresses key operational issues. (Finding 17, page 45).

Department officials stated they agreed with our recommendations to strengthen administrative controls, and that procedures to implement our recommendations have been recently placed in operation.

POSSIBLE BETTER RETURN FOR CONTRACTUAL SERVICES EXPENDITURES

The Department could obtain more return for its current level of expenditures if it began phasing out some high cost contracts and hiring additional employees, or if it demanded a greater return in services for the contractual payments it now makes.

The Department paid a contractor a total of \$ 2,795,000 for 22 full-time employee equivalents at an average annual rate of \$ 127,000 for each of the contractor's employees. The contractor's

employees were paid on an hourly rate basis at rates specified in the contract with the Department. The hourly rates for the contractor's employees ranged from \$30 per hour to \$150 per hour. The average annual rate of \$127,000 for each of the contractor's employees is equivalent to an average hourly rate of \$61 per hour. The contractor's employees worked side by side with State employees in the Department's offices furnished by the State. State equipment, supplies and phones were used by the contractor.

We recommended the Department either begin to phase out the high cost contracts, and begin to hire additional employees or demand a greater return in services for the contractual payments it is now making. (Finding 1, page 14).

Department officials disagreed with the finding and recommendation. They believe the finding reflects a lack of understanding of the Department's staffing needs in relation to the State's attempts to maximize federal reimbursements.

DOCUMENTATION LACKING IN CHILD WELFARE FILES

The Department did not maintain critical documents in child welfare case files. The Abused and Neglected Child Reporting Act requires that service plans be developed for families. Caseworkers are required to make monthly in-person visits with the children and families, and the visits are to be documented. In our review of a sample of 66 child welfare case files, we were not able to locate any documents evidencing monthly contacts with the families in 36 (or 55%) of the files examined. Current service plans were missing in 19 (or 29%) of the files examined. (Finding 20, page 50).

We recommended the Department provide the services for children as required by statute, and that the monthly visits be properly documented in the case files.

Department officials stated they agreed with the finding and that in July of 1993, caseworkers will have significantly reduced caseloads that will reduce non-compliance.

FAILURE TO COMPLETE CRIMINAL BACKGROUND INVESTIGATIONS

The Department lacks procedures to assure that criminal background investigations are completed for all foster home applicants. The Child Care Act of 1969 requires that the Department investigate each child care applicant for criminal charges and the disposition of those charges. In our review of a sample of 13 foster home license files, we were not able to locate any criminal background checks for 6 applicants. In the 6 cases, the licenses were issued and the Department did not follow-up or receive any of the criminal history clearances. (Finding 24, page 57).

We recommended the Department complete all criminal background investigations as required by statute, and that the investigations be properly documented in the case files.

Department officials stated they agreed with the finding and that all files are being reviewed to

assure that all criminal background investigations have been received.

POOR DOCUMENTATION OF MONITORING OF CHILD WELFARE AGENCIES

We found that documentation of licensing examinations of child welfare agencies contained in the Department's files were not adequate to present the extent of the examination and support the results of the work. (Finding 25, page 59).

The Department agreed with our recommendation to improve documentation in this area.

OTHER FINDINGS

The remaining findings are also significant, and the full texts of all findings are presented in our audit report. We will review the Department's progress towards the implementation of our recommendations in our next audit.

Mr. Sterling Mac Ryder, the Department's Director, provided the Department's responses.

_____ WILLIAM G. HOLLAND, Auditor General

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SUMMARY OF AUDIT FINDINGS

<u>Number of This Audit</u>	<u>Prior Audit</u>
Audit findings	3614
Repeated audit findings	1110
Prior recommendations implemented or not repeated	310

SPECIAL ASSISTANT AUDITORS

Kerber, Eck & Braeckel were our special assistant auditors on this audit.