

**2012**

Prepared by the  
Division of  
Legislative Audit

# **DEPARTMENT OF HEALTH AND SOCIAL SERVICES**

A Summary of 2009 through 2011 Audit Recommendations



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State of Alaska Single Audit for the Fiscal Year Ended June 30, 2010:

Department of Health and Social Services

Audit Control Number 02-40011-11

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**State of Alaska  
Single Audit  
for the  
Fiscal Year Ended  
June 30, 2010**

*Department of Health and Social Services*

Audit Control Number  
02-40011-11

There are two primary objectives for the State of Alaska Single Audit for the Fiscal Year Ended June 30, 2010 (Statewide Single Audit). The first is to determine if the financial statements of the State of Alaska are fairly presented in accordance with generally accepted accounting principles. The second is to determine if the State has materially complied with the various federal laws, regulations, and contract provisions when the expending federal financial assistance.

The Department of Health and Social Services (department) has 13 recommendations in the most recently issued Statewide Single Audit. Eleven recommendations relate to the department's compliance with federal laws and regulations in the administration of federal program. The other two issues relate to proper financial accounting and budgetary effects of collecting less revenue than budgeted.

**FY 10 Statewide Single Audit**  
**(Continued)**

- **Recommendation A:** The Finance and Management Services assistant commissioner should ensure personal service expenditures charged to federal programs comply with federal costs principles.

Time charged to federal programs for employees who worked on multiple programs was not adequately supported. The *United States Office of Management and Budget (OMB) Circular A-87* requires appropriate time distribution records support employee compensation charged to more than one federal grant or other cost objective. Additionally, if employees are expected to work solely on a single federal award or cost objective, their personal service charges are required to be supported by periodic certifications verifying that the employees worked solely on that program for the period covered by the certification. These certifications must be prepared at least semi-annually and be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Total questioned costs equal are \$254,163.

- ✓ **Agency Response:** Partially agreed.

According to the department, it made an ongoing effort to inform employees of the positive time keeping requirement over the last two years. Regular reminders that positive time keeping is a requirement and that certifications are due every six months were provided to administrative managers at the bi-weekly managers' meeting. Staff were also reminded that they were not to charge time based on budget but based on where they actually spent their time. Additionally, the department added a cost allocation and positive time keeping class to the fall training academies held in Juneau, Fairbanks, and Anchorage.

The department also stated that, with over 3,500 employees spread across the state, their effort would be a continual process.

❖ **Current Status**

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**FY 10 Statewide Single Audit**  
**(Continued)**

- **Recommendation B:** The department's internal audit manager should ensure that management decisions related to subrecipient audit findings are issued timely.

In four of six subrecipient audits tested, department staff failed to issue management decisions regarding audit findings within six months. *OMB Circular A-133*, Sec. 400(d)(5) requires entities who award federal funds to issue a management decision on audit findings within six months of the receipt of the subrecipient's audit report. Additionally, the grantor is required to ensure that subrecipients take appropriate and timely corrective action.

- ✓ **Agency Response:** Agreed.

❖ **Current Status**

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**FY 10 Statewide Single Audit**  
**(Continued)**

- **Recommendation C:** The Division of Public Assistance (Public Assistance) director should ensure vendors participating in the Women, Infants, and Children (WIC) program are adequately monitored according to federal requirements.

Department staff did not monitor WIC program vendors in accordance with federal requirements. Insufficient vendor monitoring is due to inadequate oversight by program managers.

- ✓ **Agency Response:** Agreed.

The department stated that Public Assistance had several activities underway to address the vendor monitoring finding.

❖ **Current Status**

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**FY 10 Statewide Single Audit**  
**(Continued)**

- **Recommendation D:** The Public Assistance director should implement policies and procedures to ensure the accurate and timely documentation of clients' participation status.

Thirty-six percent of Temporary Assistance for Needy Families (TANF) client files tested were inaccurately coded in the Public Assistance eligibility information system as *"Required to participate, but not participating; and not subject to a work sanction for the reporting month."* The cause of the miscoding is two-fold. TANF caseworkers are not consistently documenting the circumstances as to why a client is not participating, but not subject to sanction. Furthermore, the eligibility information system was not set up to accurately track the work status of TANF clients.

Title 45 of the Code of Federal Regulations, Part 265.3(a)(1) requires the State to collect on a monthly basis and file on a quarterly basis the data specified in the Administration for Children and Families (ACF) 199 report. If the State fails to submit its ACF-199 report accurately, it could be subject to a penalty equal to four percent of the federal grant award. TANF's FFY 10 grant award was \$24,000,000. A four percent penalty would equal \$960,000.

- ✓ **Agency Response:** Partially agreed.

According to the department, it concurred that the Public Assistance director should implement policies and procedures to ensure the accurate and timely documentation of clients' participation status. It also concurred that not all cases coded as Family Type 14 (*"required to participate, but not participating; and not subject to sanction for the reporting month"*) on the ACF-199 performance report meet the definition. The department did not concur that the use of code 14 could *"potentially result in a faulty participation rate."* It stated that although there were some errors on line 49 of the ACF -199 that could affect the participation rate, the specified error could not.

The department also stated that it was conducting a thorough review of eligibility information data fields, TANF data downloads, syntax, and algorithms that affect the coding of family type 14 for line 49 of the ACF-199 report to determine what can be done to correct the coding error.

❖ **Current Status**

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**FY 10 Statewide Single Audit**  
**(Continued)**

- **Recommendation E:** The department's TANF program manager should take action to ensure that TANF clients meet all eligibility requirements.

The department's current application and review process does not ensure TANF clients meet all eligibility requirements.

Per federal law, 42 USC 608(a)(8):

*A state may not use funds to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in federal or state court of having made a fraudulent statement or representation with respect to place of residence in order to simultaneously receive assistance from two or more states.*

The current TANF application procedures do not accommodate this requirement.

- ✓ **Agency Response:** Agreed.

❖ **Current Status**

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**FY 10 Statewide Single Audit  
(Continued)**

- **Recommendation F:** The Public Assistance administrative manager should improve procedures over the federal Child Care and Development Fund's program reporting requirements.

The department incorrectly reported maintenance of effort, matching, mandatory, and discretionary expenses in the ACF-696 report for the period ended September 30, 2009. Errors in reporting were caused by a lack of written procedures, lack of review, and a lack of Public Assistance staff knowledge regarding the department's MAXCARS<sup>1</sup> system.

Based on supporting documentation, the maintenance of effort costs should have been reported as \$3,404,359 which is \$140,452 less than the \$3,544,811 required by federal law. Consequently, the department failed to meet its maintenance of effort requirement.

- ✓ **Agency Response:** Partially agreed.

According to the department, Public Assistance staff realized inaccuracies occurred with the federal ACF-696 report. Subsequently, federal financial reports were adjusted for categories of funding and classification of expenditures that were previously overstated by September 30, 2010. These adjustments resulted in Public Assistance meeting the maintenance of effort requirement for FFY 09. However, the department disagreed that the reporting error resulted from lack of written procedures.

❖ **Current Status**

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<sup>1</sup> The department's cost allocation and rate system.