

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

REVIEW REPORT
OF
FAMILY AND SOCIAL SERVICES ADMINISTRATION
STATE OF INDIANA
March 1, 2010 to January 31, 2014



FILED
08/01/2014

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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary, Family and Social Services Administration	Anne Murphy	01-05-09 to 11-13-10
	Michael Gargano	11-14-10 to 02-24-13
	Debra Minot	02-25-13 to 07-04-14
	(Vacant)	07-05-04 to 07-06-14
	Michael Gargano	07-07-14 to 07-20-14
	Dr. John Wernert	07-21-14 to 01-09-17



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE FAMILY AND SOCIAL SERVICES ADMINISTRATION

We have reviewed the activities related to the receipts, disbursements, and assets of the Family and Social Services Administration for the period of March 1, 2010 to January 31, 2014. The Family and Social Services Administration's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports. Federal programs are included in the scope of our statewide single audits as reflected in the Statewide Single Audit Reports.

Based on our review, nothing came to our attention that caused us to believe that the activities related to the receipts, disbursements, and assets of the Family and Social Services Administration are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, and applicable laws and regulations, except as stated in the review comments.

The Family and Social Services Administration's response to the Review Comments identified in our review is described in the accompanying section of the report entitled Official Response. We did not review the Family and Social Services Administration's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Family and Social Services Administration's management and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the Indiana State Board of Accounts and of the office reviewed.

STATE BOARD OF ACCOUNTS

July 2, 2014

FAMILY AND SOCIAL SERVICES ADMINISTRATION
REVIEW COMMENTS
January 31, 2014

CONTRACT APPROVALS

As stated in prior reports, we identified vendor contracts that did not include all the required approvals from the Indiana Department of Administration (IDOA), State Budget Agency, and Office of Attorney General prior to the beginning of rendered services.

The State's internal Executive Document Summary (EDS) form attached to contracts may allow for services to begin prior to completion of the required approval signatures since an agency is not required to enter a reason for lateness in EDS box #39 unless the contract is received by the IDOA more than 30 days after the contract inception date. Nevertheless, the Family and Social Services Administration (FSSA) should be cognizant that doing so may expose the State to a potential liability for payment of contractual services performed on a contract that was, subsequently, rejected by one of the approvers.

We found no payments to contractors prior to completion of the approval process. However, the FSSA should anticipate contractual services as early as possible and allow adequate time for completion of the contract process to obtain a fully executed contract before vendor services begin.

Indiana Code 4-13-2-14.1(a) states in part:

"A contract to which a state agency is a party must be approved by the following persons:

- (1) The commissioner of the Indiana department of administration.
- (2) The director of the budget agency . . .
- (3) The attorney general, as required by section 14.3 of this chapter."

The March 2010 Professional Services Contract Manual prepared by the OAG and IDOA states:

"Sufficient lead-time should be given when preparing a contract so it can be reviewed and executed by the approving agencies. We suggest allowing 60 days for this process. IDOA tries to review each contract within five (5) working days of receipt, as does Budget. By statute, the Office of Attorney General is allowed forty-five (45) days to review a contract; however, the [OAG] Advisory Section tries to do all reviews within 10 business days of receipts."

A new Professional Services Contract manual was established in July 2013. The July 2013 Professional Services Contract manual changed the above citation slightly. In the July 2013 manual, the last sentence of the above citation states: "By statute, the Office of Attorney General is allowed forty-five (45) days to review a contract; however, the Advisory Division tries to do all reviews within 14 business days of receipts."

Each agency, department, quasi, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - General Guidelines and Policy, IV)

FAMILY AND SOCIAL SERVICES ADMINISTRATION
REVIEW COMMENTS
January 31, 2014
(Continued)

RECONCILIATION OF REPAYMENT SCHEDULES TO ICES

As stated in prior reports, we identified that actual welfare revenue recoveries are not reconciled to the Indiana Client Eligibility computer System (ICES). Revenue recoveries are received from welfare recipients for overpayments for welfare programs such as TANF, Food Stamps, and Medicaid. The ICES system is considered to be the official record for the reporting of revenue recoveries for each welfare recipient's case. Without a reconciliation process in place it cannot be determined if the values recorded in the ICES are correct.

System controls are in effect on the ENCOMPASS financial accounting system, which is the official book of record for the State; however, each agency is responsible for controls in any subsidiary systems used or other records maintained. At all times, the agency's manual and subsidiary ledgers should reconcile with ENCOMPASS. In the case of agency controlled bank accounts, if the reconciled bank balance is less than the account ledger, the responsible official or employee may be held personally responsible for the amount needed to balance. Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Organizational Overview - General Guidelines and Policy, IV)

RCAP CLIENT ELIGIBILITY, INSUFFICIENT DOCUMENTATION

Annual review eligibility documentation (Form 5B and Certificate of Action (CoA)) could not be produced for review upon request for 60 percent of clients tested from the Division of Aging's Residential Care Assistance Program (RCAP). Due to the lack of documentation, RCAP client eligibility could not be determined and FSSA's corresponding payments to the RCAP facilities on behalf of the client could not be determined to be allowable payments.

An annual review of RCAP eligibility is to be performed for each client on the first day of the month that the client entered into the RCAP program. Through this review, Form 5B (Assistance to Residents in County Homes/Room and Board Assistance Budget and Recommendation) is to be completed by an FSSA Division of Family Resources (DFR) caseworker for the client to (re)determine whether or not the client had a change in income. A CoA is then to be completed from the Form 5B, documenting the results of the review.

FSSA Operations Manual (Rev. 2006) 11003 (g)(1) states:

"The DFR caseworker is responsible for determining that each resident continues to meet all eligibility requirements. There must be a redetermination completed annually. The DFR caseworker will send an annual Recommendation Form to FSSA Claims Management. FSSA Claims Management will send a certificate of action indicating any changes to the respective DFR, the FSSA DA (Division of Aging) and two copies to the respective facility, one of which is to be given to the resident."

Indiana Code 12-10-6-2.1(a) states in part: "The determination of eligibility for residential care assistance is the responsibility of the division."

FAMILY AND SOCIAL SERVICES ADMINISTRATION
REVIEW COMMENTS
January 31, 2014
(Continued)

SERIOUSLY MENTAL ILL PROGRAM - UNSUPPORTED ALLOCATION BASES

Of the transactions tested for the Division of Mental Health and Addiction's (DMHA) Seriously Mentally Ill (SMI) Program; 90 percent did not have supporting prior year's data for the base allocation amount. The base allocation amount is used in a calculation to arrive at the amount paid to Mental Health Facilities. As a result of not having the prior year's data available for review, we could not verify the allocation bases and thus, the calculation behind the disbursements.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from the original source of entry into the system, through all system processing, though various levels of summarizations, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing and summarizations, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, Information Technology Controls, 14.3)

LACK OF AUDIT TRAIL - WITS SYSTEM

Transactions originating in the Division of Mental Health and Addiction's Web Infrastructure for Treatment Services (WITS) sub-system did not contain an electronic audit trail identifying the PeopleSoft payment ID. Thus, we were unable to trace PeopleSoft payments to the detail in the WITS system.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from the original source of entry into the system, through all system processing, though various levels of summarizations, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing and summarizations, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines for State and Quasi Agencies, Information Technology Controls, 14.3)

CAPITAL ASSET INVENTORY

There was not any evidence that an annual physical inventory of assets owned had been conducted for state fiscal years 2010, 2011, 2012, and 2013.

Each year a physical inventory is to be taken and compared to the master listing from the ENCOMPASS Asset Management system. This helps to ensure the asset inventory is accurate and that assets have not left the agency without authorization. It also aids in identifying unused or obsolete assets. Evidence of the physical inventory must be maintained in the agency's records. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Capital Asset Accounting, 8.4)

Per page 6 of the State of Indiana Capital Asset Policy, effective July 1, 2009, the annual physical inventory should be completed by August 15 of each year.

FAMILY AND SOCIAL SERVICES ADMINISTRATION
EXIT CONFERENCE

The contents of this report were discussed on July 2, 2014, with Paul Bowling, FSSA, Chief Financial Officer. The Official Response has been made a part of this report and may be found on pages 8 through 12.

We inquired of the FSSA how to contact former FSSA Secretaries, Michael Gargano and Anne Murphy, to arrange for an exit conference. The FSSA was unable to provide contact information for Mr. Gargano or Ms. Murphy.



Michael R. Pence, Governor
State of Indiana

Indiana Family and Social Services Administration
402 W. WASHINGTON STREET, P.O. BOX 7083
INDIANAPOLIS, IN 46207-7083

Date: July 10, 2014

To: Indiana State Board of Accounts
302 W. Washington St., Rm. E 418
Indianapolis, IN 46204-2765

From: Family and Social Services Administration

Subject: OFFICIAL RESPONSE

Thank you for your work in preparing the review of our agency for the period March 01, 2010 through January 31, 2014. Below you will find FSSA's official response to the review comments that were presented to us.

If you have any questions or comments, please feel free to contact us.

Regards,

A handwritten signature in dark ink, appearing to read "Paul Bowling", is written over a horizontal line.

Paul Bowling
Chief Financial Officer



Contract Approvals

Contact Person: Greg McAloon
Title of Contact: Director of Contract Management
Phone: (317) 234-6814

Response to comments:

FSSA has made Contract timeliness a greater priority this current calendar year. FSSA has established and communicated Contract on-time metrics to all FSSA staff involved in the Contract process.

In addition a major enhancement to FSSA process includes creating a new Contract alert system which sends Contract alerts to responsible Contact teams 6 months prior to Contract expiring. Alert includes a deadline for receiving an accurate and fully approved "Request for Contract Preparation" (RCP) document no later than 4 months prior to Contract expiration. Our studies have shown greatly improved Contract timeliness if we receive the RCP 4 months prior to expiration. If we fail to receive RCP on time we send an escalating alert to FSSA and Division executive staff for follow up action. So far this new process has shown improvements in Contract processing and timeliness. The agency continues to strive to improve in this area.

Reconciliation of Repayments Schedules to ICES

Contact Person: Lynn Johnson
Title of Contact: Director of Accounting Operations
Phone: (317) 233-4725

Response to Comments:

The FSSA DFR Controller, ICES team and Accounts Receivable teams have created a proposal to create an automated process to reconcile cash receipts to receipts applied to the ICES claims. This involves three reconciliations:

- a. Reconcile receipts applied to customers in PeopleSoft AR to ICES.
- b. Reconcile individual claim balances in ICES to the same claim balances in PeopleSoft AR.
- c. Determine a method of accounting for payments (cash and recoupment of benefits) to claims that exist in ICES but do not exist in PeopleSoft due to claim status limitations (on hold, not yet delinquent/not eligible for collection, etc.)

No timeline can be set at this time until more specifications for the proposal can be determined.

Reconciliation of Repayment Schedules to ICES (detail)

With the FSSA implementation of the PeopleSoft Accounts Receivable module in the first quarter of calendar 2014 the data now exists in electronic format in both the receipts system and in ICES.

Working with Krishna Heyward, DFR Controller, a potential solution for this payment reconciliation is now being explored. The proposal makes use of the data warehouse to accumulate the information from both the ICES system and the PeopleSoft AR receipts. We would then need an automated report/reconciliation process to match the Receipt ID in ICES with the Payment ID in PeopleSoft for all claims that meet the requirements to be collectible claims in PeopleSoft (status, delinquent and so on). Any of these that are receiving payments but have no claim in PS have the receipt entered directly into ICES. The Accounts Receivable area would need to find a way to tag receipts that were entered into ICES but have no claim in PeopleSoft so that the amounts could be picked up for the reconciliation. The report would show any differences between the two systems which can be researched to determine why they don't agree.

A second reconciliation would also occur in a similar manner reconciling the client outstanding balance between the ICES system and the PeopleSoft AR System with a similar report showing differences that would be researched.

Within the ICES system, there are claims that do not qualify for collection and therefore do not exist in PeopleSoft. These claims could potentially be on hold or are being recouped from current benefits. These additional outstanding claims, that have no cash receipts, would need to be reconciled to show that the recouped benefits have been applied to the claim properly.

The proposal has been discussed between the FSSA Accounts Receivable area and the Controller. The Controller has contacted the ICES area is working with them to analyze the proposal and a timeline.

RCAP Client Eligibility, Insufficient Documentation

Contact Person: Scott Blake
Title of Contact: Director of Administrative Services
Phone: (317) 234-1488

Response to Comments:

The Residential Care Assistance Program (RCAP) is a state funded operation designed to provide assistance to aged, blind, or disabled persons who reside in facilities which have been approved for participation in the RCAP program. The residents eligible for this program must make application through their local Division of Family Resource (DFR) office and be deemed eligible for Medicaid, have less than a Nursing Home Level of Care and Assisted Living Care and have less income than the facility's monthly rate.

All residents that are on the RCAP program must be deemed eligible through the local DFR. The DFR caseworker will complete the application, determine eligibility (5B Document) and send to the State to

have a "Certificate of Action" indicating the status of a resident's eligibility generated. A facility cannot bill for a resident until this has been completed.

FSSA Administrative Services will develop a report from the RCAP Module in CMS identifying the individuals who should have a redetermination completed. This listing will be provided to DFR and the Division of Aging (DA). When completed the 5B will be sent to DA for approval and forwarded to Administrative Services to create the Certificate of Action that is provided to the RCAP facility, DFR and the client. Completion date: December 2014.

Seriously Mentally Ill Program-Unsupported Allocation Basis

Contact Person: Donna Rutherford
Title of Contact: Controller-DMHA
Phone: (317) 232-7862

Response to Comments:

Currently the allocation basis for the SMI program is based on an old allocation method which has been carried forward over the years as a new allocation Method is being derived. DMHA is currently in the process of revising their allocation process for the Community Mental Health Centers and are working to have this in place by SFY2016. With this new allocation the Division will be able to better document the process and basis for this allocation and provide the needed audit trail for these payments.

Lack of Audit Trail – WITS System

Contact Person: Donna Rutherford
Title of Contact: Controller-DMHA
Phone: (317) 232-7862

Response to Comment:

Under the current WITS system both Access to Recovery and Gamblers Assistance providers are able to enter in services that have been provided to clients for reimbursement for one of these programs. This data is then uploaded from the WITS system into the PeopleSoft system for payment. While we are able to track the overall payments between the two systems by providers there is no current mechanism in place that would allow us to track this at the detail line level. FSSA will look into changes that can be made to one or both of these systems to make this tracking available.

Capital Assets Inventory

Contact Person: Scott Blake
Title of Contact: Director of Administrative Services
Phone: (317) 234-1488

Response to Comments:

FSSA has made a concentrated effort to reconcile the asset information that was uploaded to ENCOMPASS at the time the Asset Management module was implemented. The majority of information was not useful to conduct an inventory since it had erroneous locations and custodian information. Effective FY2014 we have an Asset Management Team this is responsible for the establishment, maintenance, and reporting of an accurate account of all FSSA assets. The staff strives to maintain true and complete inventory records for all real property and FSSA controllable property to establish accountability and to safeguard the agency's investment. The Asset Management team is also responsible for coordinating FSSA's annual asset inventory.

FSSA is in the process of performing a complete asset inventory for the agency's central office. These will be completed on an annual basis by the Agency as we move forward so that we will be in compliance with the State of Indiana Capital Asset Policy. The State Operated Facilities that are part of FSSA already complete an asset inventory on an annual basis and therefore are currently in compliance with this policy.