

DEPARTMENT OF WORKFORCE SERVICES

Single Audit Management Letter
For the Year Ended June 30, 2014

Report No. 14-10



OFFICE OF THE
UTAH STATE AUDITOR

DEPARTMENT OF WORKFORCE SERVICES

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AUDIT LEADERSHIP:

Hollie Andrus, CPA, Audit Director

Jamie Sorenson, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 14-10

October 30, 2014

Jon Pierpont, Executive Director
Department of Workforce Services
140 East 300 South
SLC, Utah 84111-0000

Dear Mr. Pierpont:

We have completed the Department of Workforce Services' (DWS) portion of the statewide federal compliance audit for the year ended June 30, 2014. Our report on the statewide federal compliance audit for the year ended June 30, 2014 is issued under separate cover.

The following federal programs were tested as major programs at DWS:

Home Investment Partnership (HOME)
Supplemental Nutrition Assistance Program (SNAP) Cluster
Child Care and Development Fund (CCDF) Cluster
Temporary Assistance for Needy Families (TANF) Cluster
Workforce Investment Act (WIA) Cluster
Low-Income Home Energy Assistance Program (LIHEAP)

In planning and performing our audit of the federal programs listed above, we considered DWS's compliance with the applicable types of compliance requirements as described in the OMB Circular A-133 Compliance Supplement for the year ended June 30, 2014. We also considered DWS's internal control over compliance with the requirements previously described that could have a direct and material effect on the federal programs in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of DWS's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct on a timely basis, noncompliance with a type of compliance requirement of a federal program. A material weakness over compliance is a deficiency,

or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control presented in the accompanying schedule of findings and recommendations as Finding 1 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control presented in the accompanying schedule of findings and recommendations as Findings 2 through 12 to be significant deficiencies.

DWS's written responses to the findings identified in our audit have not been subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, and others within DWS and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

We appreciate the courtesy and assistance extended to us by the personnel of DWS during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Hollie Andrus, CPA
Audit Director
801-808-0467
handrus@utah.gov

cc: Casey Cameron, Deputy Director
Geoffrey Landward, Deputy Director
Debbie Empey, Internal Audit Director
Nathan Harrison, Director, Administrative Support Division
Kimberlee Willette, Budget Manager, Administrative Support Division
Brent Newren, Assistant Director, Administrative Support Division
Kimberley Schmeling, Financial Manager, Administrative Support Division
Tracy Gruber, Director, Office of Child Care
Carrie Mayne, Director, Workforce Research and Analysis
Greg Paras, Director, Workforce Development Division
Karla Aguirre, Associate Director, Workforce Development Division
Rachael Stewart, Education and Training Manager, Workforce Development Division
Sisifo Taatiti, Workforce Preparation Manager, Workforce Development Division
Dale Ownby, Director, Eligibility Services Division
Kevin Burt, Associate Director, Eligibility Services Division
Gordon Walker, Director, Housing and Community Development Division
Katherine Smith, Deputy Director, Housing and Community Development Division
Susan Kolthoff, Director, State Energy Assistance & Lifeline Programs
Shelli Glines, Associate Director of Housing/Olene Walker Housing Loan Fund Director

DEPARTMENT OF WORKFORCE SERVICES

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Finding Type:

MW Material Internal Control Weakness
SD Significant Deficiency of Internal Control
RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program

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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

WORKFORCE INVESTMENT ACT (WIA) CLUSTER

1. INADEQUATE POLICIES AND PROCEDURES FOR ALLOWABLE ACTIVITIES AND COSTS

Federal Agency: **Department of Labor**

CFDA Numbers and Titles: **17.258 WIA Adult Program**
17.259 WIA Youth Activities
17.278 WIA Dislocated Workers

Federal Award Numbers: **various**

Questioned Costs: **N/A**

Pass-through Entity: **N/A**

While performing testwork for a sample of transactions for the WIA Cluster at DWS, we noted two policies that did not ensure employment counselors: a) properly determine whether WIA funds were being spent appropriately; and, b) properly recover misspent funds.

- a. Per the Workforce Development Division Policy Manual (WDDPM) §10005(B)(2), employment counselors are to obtain a receipt, a customer statement, or a Form 370 when required. This policy gives equal weight to all three types of documentation; however, we noted multiple instances in which the customer statement or Form 370 did not adequately validate the purchases made and may have been used excessively. For example,
 - A participant provided receipts for a period of time which enabled the employment counselor to identify and recover inappropriate expenditures from the participant. After having to cover inappropriate expenses multiple times, the participant switched from providing receipts to using Forms 370 and reported purchases as gas, even though amounts reported on the Forms 370 appeared consistent with the amounts for inappropriate purchases previously made.
 - A participant completed a Form 370 in March 2014 for several purchases made from August through December 2013.
 - Five of the 40 participants (12%) used excessive customer statements or Forms 370 instead of original receipts to document their purchases.

Using documents other than actual receipts makes it difficult to determine whether funds are spent on allowable activities. Policies should outline for employment counselors the most reliable evidence (e.g., the original receipt) to obtain for determining the allowability of a transaction.

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- b. Per WDDPM §10002(A)(5), if an amount is considered to be unacceptable during reconciliation, future (i.e. subsequent) payment authorizations must be reduced. Although future authorizations are required to be reduced, the policy does not include follow up procedures to ensure that the participant actually uses his own money to fund a portion of the subsequent purchase, thus repaying the previously misspent funds.

OMB Circular A-133, Subpart C §300(b), states that auditees “shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.” Sound policies and procedures are essential to maintaining such internal controls. Conversely, insufficient policies may increase noncompliance with grant requirements and can result in questioned costs and can allow fraud, waste and abuse to go undetected. See finding No. 2 for additional discussion of case-level errors noted.

Recommendation:

We recommend that management at DWS strengthen established policies and procedures to ensure compliance with grant requirements.

DWS's Response:

- a. *While policy did not specifically delineate preference between the three options, employment counselors were trained that receipts are always preferred and within the policy, receipts were listed first. Our assertion is that policy did not provide equal weight to all three options. However, as of June 1, 2014, the policy was clarified to indicate a receipt is always the preferred verification of how funds were spent and customer statements and form 370s cannot be used in excess. The information was communicated to staff through the Update process. In addition, WDD program staff conducted 11 separate trainings throughout the state during June of 2014 to train the policy clarifications to employment counselors who work with WIA programs.*
- b. *We are unaware of a follow-up policy or procedure requirement within the WIA law or regulations. We will work with our federal partner, the U.S. Department of Labor, to ensure compliance with grant requirements.*

*Contact Persons: Karla Aguirre, Associate Director, 801-526-9724
Rachael Stewart, Education and Training Manager, 801-526-9257*

Anticipated Correction Date: July 1, 2015

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2. WIA BENEFIT PAYMENT INTERNAL CONTROL WEAKNESSES AND UNALLOWABLE COSTS/ACTIVITIES

Federal Agency: **Department of Labor**

CFDA Numbers and Titles: **17.258 WIA Adult Program**
17.259 WIA Youth Activities
17.278 WIA Dislocated Workers

Federal Award Numbers: **various**

Questioned Costs: **\$1,899**

Pass-through Entity: N/A

We initially tested 40 WIA benefit payments at DWS and, as questions arose, we reviewed additional authorizations for the beneficiaries. We noted one or more errors in 9 (22.5%) of the cases tested, 8 (20%) of which resulted in questioned costs. We have questioned a total of \$1,899 as a result of these errors, \$72 from our initial 40 payments and \$1,827 from our additional reviews, with one case accounting for \$1,450 of the total questioned costs.

a. Insufficient Employment Plan to Support Expenditures

For two cases, the employment counselor authorized supportive services before a corresponding Employment Plan was completed and signed by the participant. Per the Workforce Development Division Policy Manual (WDDPM), §1250(A)(2)(b), supportive services are to be authorized only after the entire assessment and employment plan have been completed and signed by the customer. WDDPM §815(7) states, “When a customer signs and dates the Employment Plan, the customer is in effect signing and dating a contract with consequences for non-participation, regardless of the service activity.” Authorizing supportive services before the employment plan has been signed by the participant could result in misspent funds due to the participant’s lack of understanding of the goals and expectations related to the assistance.

b. Inadequate, Untimely, and Missing Reconciliations

1) Inadequate Supporting Documentation and Reconciliation

For three cases, the employment counselors did not obtain adequate documentation to support their reconciliation of expenditures. WDDPM §910(3) (through 10/7/2013) as well as WDDPM §10005 (after 10/7/2013) require documentation indicating the specific items purchased. We noted the following errors:

- For one case, the counselor reconciled a transaction as “acceptable” even though there was no supporting documentation for the transaction. As a result of inadequate documentation, we were unable to determine whether the WIA funds were spent on allowable activities.

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- For one case, the participant submitted prepay authorizations to support gasoline purchases. Because prepay authorizations allow the participant to receive cash back, we could not determine if the funds were spent appropriately.
- For one case, the participant was reimbursed for purchases even though the customer's statement and the vendor information provided in UWORKS indicate that unauthorized items were purchased.

Expenditures should be reconciled to original receipts to ensure grant funds are spent on allowable activities.

2) Untimely Reconciliation

For one case, the employment counselor did not obtain and reconcile receipts for purchases made by the participant within the required time. Per WDDPM §10005(2), all transactions requiring reconciliation must be reconciled within 30 calendar days of the transaction date.

3) Lack of Reconciliation

For one case, the employment counselor did not obtain and reconcile receipts for certain purchases made by a participant to verify that expenditures were allowable in accordance with WDDPM §910(3) (through 10/7/2013) as well as WDDPM §10005 (after 10/7/2013). The required reconciliation did not occur because the employment counselor confused this authorization with a prior incentive award. We reviewed the vendor information documented in UWORKS and noted that the authorized funds were misspent.

Not obtaining adequate documentation to reconcile expenditures, or not performing timely or complete reconciliations can result in unallowable purchases and related questioned costs.

c. Incorrect Recovery of Funds

For one case, the employment counselor did not recover funds that were spent inappropriately. The counselor reduced a subsequent authorization with the intent that the participant would use some of their own money to cover the overpayment for the misspent funds; however, there was no follow-up to ensure this happened. In fact, the participant was able to purchase the subsequently authorized items at a price lower than was authorized and, therefore, never had to use her own money; thus, the participant never repaid the previously misspent funds.

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d. Potential Unallowable Activities and Costs

For one case, the participant provided multiple Forms 370 which listed purchased items as gas. However, some of the amounts for the purchases were consistent with amounts previously deemed unallowable by the employment counselor. OMB Circular A-133, Subpart A, §105 defines questioned costs and allows the auditor to question costs “where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.” Because there were no actual receipts and the amounts were consistent with previously unallowable transactions, we were unable to determine if these purchases were allowable and have questioned all amounts on the Forms 370. Employment counselors should consider the reasonableness of transactions reported by customers when determining allowability.

These errors occurred due to employment counselor oversight and insufficient policies. See finding No. 1 for further discussion of insufficient policies.

Recommendation:

We recommend that management at DWS (1) emphasize to employment counselors the importance of compliance with all applicable laws, compliance requirements, and established policies and procedures, (2) ensure employment counselors have the training and resources necessary to effectively administer the WIA programs, and (3) increase employment counselors’ accountability through effectual supervision and review.

DWS’s Response:

- a. *The policy was reviewed with employment counselors during the in-person training in June of 2014. We are also working toward a technical solution with the UWORKS system to prevent employment counselors from authorizing funds if an employment plan has not been signed by the customer. We anticipate this change to be made on or before January 31, 2015.*
- b. (1) *The policies were clarified as of June 1, 2014 and were reviewed with employment counselors during the in-person training in June 2014.*
(2) *The UWORKS system prevented authorizations for the case after the 30 day timeframe, which is functioning as designed. The receipt was subsequently provided and reconciled as acceptable. During the June 2014, training employment counselors were reminded to narrate attempts to reconcile receipts during the 30 day timeframe.*
(3) *The policies were reviewed with employment counselors during the in-person training in June 2014. For this case, the transactions in question have been marked as not acceptable.*

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- c. *We are unaware of a follow-up policy or procedure requirement within the WIA law or regulations. We will work with our federal partner, the U.S. Department of Labor to ensure compliance with grant requirements. To address the 99 cent error associated with this case, the UWORKS system was programmed as of September 17, 2014 so that when an authorization has an unacceptable amount applied to it and then that authorization is voided or reduced, the remaining unacceptable amount is added back to the total unacceptable amount to be applied to another authorization in the future.*
- d. *As stated previously, policy was reviewed with counselors during the in-person training in June 2014 and included a clarification on not using customer statements in excess.*

Contact persons: *Karla Aguirre, Associate Director, 801-526-9724*
Rachael Stewart, Education and Training Manager, 801-526-9257

Anticipated Correction Date: January 31, 2015

LOW-INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

3. INTERNAL CONTROL DEFICIENCY AND NONCOMPLIANCE WITH PERIOD OF AVAILABILITY FOR LIHEAP FUNDS

Federal Agency: **Department of Health and Human Services, ACF**
CFDA Number and Title: **93.568 Low-Income Home Energy Assistance Program**
Federal Award Numbers: **1) G-13B1UTLIEA, 2) G-12B1UTLIEA**
Questioned Costs: **1) \$220,795 2) \$157,322**
Pass-through Entity: N/A

The Department of Workforce Services (DWS) does not have adequate internal controls to ensure it complies with period of availability and grant obligation requirements for LIHEAP funds. Per the OMB Circular A-133 Compliance Supplement, 2014, Part 4 – Department of Health and Human Services, DWS must obligate at least 90% of LIHEAP grant funds in the federal fiscal year (FFY) in which they are awarded. Up to 10% of the award funds may be carried forward for obligation no later than the following federal fiscal year. We noted the following instances of noncompliance with the requirements for LIHEAP grant funds:

- a. DWS was \$1,550,694 short of obligating at least 90% of the FFY13 LIHEAP award funds within the first year. When notified of the under-obligation, the federal government reduced the FFY13 award by \$1,329,899. We have questioned the remaining \$220,795 of the FFY13 award's unobligated funds.
- b. DWS expended unobligated FFY12 award funds after the period of availability resulting in questioned costs of \$157,322.

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These errors occurred because DWS did not have adequate controls in place to properly track period of availability. Improper obligation of federal funds results in unallowable costs being charged to the grant.

Recommendation:

We recommend that DWS strengthen internal controls to:

- a. Ensure that at least 90% of LIHEAP funds are obligated in the first fiscal year of the award and 10% in the following fiscal year, or that the award is appropriately reduced for unobligated amounts.**
- b. Ensure that unobligated funds are not expended after the period of availability.**

DWS's Response:

We agree with the finding and recommendation.

Regarding the period of availability (see part b.), we acknowledge that a set-aside for weatherization administration was not spent within the one-year period allowed for carry-over funds. We have adjusted the draw systems and shifted appropriate expenses to the FFY 13 grant, effectively leaving \$157,322 in the FFY 12. This is the amount that was unspent in the period of availability, according to our records.

We had worked closely to track the allowable carryover in the FFY 13 grant (see part a). Because funding in the line of credit was not made available to us until the end of December and shifts were made in the benefits budget, we made an error in our calculations. With the adjustment made as a result of the period of availability issue noted in part b., \$220,795 in excess of the 10% carryover will be left unspent in the FFY 13 grant and the grant budget submitted to HHS will be modified to reflect this.

The review process has been modified. The program accountant will provide monthly updates on the expenditure and revenue draws by grant to the program director. The program accountant, the program director and the division budget director will meet quarterly to discuss the grant reconciliation. These meetings will be increased to monthly during the last quarter of the current grant year to ensure that the carryover of non-contracted funds does not exceed 10% as is properly obligated.

*Contact person: Kimberley Brown Schmeling, Financial Manager, 801-503-8970
Anticipated Correction Date: December 31, 2014*

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4. INADEQUATE INTERNAL CONTROL OVER CALCULATION AND PAYMENT OF LIHEAP BENEFITS

Federal Agency: **Department of Health and Human Services, ACF**
CFDA Number and Title: **93.568 Low-Income Home Energy Assistance Program**
Federal Award Number: **G-12B1UTLIEA, G-13B1UTLIEA, G-14B1UTLIEA**
Questioned Costs: **\$190**
Pass-through Entity: N/A

We reviewed case files for 60 LIHEAP households. The expenditures for these cases totaled \$22,875 and were taken from a total population of \$14,978,045. We noted 4 cases (6.67%) with some form of error, as described below, 3 (5%) of which resulted in questioned costs:

- a. For one household, the caseworker gave a target group credit for children under age 6; however, the household did not consist of any children under age 6 or any other target group member as defined in the Payment Determination section of the HEAT policy manual. This error resulted in an overpayment of benefits; therefore, we have questioned costs of \$150.
- b. For one household, the caseworker did not identify all the income elements in the case and so the income was incorrectly calculated. This error resulted in an overpayment of benefits; therefore, we have questioned costs of \$26.
- c. For one household, the caseworker calculated the benefit payments using old energy bills. Per the Payment Determination section of the HEAT policy manual, "In order to take the actual costs, the household must use the most recent energy bill." If the most recent energy bills are not used, the standard benefit amount should be given to the household. We have questioned the difference between the amount paid and the standard amount, totaling \$14.
- d. For one household, the caseworker did not image the power bill. Per the Program Standards section of the HEAT policy manual, "proof of utility bills or receipts must be in [the] case file." Because this case used the standard amount rather than actual energy bills to calculate benefits, it is unlikely that this error would result in an incorrect eligibility determination or an overpayment of HEAT benefits; therefore, we have not questioned any costs for this error.

These errors appear to be the result of inattention by subrecipient caseworkers to program policies. Caseworkers should properly consider target groups, recent utility bills, and all income elements when processing LIHEAP payments and should retain adequate documentation in accordance with program policies. Inaccurate calculation of benefits can result in overpayments.

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Recommendation:

We recommend that DWS strengthen subrecipient caseworkers' understanding of program policies to ensure that LIHEAP eligibility determinations and assistance amount calculations are correct and comply with policy.

DWS's Response:

We agree with the finding and recommendation. The Department contracts with various subrecipients throughout the state to perform eligibility determination and assistance amount calculations for the HEAT program. We will emphasize program policy and correct procedures at our annual subrecipient training. We will also look specifically for the issues identified in the audit during our preliminary monitoring that we do with each subrecipient at the beginning of the HEAT season. This will allow us to provide additional training to specific HEAT workers when issues are identified through our monitoring.

Contact person: Susan Kolthoff, LIHEAP Program Director, 801-468-0069

Anticipated Correction Date: April 30, 2015

5. LIHEAP REPORTING ERRORS

Federal Agency: **Department of Health and Human Services, ACF**

CFDA Number and Title: **93.568 Low-Income Home Energy Assistance Program**

Federal Award Number: **G-13B1UTLIEA**

Questioned Costs: **\$0**

Pass-through Entity: N/A

We reviewed LIHEAP reports prepared and submitted by DWS for FFY13 and noted the following errors:

- a. The federal share of expenditures on line 10.e of the LIHEAP SF-425 report for FFY13 was overstated by \$474,861 because the program accountant had incorrect data included in his spreadsheet, likely due to incorrect parameters in his query criteria.
- b. The LIHEAP household report had incorrect amounts reported in the following areas:
 - Section III, line 3a, columns C & D and Section III, line 5, column C contained errors ranging from 22 to 196 households in the number of households reported due to computation mistakes made when preparing the report.
 - Section V, line 4, all columns contained errors ranging from 2 to 16 households in the number of households reported. As a result of these errors, Section IV, line 4 was also overstated by 22 households. These errors occurred because the numbers

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used to compile the report were taken from the incorrect section of the supporting weatherization spreadsheet.

All reports should be accurate and prepared in conformance with the report instructions. Not accurately reporting all required information results in inaccurate and/or incomplete program information being provided to the Federal Government.

Recommendation:

We recommend that DWS take greater care in preparing reports and ensure the proper amounts are reported.

DWS's Response:

We agree with the finding and recommendation.

- a. We are improving the review process for all federal financial reports submitted by the Department to ensure that amounts reported agree to financial records and other supporting documentation and to ensure reports are prepared accurately and in accordance with report instructions. Reports will be reviewed by the Administrative Support Director or Assistant Director prior to submission. A corrected LIHEAP SF-425 report has been filed with HHS.*
- b. We have created spreadsheets to compile data from a variety of reporting sources and calculate the totals we enter in the household report. This will ensure the calculations are accurate and will provide a second level of supporting documentation for the household numbers reported in OLDC.*

*Contact Persons: Susan Kolthoff, LIHEAP Program Director, 801-468-0069
Kimberley Brown Schmeling, Financial Manager, 801-503-8970*

Anticipated Correction Date: April 30, 2014

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TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) CLUSTER

6. INADEQUATE CONTROLS OVER ALLOCATION OF COSTS FOR EMPLOYEE LEAVE

Federal Agency: **Department of Health and Human Services**
CFDA Number and Title: **93.558 Temporary Assistance for Needy Families**
Federal Award Numbers: **1302UTTANF, 1202UTTANF**
Questioned Costs: **\$10,116**
Pass-through Entity: N/A

We reviewed payroll transactions directly charged to TANF and noted that hours charged for leave (e.g. annual leave, sick leave, holidays, etc.) taken by 9 employees were not equitably allocated between all programs on which the employees worked, resulting in questioned costs of \$10,116. Per OMB Circular A-87, the cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job should be equitably allocated to all related activities, including federal awards. This error occurred because there were no internal controls to ensure the costs of employees' leave were being properly allocated. Failure to properly allocate leave costs results in unallowable costs being charged to the grant.

Recommendation:

We recommend that DWS implement appropriate internal controls to ensure that costs charged to federal awards for employee leave are equitably allocated to all related activities in accordance with OMB Circular A-87.

DWS's Response:

We agree with the finding and recommendation. We will train personnel who directly charge time to multiple programs to appropriately allocate leave to all programs in accordance with OMB Circular A-87. We will also perform an after-the-fact review of timesheets for personnel who directly charge time to multiple programs to ensure that the proper allocation of leave has occurred and make adjustments to achieve an equitable allocation when necessary.

*Contact Person: Nathan Harrison, Administrative Support Director, 801-526-9402
Anticipated Correction Date: December 31, 2014*

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7. UNTIMELY COMPARISON OF WAGE INFORMATION OBTAINED FROM THE STATE WAGE INFORMATION COLLECTION AGENCY (SWICA) TO WAGE INFORMATION IN THE CASE RECORD

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.558 Temporary Assistance for Needy Families**

Federal Award Numbers: **1302UTTANF, 1202UTTANF**

Questioned Costs: **\$0**

Pass-through Entity: N/A

During our review of benefit expenditures of the TANF Program, we noted that DWS does not have a control in place to ensure that wage information obtained from the SWICA is compared to wage information in the case record in a timely manner. DWS has controls in place to ensure that wage information is obtained from the SWICA daily. That information is then used to populate other databases (e-Find and e-Share) that caseworkers use to compare wage data to the case record; however, these comparisons are generally only done semi-annually rather than on a quarterly basis as required by federal regulations (45 CFR 205.55). We selected a sample of 45 benefit expenditures and noted that 21 were not reviewed on the required quarterly basis.

Caseworkers obtain wage information from the SWICA and re-evaluate the individual's eligibility at least semi-annually during the review process and often more frequently as they become aware of changes in participants' wages. DWS sought from the U.S. Department of Health and Human Services Secretary to obtain and evaluate wage information at a different interval. This request was denied and DWS has not yet implemented controls to ensure compliance with this requirement. We did not note any eligibility errors in our sample items; therefore, we have not questioned any costs. However, noncompliance with this requirement can result in overpayments to clients.

Recommendation:

We recommend that DWS design and implement internal controls to ensure compliance with the requirement to compare wage information obtained from the SWICA quarterly.

DWS's Response:

We agree with the finding and recommendation. As of October 1, 2014, eREP, the eligibility system, began to match wage data with open TANF Family Employment Program (FEP) cases on a quarterly basis.

*Contact Person: Kevin Burt, Eligibility Services Division Assistant Director, 801-526-9831
Correction Date: October 1, 2014*

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

8. TANF REPORTING ERRORS

Federal Agency: **Department of Health and Human Services**

CFDA Number and Title: **93.558 Temporary Assistance for Needy Families**

Federal Award Number: **1202UTTANF**

Questioned Costs: **\$0**

Pass-through Entity: N/A

We reviewed the federal fiscal year (FFY) 2012 and FFY13 TANF ACF-196 quarterly financial reports prepared and submitted for the quarter ended September 30, 2013. We noted that the FFY12 report understated expenditures in Section B, line 7, by \$3,142,588. This error occurred due to computation errors made when preparing the report.

All reports should be accurate and prepared in conformance with the report instructions. Not accurately reporting all required information results in inaccurate and/or incomplete program information being provided to the Federal Government.

Recommendation:

We recommend that DWS take greater care in preparing the reports and ensure the proper amounts are reported.

Response:

We agree with the finding and recommendation. We are improving the review process for all federal financial reports submitted by the Department to ensure that amounts reported agree to financial records and to ensure reports are prepared accurately and in accordance with report instructions. Reports will be reviewed by the Administrative Support Director or Assistant Director prior to submission.

Contact Person: Nathan Harrison, Administrative Support Director, 801-526-9402

Anticipated Correction Date: November 15, 2014

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

CHILD CARE AND DEVELOPMENT FUND (CCDF) CLUSTER

9. CHILD CARE BENEFIT PAYMENT INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE

Federal Agency: **Department of Health and Human Services**

CFDA Numbers and Titles: **93.575 Child Care and Development Block Grant**
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Federal Award Numbers: **G1201UTCCDF, G1301UTCCDF, G1401UTCCDF**

Questioned Costs: **\$1,233**

Pass-through Entity: N/A

We tested benefit expenditures of the CCDF Cluster at DWS by selecting a sample of 53 child care benefit payments totaling \$26,719. Of the Child Care benefit payments tested, we noted a net dollar error of \$1,150 from our sample benefit payments; however, we have questioned only those costs from the errors resulting in overpayments to a customer, totaling \$1,233.

We noted errors related to four cases, as follows:

- a. The overlapping hours used in the benefit calculation were not calculated correctly based on the notes documented in the case file. Policy 330-2 states that the child care “need for a two-parent household is based on overlapping hours in approved activities.” This error occurred due to lack of narration in the case file and resulted in an overpayment of \$495.
- b. The caseworker did not adjust the child care need when a new provider was reported. Policy 750-5 requires DWS to “act on all changes reported.” As a result, there was a total overpayment of \$488. For this case, the caseworker also did not adjust the “best estimate” of hours worked based on updated information in the case file as required by policy 450, but this error did not result in any overpayment or underpayment of benefits.
- c. The caseworker did not review the parent’s stated work schedule when calculating the benefit payment, resulting in an overpayment of \$250 for hours when the child care center was not open.
- d. The caseworker did not calculate the “best estimate” of hours worked for a pro-rated assistance month correctly as required by policy 620-4. This error occurred due to a lack of training in this scenario. This error resulted in an underpayment of \$83.

Per the Eligibility Manual §740-2A, “Child care should only be approved during the time the parent is participating in an approved activity and using an approved provider.”

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FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2014

Improper calculation of child care benefits results in inappropriate expenditures and noncompliance with grant requirements.

Recommendation:

We recommend that DWS strengthen its caseworkers' understanding of established policies and procedures to ensure that they are able to effectively administer the Child Care program. Specifically, DWS caseworkers should:

- a. Calculate the benefit based on overlapping hours and document clearly the calculations in the case file notes.**
- b. Adjust the calculated need when provider hours change.**
- c. Update the "best estimate" of hours worked when beneficiaries' work schedules are updated in the system.**
- d. Use actual average hours worked to calculate pro-rated benefits.**

Response:

We agree with the finding and recommendation.

Using our quarterly training, we will stress the importance of: a) narrating how parent's participation hours are calculated, b) knowing how a reported change affects child care eligibility, c) reviewing information on the customer's check stub and work schedule to help determine the calculated hours of child care need, and d) knowing how to pro-rate child care benefits in an application month. This communication will disseminate to all applicable staff.

*Contact Person: Kevin Burt, Eligibility Services Division Assistant Director, 801-526-9831
Anticipated Correction Date: December 31, 2014*

DEPARTMENT OF WORKFORCE SERVICES

FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2014

CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)

10. INTERNAL CONTROL WEAKNESSES AND NONCOMPLIANCE OVER ELIGIBILITY DETERMINATION AND DOCUMENTATION

Federal Agency: **Department of Health and Human Services, CMS**
CFDA Number and Title: **93.767 Children's Health Insurance Program**
Federal Award Number: **05-1405UT5021**
Questioned Costs: **\$48**
Pass-through Entity: N/A

We reviewed the eligibility determination and documentation process for 60 Children's Health Insurance Program (CHIP) payments. The 60 CHIP payments totaled \$4,345 and were taken from a total population of \$50,977,332 (federal and state portions). We noted internal control weaknesses and noncompliance for 6 (10%) cases related to the 60 payments as described below. As a result of the CHIP premium error described below, we have questioned the federal portion of the unpaid premiums, resulting in \$48 of questioned costs.

a. Income and Asset Calculation Errors

For five cases, the income was incorrectly calculated as follows:

- 1) For three cases, the caseworker did not adequately identify or correctly consider all the income elements of the case; therefore, the income was not adequately annualized to determine a best estimate of income.
- 2) For one case, the caseworker did not accurately enter information from the client's tax return.
- 3) For one case, the caseworker did not request and consider all the client's available assets; therefore, the total assets were calculated incorrectly.

Despite these errors, the children were placed on the correct CHIP plan; therefore, we have not questioned any costs related to these errors. These miscalculations were caused by human error and caseworker misunderstanding of policy.

b. Household Size Errors

For one of the cases noted in a.1) above, the caseworker did not identify the unborn child as a member of the client's household; and thus, the household size was incorrectly calculated. Despite this error, the child was placed on the correct CHIP plan; therefore, we have not questioned any costs related to this error. The cause of this error appears to be caseworker misunderstanding of policy.

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c. CHIP Premiums Not Collected

For one case, the client was not billed and did not pay any premiums for a period of two quarters. Therefore, we have questioned costs for the unpaid premiums of \$48 from February 2014 through July 2014.

The Department of Health sets CHIP policy and processes all CHIP expenditures. DWS handles eligibility determination and case file management for CHIP.

Recommendations:

We recommend that DWS ensure that eligibility specialists:

- a. Understand and correctly apply income and asset determination procedures during the CHIP application and/or review process.**
- b. Properly calculate household size.**
- c. Ensure premiums are being charged and collected as appropriate.**

DWS's Response:

We agree with the finding and recommendation.

- a. We will continue to educate staff through monthly Updates to clarify current policy and announce policy changes. The DWS Program Team and the Department of Health Policy Specialists have begun holding a monthly Medical Policy Coordination Meeting, where both agencies work together to identify and solve error prone areas of eligibility and maximize overall medical program accuracy. These activities will continue to strengthen internal controls.*
- b. We are committed to providing staff with the resources and training needed to accurately determine medical eligibility. Our Program and Training team commits to continue collaborating with the Department of Health to provide the training and resources needed to calculate accurate household size and household monthly income. In addition, our Performance Review Team (PRT) will continue to sample and monitor program accuracy and work to identify repeat causes of errors so our Program and Training team can work with staff to prevent repeat errors.*
- c. Identification and prioritization of system fixes continues through a bi-weekly collaborative effort between DWS, DOH [Department of Health], DHS [Department of Human Services] and DTS [Department of Technology Services] to ensure we address identified issues in a timely manner. By continuing this timely, consistent and open*

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communication with our partners, we believe we will be able to properly address and correct any future issues that may arise.

*Contact Person: Kevin Burt, Eligibility Services Division Assistant Director, 801-526-9831
Anticipated Correction Date: June 30, 2015*

MEDICAID CLUSTER

11. THIRD PARTY LIABILITY INFORMATION NOT ADEQUATELY COMMUNICATED

Federal Agency: **Department of Health and Human Services, CMS**
CFDA Number and Title: **93.778 Title 19 Medical Assistance Payments**
Federal Award Number: **05-1405UT5MAP**
Questioned Costs: **\$0**
Pass-through Entity: N/A

We reviewed the case files for 60 Medicaid service payments at the Department of Health and noted an error related to Third Party Liability (TPL) for one (1.7%) of the cases. Although all Medicaid expenditures are processed at the Department of Health, TPL determination and case file management for Medicaid, including TPL referral to the Office of Recovery Services (ORS), is handled by the Department of Workforce Services

Medicaid Policy 225-3 states that caseworkers must report TPL information to ORS. For this case, TPL information was updated but not properly communicated to ORS. This error was likely due to caseworker oversight. Not properly referring TPL information could result in Medicaid overpayments. We have not questioned any costs associated with this error since the expenditure was a capitated payment to an Accountable Care Organization (ACO) and the amount of the payment to the ACO would not have changed if the error had not occurred.

Recommendation:

We recommend that DWS ensure that Medicaid caseworkers follow policies and procedures to report TPL information in a timely manner.

DWS's Response:

We agree with the finding and recommendation. We commit to ensuring our workers are properly reporting Third Party Liability (TPL) information in a timely manner. Our in-house Performance Review Team (PRT) has and will continue to review cases in real-time

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to ensure this process is being done correctly by eligibility workers. While we have seen improvement in TPL, we will continue with these efforts.

*Contact Person: Kevin Burt, Eligibility Services Division Assistant Director, 801-526-9831
Anticipated Correction Date: June 30, 2015*

MULTIPLE FEDERAL PROGRAMS

12. COST ALLOCATION ERRORS

Federal Agencies: **various**
CFDA Numbers and Titles: **various**
Federal Award Numbers: **various**
Questioned Costs: **N/A**
Pass-through Entity: **N/A**

While performing testwork on the state fiscal year (SFY) 2014 2nd quarter Cost Allocation at DWS, we noted the following errors:

- a. An incorrect formula was entered into the cost allocation spreadsheet, resulting in an incorrect allocation for the Food Stamp Program, which in turn affected the allocated expenditures for several additional program codes. Although total expenditures allocated to all programs was not misstated, this error caused over-allocations up to \$174,539 and under-allocations up to \$119,759 to individual federal programs' expenditures for the quarter. DWS subsequently made corrections for this error.
- b. Incorrect expenditures were included in the calculation of the accrual estimate (which is used for reporting purposes) on the Cost Allocation, resulting in a rate of 13% being used to accrue expenditures rather than the appropriate rate of 19%. As a result, accrued expenditures were understated by \$4,882,483, which affected amounts reported by various programs. This error occurred because new personnel prepared the Cost Allocation. DWS subsequently made corrections for this error.
- c. Four of the 40 employees we sampled for proper inclusion in the RMTS Employment and Eligibility Strike Database were counted incorrectly. Three employees were incorrectly excluded and one employee was incorrectly included on the database. These errors occurred because supervisors of the employees did not realize that the employees needed to be added to or removed from the database and did not notify the appropriate managers of the changes needed.

DWS should ensure that correct formulas and data are used in the preparation of the Cost Allocation. Errors in the Cost Allocation can result in improper expenditures reported for each of the programs at DWS and improper funds drawn.

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Recommendation:

We recommend that DWS prepare the Cost Allocation with greater care, as follows:

- a. Ensure that formulas are accurate, thus ensuring the proper amounts are reported.**
- b. Include correct expenditures in the calculation of accrual estimates, thus ensuring that the appropriate rate is being used to accrue expenditures.**
- c. Strengthen internal controls to ensure the accuracy of the RMTS Database.**

Response:

We agree with the finding and recommendation.

Parts a. and b.

The Department's cost allocation spreadsheet was recreated in December 2013 to streamline, clarify, and simplify cost allocation preparation. This new spreadsheet was completed just prior to being submitted to the State Auditors for their audit and our internal review process for the new spreadsheet was not fully complete. When we prepared the next cost allocation spreadsheet on February 24, 2014, we corrected the errors noted by the auditors and applied the corrections retroactively to the beginning of the state fiscal year. All formulas in the new cost allocation spreadsheet have now been reviewed. In addition, completed cost allocation spreadsheets are reviewed quarterly to ensure accuracy. Finally, the accrual estimates are only used to report accrued expenditures for several U.S. Department of Labor grants each quarter. The accruals are changed each quarter on the federal reports for these grants. The accruals do not affect the federal draws for these grants.

Part c.

At the time of the audit, accuracy of the RMTS database was maintained by 91 supervisors who received a quarterly update email and were responsible to respond to the RMTS coordinator as to whether personnel they supervised should be included or excluded from the database. Effective for the quarter which began April 1, 2014, we shifted responsibility for maintaining the accuracy of the RMTS database from the supervisors to six Support Service Coordinators (SSCs) who are physically located throughout the state in the Department's economic service areas. In addition, we:

- implemented a new staffing changes checklist which facilitates the flow of information regarding personnel changes from managers and supervisors to the SSCs,*
- developed a standardized tracking process which is used by the SSCs to monitor and manage changes to the RMTS database,*
- created a unique data entry screen in the RMTS database for each SSC where updates are entered as personnel changes occur,*

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- *provided training to the SSCs on their new role on March 13, 2014, and*
- *implemented a manager-level review to verify the accuracy of the RMTS database on a quarterly basis prior to generating the RMTS sample for the following quarter.*

Contact Person: Nathan Harrison, Administrative Support Director, 801-526-9402

Correction Date: April 1, 2014