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INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
DEPARTMENT OF SOCIAL SERVICES
JULY 1, 2003 TO JUNE 30, 2004

OFFICIAL AUDIT
REPORT
APRIL 14, 2005

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INTRODUCTION

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The Department of Social Services (DSS), established by Section 1 of Chapter 18B of the Massachusetts General Laws, provides services to children and families who are at risk of or have been victims of abuse or neglect. The DSS administers comprehensive social services programs. These services are administered through 28 area-based offices, and include counseling, protective services, parent aid and other in-home supports to reduce risks to children, and legal and adoptive services. During fiscal year 2004, DSS administered approximately \$720 million, of which federal funds totaled approximately \$253 million. In accordance with Chapter 11, Section 12, of the General Laws, we conducted a review of DSS in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2004.

AUDIT RESULTS

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1. PRIOR AUDIT RESULT RESOLVED – PAYROLL CERTIFICATIONS COMPLETED

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The fiscal year 2003 audit disclosed that DSS did not complete bi-weekly payroll certifications in accordance with the Office of the State Comptroller's (OSC) payroll expenditure requirements. Our follow-up audit disclosed that the DSS has implemented procedures to comply with OSCs requirements, and payroll certifications were completed by a proper signatory authority.

2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED

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During our follow-up audit, we determined that DSS had not taken measures to adequately address issues identified in the prior Single Audit of the Commonwealth (fiscal year 2003) with regard to (a) the timeliness of Criminal Offense Record Information (CORI) checks for persons providing foster care services, (b) the process for home licensing, (c) controls over FamilyNet home licensing report data, and (d) internal controls over fixed assets.

a. Timeliness of CORI Checks Needs Improvement

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DSS did not perform timely re-evaluations of CORI checks for persons providing foster care services under the Title IV-E Foster Care Program in six of the 25 Title IV-E cases tested as of June 30, 2004. The CORI checks were completed one, four, eight, 13, 21, and 44 months after they were due for completion. DSS did take some corrective action with regard to this issue by developing a Continuous Quality Improvement (CQI) process to monitor, evaluate, and provide feedback to DSS on the performance of its system of care. Our follow-up review disclosed that DSS implemented monthly Family Resource, Contracted Care and CORI Department reports available to area office personnel to identify cases due and overdue for criminal background checks. Discussions with DSS officials indicated that CORI personnel are not always notified of overdue criminal background check reviews. Our review of the CORI Department monthly report noted children placed in homes with sealed records or records on old court microfiche records were not received by the Department. Untimely re-evaluations

could result in children being placed in an unsafe environment, noncompliance with DSS policy, and potential ineligible claims for federal reimbursement. In addition, the placement of children in homes with foster parents who have sealed CORI records or microfiche records not received could place children at risk. In response to the audit, DSS is taking steps to monitor and improve CORI compliance. The Background Records Check (BRC)/CORI Unit Director will continue to work with FamilyNet and Family Resource program staff in the development and implementation of the automated system of FamilyNet generation of BRC Requests, and will continue to produce and distribute monthly reports to staff.

b. The Process for Home Licensing Needs Improvement

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In three of the 25 Title IV-E cases we tested, DSS placed children in homes without completing proper licensing requirements. Two cases had foster licensing studies completed 15 and 55 months after their respective due dates, while the third case was a kinship placement, with an annual home study completed six months after the due date. DSS did take some corrective action on this issue by implementing a Continuous Quality Improvement (CQI) process to monitor, evaluate, and provide feedback to DSS on the performance of its system of care in FY 2003 and implementing new monthly DSS reports to enable timely licensing reviews by office personnel. In addition, DSS implemented the monthly Unapproved Homes With Active Placements Report to assist licensing personnel in identifying cases due for licensing. Our follow-up review disclosed that as of June 20, 2004, 708 children were placed in foster homes prior to the home being licensed, of which 430 exceeded the 40 days emergency placement allowed. Federal regulations 42 USC 671(a)(10) and 672(c) require that a provider, whether a foster family home or a child-care institution, be fully licensed by the proper state foster care licensing authority. The lack of proper licensing could result in children being placed in an unsafe environment, does not comply with DSS policy, and results in ineligible claims for federal reimbursement. In response to the audit, DSS has started rebuilding the staffing capacity needed to properly manage the foster care program, focusing on the DSS CQI process for family resource practices and identifying and prioritizing recommended improvements to the family resource functionality in FamilyNet.

c. Controls Over FamilyNet and Home Licensing Report Data Need Improvement

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Our review of the monthly DSS Family Resource Report, which is compiled from FamilyNet data and issued to area agency personnel to monitor foster care provider licensing and criminal background checks, revealed that it had a 52% error rate. These errors include missing date information, inaccurate dates input to the FamilyNet system, and overdue annual reassessments, including criminal background checks. Our follow-up review of 5,747 files from the July 19, 2004 report disclosed that 853 files lacked "home study" dates, which represent the original approval date for child placement; and 1,337 files lacked "recent reassessment" dates, representing the last reassessment date. In addition, 92 files had dates that were incorrectly input, and 712 files indicated that annual reassessments were overdue. DSS personnel indicated that the monthly reports were a tool for determining whether licensing reassessment due dates are in accordance with 110 Code of Massachusetts Regulations 7.113, and that area office personnel also rely on the hard copy case files and FamilyNet information to determine license assessment dates.

Blank date information and data integrity problems in FamilyNet and monthly reports could result in children being placed in unsafe homes that lack timely initial licensing and annual reassessments, and further result in noncompliance with state and federal laws, rules, and regulations and DSS policy. In response to the audit result, DSS will continue to enhance and improve the family resource functionality in FamilyNet as it relates to home licensing. Additional refinements to monthly reports will be conducted, and appropriate DSS staff will routinely meet to discuss and develop alternative management tools that will look specifically at home licensing.

d. Internal Controls Over Fixed Assets Need Improvement

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DSS did not complete an annual physical inventory and reconciliation of inventory records as required by Office of the State Comptroller (OSC) regulations. In addition, fixed assets other than newly purchased computer equipment lack a permanent individual state property control identification tag number. Our follow-up review disclosed that the DSS Non-GAAP fixed asset listing as of June 30, 2004, which totals \$4,958,269, was not updated for fiscal year 2004 purchases and does not include furniture items such as desks and file cabinets. Without proper controls over fixed assets, there is inadequate assurance that property and equipment is adequately safeguarded against loss, theft, or misuse. In response to the audit, DSS will hire a person to support the DSS facilities operations. In addition, a process to conduct and maintain the annual inventory will be established, and inventory items will be tagged with unique property identification numbers.

3. NON-COMPLIANCE WITH LEGAL REQUIREMENTS FOR OPEN FAIR APPEAL HEARINGS

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A review of the DSS open fair appeal hearing requests of department decisions noted that 3,637 of 4,817 open requests for a hearing received from 1995 to 2004 (as of August 17, 2004) had not been scheduled for a fair hearing by the Legal Department within the 90 calendar days required by the DSS regulations-110 CMR. In addition, 19 cases had data errors, including 8 cases with the same scheduled hearing dates as the hearing request received date, and 11 cases had scheduled hearing dates prior to the hearing request date. DSS personnel stated that the reduction of hearing officers in recent years from five to three has resulted in a backlog of unscheduled hearings. As a result, DSS is not in compliance with its legal requirements for conducting an appeals process. In response to the audit, DSS is actively working with the administration to request additional staff to more adequately service the number of fair hearing requests filed each year. Also, the DSS will utilize a monthly DocDirect report of all active cases to check for and correct data errors associated with request and scheduling dates.

4. IMPROVEMENTS NEEDED FOR THE DOCUMENTATION OF JUDICIAL DETERMINATIONS

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DSS could not locate the legal records to document judicial determinations for 3 of 25 cases selected for review. As a result, these cases were ineligible for federal reimbursement. Two of the cases claimed for federal reimbursement were subsequently adjusted downward in the next quarter, while the third case will be adjusted at a later date. Per federal regulations, DSS is required to obtain and maintain judicial determinations on file. DSS legal personnel could not locate the judicial determination

documentation, and as a result, is not in compliance with legal requirements and is processing claims for ineligible expenses. In response to the audit, DSS is in the process of documenting the process and recommended timelines for securing and filing the required legal documents associated with determining and redetermining Title IV-E eligibility. In addition, DSS will be developing management reporting tools to monitor the various eligibility requirements with an overall goal of maximizing Title IV-E federal reimbursements, inclusive of all eligibility factors.

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INTRODUCTION

Background

The Department of Social Services (DSS), established by Section 1 of Chapter 18B of the Massachusetts General Laws, is mandated to provide and administer a comprehensive social service program, including the following services: casework or counseling, including social services to families, foster families or individuals; protective services for children, unmarried mothers, the aging, and other adults; legal services for families, children, or individuals as they relate to social problems; foster family care and specialized foster family care for children, the aging, the disabled, and the handicapped; adoption services; homemaker services; day care facilities and services for children, the aging, the disabled, and the handicapped; residential care for children with special needs or aging persons not suited to foster family care or specialized foster family care; informal education and group activities as needed for families, children, the aging, the disabled, and the handicapped; training in parenthood and home management for parents, foster parents, and prospective parents; social services for newcomers to an area or community to assist in adjustment to a new environment and new resources; camping services; family services intended to prevent the need for foster care and services to children in foster care; temporary residential programs providing counseling and supportive assistance for women in transition and their children who, because of domestic violence, homelessness, or other situations require temporary shelter and assistance; information and referral services; and social services for families and individuals in emergency and transitional housing.

DSS's mission is dedicated to the safety, permanency, and wellbeing of children who have been abused and neglected in family settings or by recognized caretakers. Through six regional and 28 area-based offices, DSS seeks to strengthen families by assisting parents in meeting their parental responsibilities and, when necessary, through court orders or voluntary agreements, to place the child with foster parents or in group homes to provide safety from abuse and neglect. When a child is removed from his or her home, DSS develops a service plan to provide a long-term stable resolution as soon as possible. During fiscal year 2004, approximately 10,000 children were living in foster care or some type of residential facility.

Section 7 of Chapter 18B of the Massachusetts General Laws places DSS under the direction, supervision, and control of the Commissioner of Social Services, who shall be appointed by the Secretary of Health and Human Services, with the approval of the Governor, and who shall serve at

the pleasure of the secretary, and may be removed by the secretary at any time, subject to the approval of the governor.

For fiscal year 2004, DSS administered approximately \$720 million, of which federal funds totaled approximately \$253 million.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, we conducted a review of DSS for the period July 1, 2003 to June 30, 2004. We conducted our review in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2004. Our report is an abstract from the Commonwealth's Single Audit Report for the fiscal year ended June 30, 2004 and solely represents the Office of the State Auditor's audit results of the DSS. The Commonwealth's Fiscal Year 2004 Single Audit Report consists of the following volumes:

- Statutory Basis Financial Report
- Comprehensive Annual Financial Report
- Reports on Compliance and Internal Controls in Accordance with Governmental Auditing Standards and Requirements of OMB Circular A-133 and the Schedule of Expenditures of Federal Awards.

Our review was conducted in accordance with applicable generally accepted government auditing standards and standards set forth in the Office of Management and Budget (OMB) Circular No. A-133, Revised June 24, 1997, Audits of States, Local Governments, and Non-Profit Organizations. Additionally, our review evaluated DSS's compliance with Office of the State Comptroller (OSC) policies; Massachusetts General Laws; and applicable laws, rules, and regulations.

In performing our review of DSS's activities, we referred to OMB Circular A-133, Appendix B: March 2004 Compliance Supplement (Supplement) to determine the compliance requirements that must be considered in an audit conducted under OMB Circular A-133. Based upon the review, we determined requirements applicable to the Title IV-E Foster Care and Social Services Block Grant Programs and designed appropriate tests to determine DSS's compliance with these requirements.

Specifically, our objectives were to:

- Assess the internal controls in place at DSS during the review period;

- Assess and evaluate the program for compliance with the requirements of the Supplement, the federal Department of Health and Human Services, and the OSC.
- Follow-up on prior audit results to determine what corrective action has been taken.

The criteria for our review were drawn from OMB Circular A-133, the Supplement, the Code of Federal Regulations, and the OSC's Internal Control Guide. Those criteria dealt with DSS's responsibility for compliance with laws and regulations governing:

Activities Allowed or Unallowed
Allowable Costs/Cost Principles
Cash Management
Davis- Bacon Act
Eligibility
Equipment and Real Property Management
Matching, Level of Effort, Earmarking
Period of Availability of Federal Funds
Procurement and Suspension and Debarment
Program Income
Reporting
Real Property Acquisition and Relocation Assistance
Subrecipient Monitoring
Special Test and Provisions

We examined, on a test basis, evidence about DSS's compliance with those requirements and performed such other procedures, as we considered necessary in the circumstances. Our tests disclosed no material instance of noncompliance or other reportable condition. Based on these tests, except as reported in the Audit Results Section of this report, we have concluded that DSS had adequate internal controls in place, complied with the requirements of the federal Department of Health and Human Services; OMB Circular A-133 Compliance Supplement; and all applicable laws, rules, and regulations.

AUDIT RESULTS

1. PRIOR AUDIT RESULT RESOLVED – PAYROLL CERTIFICATIONS COMPLETED

During fiscal year 2003 the Department of Social Services (DSS) did not complete bi-weekly payroll certifications in accordance with the Office of the State Comptroller's (OSC) payroll expenditure requirements. The OSC relies on these certifications as an assurance that services were performed and that payroll records are accurately maintained by DSS. Our follow-up audit disclosed that DSS has implemented procedures to comply with OSC's requirements, and a proper signatory authority completed payroll certifications.

2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED

During our follow-up audit, we determined that DSS had not taken measures to adequately address issues identified in the prior Single Audit of the Commonwealth (fiscal year 2003) with regard to (a) the timeliness of Criminal Offense Record Information (CORI) checks for persons providing foster care services, (b) the process for home licensing, (c) controls over FamilyNet home licensing report data, and (d) internal controls over fixed assets.

a. Timeliness of CORI Checks Needs Improvement

The fiscal year 2003 Single Audit reported that DSS was not performing CORI checks within the required annual timeframes. Our follow-up review disclosed that late CORI checks continue and that the conduct of some CORI checks is hindered by sealed or old records. The DSS did not perform timely re-evaluations of CORI checks for persons providing foster care services under the Title IV-E Foster Care Program in six of the twenty-five cases tested as of June 30, 2004. The six CORI checks were completed one, four, eight, 13, 21 and 44 months after they were due to be completed. In addition, the review of the DSS's Family Resource and Contracted Care monthly reports of foster care providers disclosed 133 providers with overdue or blank CORI records.

The DSS developed a Continuous Quality Improvement Process (CQI) administered in each DSS office – area, regional and central offices. This process was designed to assist the new Commissioner and management in assessing the quality of services, identifying best practices and discussing and implementing new reform. The goals of the CQI teams are to monitor, evaluate, and provide feedback to DSS management on the performance of its system of care. A

list of indicators to include in the CQI Process and the data sources available to measure the status of the indicators has been made available to senior management throughout the DSS. Data on Family Resource Licensing is one of the many review indicators and the tool to measure the status of the DSS's licensing of family resources. DSS, with input from management and caseworker personnel, has developed two monthly reports accessible on its DocDirect management reporting system. One report is the DSS RPT 195 "Family Resource Report", and the second is the DSS RPT 196 "Contracted Care Report." The Area Office family resource workers and the Area Director are responsible for reviewing the Family Resource Report on a monthly basis and identifying cases due for annual home re-evaluations or licensing reviews. The report captures the evaluation/assessment history of all foster parents/foster homes by type and date and is updated on the 2nd day of the month by Region/by Area Office from data inputted to FamilyNet by the Area Office caseworkers. This report presents comprehensive data, which includes identifying the resource parent information, number of children in the home, and the names of the children placed in the home. In addition, the report includes the CORI check date and outcome of the CORI review. The report delineates, for each case, the Home Study Date and Recent Approved Reassessment Date.

A review of these monthly reports provided to Area Office personnel disclosed the following:

1. The DSS RPT 195 "Family Resource Report" as of July 19, 2004 had 93 of 5,747 child foster care cases with overdue or blank CORI records involving 66 foster care providers. A review of the CORI check records for the 66 providers disclosed that 11 were blank, 53 were overdue less than one year; one was overdue more than one year and less than two years; and one was overdue more than four years and less than five years.
2. The review of DSS RPT 196 "Contracted Foster Care" as of June 2, 2004 disclosed 1,085 CORI records for providers with children in placement, of which 14 were blank and 53 had overdue CORI checks, including 48 less than one year overdue; three overdue over more than one year and less than two years; one overdue more than two years and less than three years; and one overdue more than three years and less than four years.

Through the FamilyNet system, the DSS Area Office family resource workers track when CORI re-evaluations are due and electronically submit requests to the central office CORI unit to complete the background check. Our review disclosed that the family resource worker did not always notify the unit when a CORI check was due.

The DSS is required to perform criminal background checks on all new hires and an annual re-evaluation of individuals and families seeking or providing services as foster family resources. Federal regulation, 45 CFR 1356.30(a) and (b), requires that the foster family home provider must have satisfactorily met a criminal records check with respect to prospective foster and adoptive parents. Under Massachusetts regulation, CMR 110-7.113, the DSS is required to “re-evaluate foster parents and foster homes annually and request criminal record and Central Registry (an in-house database that tracks child abuse and neglect cases) checks for adult household members.” Additionally, the CORI process is required during various stages of an eligible foster care provider’s term with the DSS. First, the prospective foster or pre-adoptive family must complete an initial eligibility screening process. This process determines whether or not the individual who is interested in serving as a family resource and the members of her/his household age fourteen years and older are eligible to apply for consideration as a prospective resource provider. Secondly, the prospective foster or pre-adoptive family must complete a home study evaluation. The home study evaluation is performed to pre-qualify the home and applicant to serve as a family resource. Lastly, annual re-evaluations are performed for current foster or pre-adoptive families to ensure the household continues to be eligible for providing services.

In addition, the CORI department now receives a monthly report of CORI checks due for the month, including overdue records, which is monitored by the CORI Director. Our review of the June 2004 report noted two provider homes with two children which had sealed CORI records, and five provider homes with six children which had CORI records on old court microfiche records not received by the DSS.

The DSS must submit a request for the sealed or microfiche court records to evaluate whether the home is a proper placement for the child. DSS personnel stated that requests for microfiche records require the resources of the Criminal Systems History Board to search old records, and sealed CORI record requests are received from the Commissioner of the Probation Department. In the case of unavailable CORI records or CORI checks which return with a criminal history, the Area Office personnel discuss the circumstances with the individual, document the information, and depending on the information received, request a waiver to place the child. DSS’s waiver process approval level is based on the types and disposition of criminal charges as listed in DSS’s Background Records Check Policy, with the Area Director approving waivers

for dismissed or continued without finding charges, the Regional Directors approving waivers for certain findings and the Commissioner, General Counsel or Deputy Commissioner approving waivers for higher level offenses. Any of these individuals can deny the waiver terminating further placement review.

110 CMR 18.11 (9) states in part that:

In reviewing a request for an individual to serve as a kinship foster/preadoptive parent the Commissioner, Deputy Commissioner of Field Operations and General Counsel must find (a) that the prospective foster/preadoptive parent or any household member does not present a risk of harm to the child based on the existence of a criminal conviction; and (b) that the conviction did not involve a crime against or involving a child.

Although a waiver process exists, DSS cannot be assured that the placement of the child is in the child's best interest if the DSS has not confirmed the CORI records and types of criminal charges sealed or on microfiche. Untimely re-evaluations could result in children being placed in an unsafe environment, noncompliance with DSS policy, and potential ineligible claims for federal reimbursement. In addition, the placement of children in homes with sealed CORI records or unavailable microfiche records could place children in undue risk.

Recommendation

DSS should ensure timely completion of annual CORI re-evaluations by programming the FamilyNet system to provide an automatic notification to the CORI unit prior to the re-evaluation due date. DSS management should reemphasize to personnel the importance of completing timely criminal background checks on foster care provider homes. Finally, management should review the process of placing children in homes with CORI records sealed or not received to ensure the safety of the children.

Auditee's Response

Because of the reductions in the Department's administrative staffing driven by the fiscal crisis of the last three years, the Department has lost critical staffing in the foster care program, including all foster care recruitment staff. As a result, the number of foster families has shrunk every one of the last three years. Family resource staff, who are primarily responsible for CORI and relicensing efforts, have been overwhelmed by the task of finding placements for an increasing number of children with rapidly diminishing foster homes. In this crisis, the work of CORI checks and relicensing has suffered.

The Department is taking steps to monitor and improve CORI compliance. The BRC Unit Director will continue to work with FamilyNet and Family Resource program staff in the development and implementation of the automated system of FamilyNet generation of

BRC Requests for foster and adoptive resource applicants and providers, with full implementation of the automated system available no later than April 30, 2005.

The BRC/CORI Unit Director will continue to produce and distribute monthly, through the Regional offices, area and region specific reports, generated from the DSS RPT 195 Foster Care Compliance Report of foster and adoptive resources having due and overdue BRC Requests or who have no record in FamilyNet of BRC checks having been done. The Central Office Unit for Foster Care Services will distribute monthly, through the Regional offices, provider specific reports, generated from the DSS RPT 196 Contracted Foster Care Compliance Report of contracted resources having due and overdue BRC Requests. The Central Office Unit for Foster Care Services will also coordinate and facilitate the routine review of both of these reports and the ongoing status of the timeliness of CORI checks with area family resource staff. Monthly regional meetings will be scheduled to review the information, exchange best practices and discuss and develop next steps to remove any remaining barriers to achieving timeliness.

The BRC Unit and Director will continue to work with the Criminal History Systems Board and other appropriate agencies to obtain microfilm and sealed criminal records as expeditiously as possible and communicate those findings to the requesting offices when received.

Most important to improving our CORI checks, however, is the fact that the Governor and Legislature funded an aggressive foster family recruitment program this year. As foster family placements increase for the first time in three years, family resource staff will be able to give more attention to these important tasks, as the staff time required for immediate placement of children decreases.

b. The Process for Home Licensing Needs Improvement

The fiscal year 2003 single audit report noted that the DSS placed children in homes prior to completing proper licensing requirements. Our current review disclosed that this practice continues. DSS, in three of the twenty-five Title IV-E cases tested, placed children in homes and did not complete proper licensing requirements in a timely manner. Two cases had foster licensing studies completed 15 and 55 months after their respective due dates, while the third case was a kinship placement, with an annual home study completed 6 months after the due date.

A review of the Unapproved Homes with Active Placements Report disclosed that as of June 20, 2004, 708 children were placed in foster homes prior to the home being licensed. Of those, 278 children were placed in homes within the 40 days allowed by the regulations, 415 children were placed in unlicensed homes for more than 40 days and less than one year, 14 children were placed in unlicensed homes for one to two years and one child was placed in an unlicensed home for four to five years.

There are approximately 7,300 children in foster care homes. DSS officials explained that in situations involving kinship or child specific placements, DSS is allowed, under emergency provisions, to place the child in the home for 40 working days before a license is issued. They further explained that the above-mentioned report does not take into account these allowed exceptions. However, these exceptions were taken into consideration for purposes of our review and analysis of the data. DSS officials stated that the exceptions are due to the fact that these deficiencies are not being identified at the regional and area offices.

DSS has developed a Continuous Quality Improvement (CQI) process administered in each area, regional and central office. This process was designed to assist the new Commissioner and management in assessing the quality of services, identifying best practices, and discussing and implementing new reforms. The CQI Teams were established to monitor, evaluate and provide feedback to DSS management on the performance of its system of care. Data on the number of children in unapproved homes is one of many indicators being routinely reviewed. One tool to measure the status continues to be the monthly report of Children in Unapproved Homes. Senior management meeting discussion agendas have included the Children in Unapproved Homes Report and the licensing of foster care homes.

To identify homes requiring immediate licensing approval and timely review, DSS implemented two monthly reports available to area office personnel on the DocDirect management reporting system maintained by DSS. One report entitled DSS 171 "Unapproved Homes with Active Placements" which captures all foster homes with active placements and no licensing approval by Region/Area Office. The report presents comprehensive data identifying the consumer name, birth date, consumer ID number, case ID number, caseworker name, placement start date, family resource name and resource worker and services provided. The second report is the DSS RPT 195 "Family Resource Report", which captures licensing data by provider, including dates of home study, annual re-assessments and foster license end date and the number of children placed in the home by Region/Area office. In addition, DSS personnel stated that Area Office personnel utilize a FamilyNet system tickler file, which identifies and ages cases due or overdue for review by the assigned caseworker.

Area managerial staff are responsible for ensuring that licensing approvals are completed in compliance with DSS policy.

Federal regulation, 42 USC 671(a)(10) and 672(c), requires that a provider, whether a foster family home or a child-care institution, must be fully licensed by the proper State Foster Care licensing authority. In Massachusetts, the licensing authority for foster family homes is DSS. Federal regulation, 45 CFR 1356.30(f), further requires that the licensing file for a child-care institution must contain documentation which verifies that safety considerations with respect to the staff of the institution have been addressed. The licensing process is not only to ensure that the facility is safe for child placement, but also that the staff that work at the facility have had background checks.

The lack of proper licensing could result in children being placed in an unsafe environment, noncompliance with DSS policy, and ineligible claims for federal reimbursement.

Recommendation

The DSS should identify foster care homes that require immediate licensing approvals and develop a process to ensure the homes identified as unlicensed obtain a timely review. Additionally, a process for central monitoring and oversight should be implemented to address deficiencies that are not being identified at the regional offices. As part of the CQI process, DSS should review procedures and recognize the safety hazards that exist by placing children in unlicensed homes. Lastly, DSS should maximize federally reimbursable expenditures by ensuring the timely performance of licensing reviews that would have been otherwise non-reimbursable.

Auditee's Response

As a result of the reductions in the Department's administrative staffing driven by the fiscal crisis of the last three years, the Department has lost critical staffing in the foster care program, including all foster care recruitment staff. As a result, the number of foster families has shrunk every one of the last three years. Family resource staff, who are primarily responsible for CORI and relicensing efforts, have been overwhelmed by the task of finding placements for an increasing number of children with rapidly diminishing foster homes. In this crisis, the work of CORI checks and relicensing has suffered.

The Department has already started to rebuild the staffing capacity needed to appropriately oversee and manage the foster care program. In the rebuilding process, the Central Office Foster Care Services Unit is now staffed with a full-time director in addition to a full-time foster care specialist, the latter having a focus on CQI for family resource practice. In addition, another two managers will be added to the Central Office Foster Care Services Unit staffing plan this calendar year, each assuming responsibility for routine monitoring of family resource compliance - CORI, licensing, etc - for three regions. These managers will also provide technical assistance and support to field staff

on improvements to family resource practice. There are already routine monthly meetings between the central office, regional and area family resource staff where the compliance reports are reviewed and discussed and where the family resource experts can share best practices. These routine meetings will continue.

This group must also be attentive to identifying and prioritizing recommended improvements to the family resource functionality in FamilyNet. As the 'system of record', FamilyNet data and its reports will always be the source for testing compliance. The managers in the Central Office Foster Care Services Unit along with IT FamilyNet staff must continue to enhance the family resource functionality to ease navigation and minimize opportunities to create conflicting or erroneous data. Enhancements to FamilyNet will continue to be developed, with the goal of improving and increasing family resource documentation in the system. The department is currently piloting in various offices across the Commonwealth a limited mobile technology project. Lessons from this pilot will inform any decision to provide mobile technology for family resource staff.

Most important to improving our CORI checks and relicensing in foster care, however, is the fact that the Governor and Legislature funded an aggressive foster family recruitment program this year. As foster family placements increase for the first time in three years, family resource staff will be able to give more attention to these important tasks, as the staff time required for immediate placement of children decreases.

c. Controls Over FamilyNet and Home Licensing Report Data Need Improvement

The fiscal year 2003 single audit report noted that the integrity of the data in DSS FamilyNet system needed improvements and that there were overdue licensing re-assessments for a number of homes where children had been placed. Our follow-up review of 5,747 foster care records in FamilyNet, a local area network implemented by DSS in February 1998, was performed to determine DSS's compliance with licensing, re-assessments and criminal background checks. The review disclosed that the monthly DSS's Family Resource Report, compiled from FamilyNet data, issued to area agency personnel to monitor foster care provider licensing and criminal background checks, had a 52% error rate.

These errors include missing date information, inaccurate dates input to the FamilyNet system, and overdue annual re-assessments including, criminal background checks.

An analysis of the 5,747 files in the FamilyNet system as of July 19, 2004 noted the following:

- 853 files with the "home study" dates blank, which represents the original approval for child placement;
- 1,337 files with the "recent re-assessment" dates blank, representing the last re-assessment date;
- 92 files where the dates were incorrectly input;

- 712 files that indicated that the annual re-assessments were overdue -- 524 overdue less than a year, 134 overdue more than 1 year and less than 2 years, 24 overdue over 2 years and less than 3 years, 10 overdue 3 years and less than 4 years, 12 overdue more than 4 years and less than 5 years and 8 overdue more than 5 years, and less than 6 years.

This results in a 52% error rate in the files. Additionally, 1,414 files dated after July 19, 2003 were not included in the analysis because they were within the one year period allowed for the review. DSS Area Office personnel input to FamilyNet case management data, including the resource provider name, the initial licensing date and most recent assessment date, number of authorized children, and the names of children placed in the resource provider home. From the FamilyNet data, DSS produces monthly reports entitled "Family Resource Report" and "Unapproved Homes with Active Placements", provided on the DSS DocDirect system to personnel responsible to monitor and conduct foster care provider licensing and criminal background review checks.

DSS personnel stated that the monthly reports were a tool for determining licensing re-assessment due dates, and Area Office personnel rely on FamilyNet individual tickler files for due and overdue assessments and hard copy case files to determine license assessment dates. However, when asked to produce the other methods utilized to determine re-assessment dates for testing purposes, DSS officials stated that FamilyNet is the system of record. There is no central office internal audit review of information entered into FamilyNet.

Further, DSS officials have stated that although the reports indicate that the re-assessments for continued licensing are overdue, the regulations allow for licenses to remain in effect until such time as the re-assessment is performed. While we concur that the regulations do stipulate this, we do not believe that the intent of the legislation was for homes to remain licensed for an indeterminate amount of time before being assessed by DSS, as this poses a risk of children remaining in homes that may be unsafe.

Family resource personnel recently identified other FamilyNet problems, including the following: 1) Children in their 6-month probation period of placement, which have monthly visits as required by resource workers and the monthly visit information entered in FamilyNet, do not appear in the bi-monthly visit data field as visited, and 2) Home Licenses/Assessments which are completed and approved with conditions, do not appear in the FamilyNet reports as completed. DSS officials further believe that the questions about the data in FamilyNet, as well

as late CORI checks and licensing re-assessments, are more of a data entry issue than a child safety issue.

The Code of Massachusetts Regulations requires the following:

110 CMR 7.113, states,

The Department shall annually reassess foster care parents and homes whether unrestricted, kinship or child specific including interviews, case file reviews and criminal background checks and after completing the reassessment issue within ten working days a decision on the re-approval terms and conditions.

110 CMR 18.08 (2)(b) CORI Investigations states,

(b) The DSS shall conduct a CORI Investigation of any household member age fourteen or older during the initial homestudy/evaluation of the foster/pre-adoptive home and during the annual reassessment of the foster/pre-adoptive home.

Additionally, CFR, Title 45, Part 1356, Section 1356.30(a) states,

(a) Unless an election provided for in paragraph (d) of this section is made, the State must provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents.

Blank date information and data integrity problems in FamilyNet and monthly reports could result in children being placed in unsafe homes that lack timely initial licensing and annual re-assessments. It further results in noncompliance with state and federal laws, rules and regulations and DSS policy.

Recommendation

The DSS should develop a central office oversight control process, including periodic reviews of monthly reports and case information entered into the FamilyNet system, to ensure that information related to foster care cases and licenses is properly recorded and current. With regard to questions about the timeliness and accuracy of the data input into FamilyNet, the DSS needs to consider ways to assist and facilitate the input of the data by the social workers. Examples include assigning others (e.g. clerical staff) to input the data, and using items such as dictaphones, or Blackberrys, etc. in order to make the most effective use of the FamilyNet system capabilities. These activities would provide a centralized location for all significant data that is easily accessible to workers, reviewers, and management.

In addition, DSS should develop a summary exception report to facilitate identifying overdue licensing and case re-assessment dates by region/area office for review. DSS personnel should complete a reconciliation of information in FamilyNet and the manual case files. They should then perform any overdue re-assessments, including CORI checks, to ensure that children are being placed and maintained in safe home environments. Further, DSS should stress the importance of updating the FamilyNet system with timely and accurate information in order to maximize its benefits and utilize the system for its intended purposes. Lastly, DSS should review and revise applicable regulations to ensure that licensing re-assessments are required and performed in a stated timeframe in order for a home to remain licensed.

Auditee's Response

A reasonable estimate is that approximately 95% of the Department's business is recorded in and processed through FamilyNet. Most of the information is successfully entered in FamilyNet in a timely and accurate manner. The data deficiencies discussed in this Finding simply recapitulate Finding 3, documenting the weaknesses that have developed in our foster family licensing. It is apparent, however, that the department must continue to enhance and improve the family resource functionality in particular as it relates to home licensing. In the past year, family resource and FamilyNet staff worked together to develop a significantly changed and improved management report for tracking all family resources. After using this revised report for approximately six months, it is evident that additional refinements to this report are needed. It appears that other tools may need to be developed to simplify the monitoring of timely home licensing activities. Appropriate department staff will routinely meet to discuss and develop alternative management tools that will look specifically at home licensing. So too, this group will review current navigation through the family resource windows, recommending improvements and simplifications where appropriate. In addition, this group must review the business rules related to home licensing and recommend and prioritize changes to improve the integrity of the data.

Recommendations will be finalized by January 31st and a roll-out plan of the recommended changes will be completed by March 31st.

d. Internal Controls Over Fixed Assets Need Improvement

The fiscal year 2003 single audit report noted that DSS was not in compliance with Office of the State Comptroller (OSC) requirements for accounting, reconciling, reporting and recording of fixed assets. The current audit disclosed that DSS's Non-GAAP fixed asset listing as of June 30, 2004 totaling \$4,958,269 did not include all DSS fixed assets and was not updated for fiscal year 2004 purchases. In addition, fixed assets other than newly purchased computer equipment lack a permanent individual state property control identification tag number, and an annual physical

inventory and reconciliation of inventory records was not completed, which does not comply with OSC's requirements.

DSS maintains GAAP fixed assets on the MMARS fixed asset system. The Non-GAAP fixed asset listing maintained by DSS, which includes computer equipment, laptop computers and cameras, does not include any furniture inventory such as desks and file cabinets. As reported in the fiscal year 2003 single audit finding, DSS personnel stated emphasis was placed on computer equipment and GAAP assets, since furniture was deemed of little value and few new furniture purchases were made in the last several years.

During fiscal year 2004, DSS purchased new computer equipment for the entire DSS, including inventory-tracking software. This new computer equipment is tagged with an individual property control tag number and properly recorded in compliance with OSC's requirements on a separate inventory database listing totaling \$2,704,889. In addition, DSS's Non-GAAP inventory listing now includes the dates of acquisition and funding source fields as required by OSC's requirements, and was adjusted for fiscal year 2004 inventory write-offs.

We selected ten items for review to verify the existence of the asset, location, and proper recording. One item (a laptop computer) selected from the old inventory list was located in the possession of an individual different than the individual assigned on the listing. Five items reviewed, including two laptop computers purchased, a fax and two printers, were not properly tagged.

DSS personnel are in the process of establishing procedures, which includes discussions with the OSC, to cost-effectively complete the inventory tagging and recording of all fixed assets at area offices. The Massachusetts Management Accounting and Reporting System (MMARS) Fixed Asset Subsystem User Guide sets forth the following policies, which state in part:

Chapter 4, Recording Including Depreciation, Policy Number 4-5:

Tagging of Assets - Physical property other than land, buildings and infrastructure shall be marked with some type of permanent tag affixed to a readily available area of the asset. This tag must have a unique identification number that will be associated with that asset and become a part of the asset's permanent record.

Chapter 5, Accounting and Management, Policy Numbers 5-5 and 5-6:

Fixed Asset Inventory - There shall be an annual inventory taken of fixed assets owned by every Department. This inventory shall include at a minimum a verification of the existence and location of fixed assets owned by a Department.

This inventory shall be done on or about June 30th of each year for GAAP & non-GAAP assets.

Reconciliation - There shall be a reconciliation of the fixed assets inventory against the books and records maintained by the Department, either on the Fixed Asset Subsystem or other documented methods. This reconciliation is to be done, at a minimum, on an annual basis.

Chapter 6, Reporting, Policy Number 6-3:

Non-GAAP Fixed Assets - Departments must maintain an inventory of these assets either on the Fixed Asset Subsystem in MMARS or on an in-house system.

By not maintaining proper controls over fixed assets, there is no assurance that property and equipment is adequately safeguarded against loss, theft or misuse.

Recommendation

The DSS should establish controls to ensure that its fixed assets are properly safeguarded; valued and reported on an ongoing basis, and that they are in compliance with the OSC MMARS Fixed Assets Subsystem User Guide. These controls should include the maintenance of a cumulative fixed assets listing. All fixed assets should be properly tagged with an individual property identification number in compliance with OSC's requirements.

Auditee's Response

The Department of Social Services will post a new position and hire an additional staff person to further support the Department's Facility operations. This person will assume responsibility for developing, implementing and maintaining fixed assets/inventory controls statewide at DSS. In addition to appropriately staffing this function, the department will complete the following steps.

- *A baseline inventory of all existing fixed assets in all DSS offices will be compiled no later than the end of this calendar year.*
- *The inventory database will be updated to include this baseline data.*
- *Inventory tags will be obtained and applied to all new assets procured after July 1, 2004.*
- *A process will be developed and documented that requires Area, Regional and Central Office staff to report newly procured assets. These updates will be submitted to the Inventory Manager at Central Office for entry into the database.*

- *A process will be developed and documented that allows for the removal of unusable items from the inventory. Prior to removal from the inventory, the appropriate form will be submitted to OSD for disposal approval. Upon receipt of OSD approval, items will be disposed of in accordance with OSD policy and items will be removed from the inventory. Upon receipt of OSD approval, the necessary arrangements for the disposal of unusable items will be made by the Area Administrative Manager.*
- *During each future fiscal year, the inventory for each site will be reviewed and reconciled with the inventory database.*

3. NON-COMPLIANCE WITH LEGAL REQUIREMENTS FOR OPEN FAIR APPEAL HEARINGS

The DSS is not in compliance with the requirements for open hearings regarding appeals of certain decisions. A review of fair hearing requests received from 1995 to 2004 (as of August 17, 2004) disclosed 4,817 open hearing requests. Of these, 3,637 have not been scheduled for a fair hearing by the Legal Department within 90 calendar days as required by DSS regulations, 887 have been scheduled for a hearing, 19 have data errors, and 274 have not been scheduled, but are within the 90 days scheduling requirement.

The fair hearing process allows clients, including biological, foster and adoptive parents and children receiving services, the opportunity to appeal certain matters and to present other matters to DSS through a grievance process. The Fair Hearing Process allows clients dissatisfied with certain actions or inactions of DSS, or a provider under contract with DSS, to present his or her position in an informal hearing, and to receive a just and fair decision by an impartial hearing officer, based on the facts and applicable regulations. The Code of Massachusetts Regulation (CMR) 110 requires DSS to employ and train impartial fair hearing officers whose sole duty shall be to conduct fair hearings statewide. An individual shall file a written request for a fair hearing with DSS's hearing office within 30 calendar days of a decision.

As required by 110 CMR 10:05, a fair hearing shall address (1) whether DSS's or the provider's decision was not in conformity with policies and/or regulations and resulted in substantial prejudice to the aggrieved party; (2) whether DSS's or the provider's procedural actions were not in conformity with its policies, regulations or procedures and resulted in substantial prejudice to the aggrieved party, or (3) if there is no applicable policy, regulation or procedure, whether DSS or the provider acted without a reasonable basis or in an unreasonable manner which resulted in substantial prejudice to the aggrieved party.

The review of the FamilyNet open fair hearings report as of September 2, 2004 noted:

Calendar Year	Total Requested Hearings	Open Hearing Requests	Hearings Not Scheduled
2004 (As of 8/17/04)	1,370	1,086	753 ⁽¹⁾
2003	2,038	1,768	1,685
2002	1,957	1,191	1,008
2001	1,900	361	107
2000	1,949	223	49
1995-1999	<u>7,799</u>	<u>188</u>	<u>35</u>
Total	<u>17,013</u>	<u>4,817</u>	<u>3,637</u>

⁽¹⁾274 requests received after June 2, 2004 were not included in the hearings not scheduled total since requests were received within the 90 days allowed to schedule the hearing.

In addition, we noted 19 requests for an open fair hearing had data errors, including eight with the scheduled hearing dates the same as the hearing request received date, and 11 with the scheduled hearing dates prior to the hearing request date.

Fair Hearings are conducted for allowable grounds of appeal, including:

1. Applicants may appeal DSS's failure to follow 110 CMR, the computation or imposition of fees for services, or any action or inaction of the DSS to place a child across state lines;
2. Biological parents may appeal when a goal determination at a Foster Care review changes;
3. A recipient of services from DSS may appeal a) the suspension, reduction or termination of services, b) the fee calculation if the recipient can show an incorrectly calculated fee, or c) the failure of DSS to follow 110 CMR which resulted in substantial prejudice to the recipient;
4. Foster parents have the right to appeal decisions of DSS as stated in 110CMR 10:06, including licensing decisions, foster care child removals, decisions to close foster home etc.;
5. Pre-adoptive and adoptive parents may appeal the denial of an applicant to become a pre-adoptive placement, withdrawal of DSS sponsorship of a placement, or removal of a child from placement;

6. Adolescents and children through an attorney or representative may appeal changes in goal determinations;
7. Any parent or caretaker of a child has a right to appeal DSS's support of a finding of abuse or neglect of a child.

Code of Massachusetts Regulations 110 section 10:10 states,

The hearing shall be scheduled to be held within 90 calendar days from receipt of a request for a Fair Hearing.

DSS personnel stated that the reduction of hearing officers in recent years from five to three due to early retirement and budget cuts has resulted in a backlog of unscheduled hearings. As a result, DSS is not meeting the legal requirements of conducting an appeals process for individuals involved with DSS services.

Recommendation

The DSS should implement procedures to comply with the legal mandates, including seeking additional resources to conduct the required hearings and complete the appeals and grievance process for requesting individuals in accordance with agency regulations.

Auditee's Response

The inability of the Department to schedule fair hearings within the time required by its regulations is a direct result of a lack of sufficient staffing resources in the fair hearing unit, because of reductions in our administrative account during the last three years of fiscal crisis. The Department is actively working with the administration to request additional staff to more adequately service the number of fair hearing requests filed each year. If that staff is obtained, the department will first focus on resolving the oldest cases still pending. Even without additional staff, the Department will refocus existing resources to resolve all requests received by the department prior to the end of calendar year 2001. The department will utilize a monthly doc direct report of all active cases to check for and correct data errors associated with request and scheduling dates.

4. IMPROVEMENTS NEEDED FOR THE DOCUMENTATION OF JUDICIAL DETERMINATIONS

DSS did not meet federal legal requirements for documentation of judicial determinations in three of 25 cases selected for Title IV-E review. At the time these cases were to be submitted for federal reimbursement, DSS personnel could not locate the records in the case files, resulting in the cases being ineligible for federal reimbursement. For two cases the federal reimbursement was adjusted downward in the next quarterly claim period, and the third will be adjusted at a later date.

Federal regulation, 45 CFR 1356.21(d), requires the documentation of judicial determinations as follows:

The judicial determinations regarding, contrary to the welfare, reasonable efforts to prevent removal, and reasonable efforts to finalize the permanency plan in effect, including judicial determinations that reasonable efforts are not required, must be explicitly documented and must be made on a case-by-case basis and so stated in the court order.

One case, submitted for federal reimbursement and not subsequently adjusted, did not meet Title IV-E legal requirements documenting a 60-day reasonable effort to prevent removal of a judicial determination on file at DSS. The second case submitted on the March 2004 claims roster and adjusted on the June 2004 claims roster lacked a judicial determination of reasonable efforts to finalize a permanency judicial plan within 12 months. The third case submitted on the December 2003 claims roster was adjusted on the March 2004 claims roster. The submission lacked an initial (the first court order allowing the removal of the child from the home) “contrary to the welfare” home removal determination and a 60 day reasonable effort to prevent removal of a determination on file. DSS is required to obtain and maintain on file a judicial determination of their reasonable efforts to prevent removal of a child within 60 days of the child’s removal from the home.

The IV-E eligibility consultant hired by DSS processes IV-E claims quarterly through FamilyNet and completes IV-E case eligibility redeterminations usually every six months. This results in claims adjustments for prior claims which were subsequently determined to be ineligible. Legal department personnel at regional offices are required to obtain and maintain court determination records.

45 CFR section 1356.21 states in part:

(c) A child's removal from the home must have been the result of a judicial determination (unless the child was removed pursuant to a voluntary placement agreement) to the effect that continuation of residence in the home would be contrary to the welfare, or that placement would be in the best interest, of the child. The contrary to the welfare determination must be made in the first court ruling that sanctions (even temporarily) the removal of a child from home. If the determination regarding contrary to the welfare is not made in the first court ruling pertaining to removal from the home, the child is not eligible for title IV-E foster care maintenance payments for the duration of that stay in foster care.

45 CFR section 1356.21(b)(1) states in part:

(i) When a child is removed from his/her home, the judicial determination as to whether reasonable efforts were made, or were not required to prevent the removal must be made no later than 60 days from the date the child is removed from the home.

45 CFR section 1356.21(b)(2) states:

(i) The State agency must obtain a judicial determination that it has made reasonable efforts to finalize the permanency plan that is in effect (whether the plan is reunification, adoption, legal guardianship, placement with a fit and willing relative, or placement in another planned permanent living arrangement) within twelve months of the date the child is considered to have entered foster care and at least once every twelve months thereafter while the child is in foster care.

DSS personnel could not locate the judicial determination documentation, and as a result, is not in compliance with Title IV-E legal requirements and is processing claims for ineligible expenses.

Recommendation

The DSS should maximize federally reimbursable expenditures by ensuring the timely performance of legal requirements that are in compliance with federal regulations. In addition, DSS should ensure that all legal determinations are obtained and maintained in the case files.

Auditee's Response

DSS is in the process of documenting the process and recommended timelines for securing and filing the required legal documents associated with determining and redetermining Title IVE eligibility. The process and timelines will acknowledge the Title IVE regulations. In addition, DSS will be developing management reporting tools to monitor the various eligibility requirements with an overall goal of maximizing Title IVE federal reimbursements, inclusive of all eligibility factors.

APPENDIX I

Chapter 647, Acts of 1989, An Act Relative to Improving the
Internal Controls within State Agencies

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Chapter 647

THE COMMONWEALTH OF MASSACHUSETTS

In the Year One Thousand Nine Hundred and Eighty-nine

AN ACT RELATIVE TO IMPROVING THE INTERNAL CONTROLS WITHIN STATE AGENCIES.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

Notwithstanding any general or special law to the contrary, the following internal control standards shall define the minimum level of quality acceptable for internal control systems in operation throughout the various state agencies and departments and shall constitute the criteria against which such internal control systems will be evaluated. Internal control systems for the various state agencies and departments of the commonwealth shall be developed in accordance with internal control guidelines established by the office of the comptroller.

(A) Internal control systems of the agency are to be clearly documented and readily available for examination. Objectives for each of these standards are to be identified or developed for each agency activity and are to be logical, applicable and complete. Documentation of the agency's internal control systems should include (1) internal control procedures, (2) internal control accountability systems and (3), identification of the operating cycles. Documentation of the agency's internal control systems should appear in management directives, administrative policy, and accounting policies, procedures and manuals.

(B) All transactions and other significant events are to be promptly recorded, clearly documented and properly classified. Documentation of a transaction or event should include the entire process or life cycle of the transaction or event, including (1) the initiation or authorization of the transaction or event, (2) all aspects of the transaction while in process and (3), the final classification in summary records.

(C) Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority. Authorizations should be clearly communicated to managers and employees and should

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include the specific conditions and terms under which authorizations are to be made.

(D) Key duties and responsibilities including (1) authorizing, approving, and recording transactions, (2) issuing and receiving assets, (3) making payments and (4), reviewing or auditing transactions, should be assigned systematically to a number of individuals to ensure that effective checks and balances exist.

(E) Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved. The duties of the supervisor in carrying out this responsibility shall include (1) clearly communicating the duties, responsibilities and accountabilities assigned to each staff member, (2) systematically reviewing each member's work to the extent necessary and (3), approving work at critical points to ensure that work flows as intended.

(F) Access to resources and records is to be limited to authorized individuals as determined by the agency head. Restrictions on access to resources will depend upon the vulnerability of the resource and the perceived risk of loss, both of which shall be periodically assessed. The agency head shall be responsible for maintaining accountability for the custody and use of resources and shall assign qualified individuals for that purpose. Periodic comparison shall be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the agency resources shall determine the frequency of this comparison.

Within each agency there shall be an official, equivalent in title or rank to an assistant or deputy to the department head, whose responsibility, in addition to his regularly assigned duties, shall be to ensure that the agency has written documentation of its internal accounting and administrative control system on file. Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of the agency's internal control system and establish and implement changes necessary to ensure the continued integrity of the system. Said official shall in the performance of his duties ensure that: (1) the documentation of all internal control systems is readily available for examination by the comptroller, the secretary of administration and finance and the state auditor, (2) the results of audits and recommendations to improve departmental internal controls are promptly evaluated by the agency management, (3) timely and appropriate corrective actions are effected

Chapter 647, Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies

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by the agency management in response to an audit and (4), all actions determined by the agency management as necessary to correct or otherwise resolve matters will be addressed by the agency in their budgetary request to the general court.

All unaccounted for variances, losses, shortages or thefts of funds or property shall be immediately reported to the state auditor's office, who shall review the matter to determine the amount involved which shall be reported to appropriate management and law enforcement officials. Said auditor shall also determine the internal control weaknesses that contributed to or caused the condition. Said auditor shall then make recommendations to the agency official overseeing the internal control system and other appropriate management officials. The recommendations of said auditor shall address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The agency oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified.

House of Representatives, December 21, 1989.

Passed to be enacted, *George Luvaan*, Speaker.

In Senate, December 22, 1989.

Passed to be enacted, *William W. Budge*, President.

January 3, 1990.

Approved, *Richard H. Kiah* Governor.

APPENDIX II

Chapter 647 Awareness Letter from the State Auditor and the State Comptroller



The Commonwealth of Massachusetts

Office of the State Auditor
State House
Boston, MA 02133

Office of the Comptroller
One Ashburton Place
Boston, MA 02108

September 19, 2000

Legislative Leadership
Judicial Branch Administrators
Elected Officials
Secretariats
Department Heads

The State Auditor and the Comptroller are both committed to departmental improvements in the Internal Control structure of the Commonwealth. A good system of controls, as you know, assists management in meeting objectives while avoiding serious problems. Chapter 647 of the Acts of 1989, *An Act Relative To Improving Internal Controls Within State Agencies*, establishes acceptable Internal Control systems for state government operations and constitutes the criteria against which we will evaluate internal controls. With the passage of this law, we began a campaign to educate all department staff on the significant role of internal controls in department operations.

In the past few years, departments have made significant progress in the area of internal controls. Every department has certified that they have documented internal controls in the form of an Internal Control Plan. In Fiscal Year 2001, we are focusing our Internal Control Campaign on the review of department risk assessments, as documented within the departments' internal control plans. Internal control plans must, of course, include all aspects of a department's business, programmatic operations as well as financial.

A major requirement of Chapter 647 is that "an official, equivalent in title or rank to an assistant or deputy to the department head, shall be responsible for the evaluation of the effectiveness of the department's internal controls and establish and implement changes necessary to ensure the continued integrity of the system". This official, whom we refer to as the Internal Control Officer, is responsible for ensuring that the plan is evaluated annually or more often as conditions warrant.

During this annual Statewide Single Audit, we continue with our review of the Commonwealth's internal controls. We analyze and evaluate information obtained during the audit process in our continuing effort to educate agencies regarding both the need for internal controls and the risks of not having adequate internal controls in place.

Chapter 647 Awareness Letter from the State Auditor and the State Comptroller

To assist departments with this effort, we provide the following support activities:

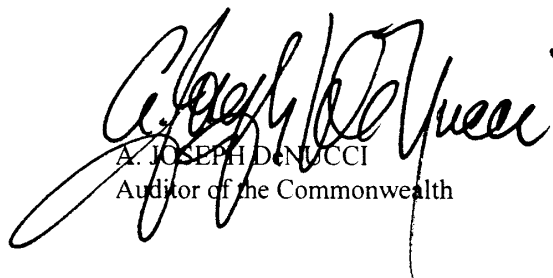
- ◆ The Office of the Comptroller offers departments free monthly training on internal controls. These classes are listed in the *OSC Training Bulletin*.
- ◆ The Office of the Comptroller provided a new document entitled the *Internal Control Guide for Managers* on the Office of the Comptroller's Web page: <http://www.osc.state.ma.us/>. Part II of the guide will be available shortly and will replace the current *Internal Control Guide for Departments*, currently available on the Web.
- ◆ Upon request, the Office of the Comptroller provides assistance to departments in the process of redefining or reviewing their internal control plans.
- ◆ As part of the Statewide Single Audit, auditors will review and comment upon departments' internal control plans, risk assessments, and the reporting level of the Internal Control Officers.
- ◆ We have updated and automated the Internal Control Questionnaire (ICQ) for easier submission. These changes to the ICQ will enable OSA and OSC to evaluate department internal controls and monitor their progress.

Chapter 647 also requires that "all unaccounted for variances, losses, shortages, or thefts of funds or property be immediately reported to the Office of the State Auditor" (OSA). The OSA is required to determine the amount involved and the internal control weaknesses that contributed to or caused the condition, make recommendations for corrective action, and make referrals to appropriate law enforcement officials. In order to comply with this law instances must be reported on the *Report on Unaccounted for Variances, Losses, Shortages, or Thefts of Funds or Property* and be submitted to the OSA. Reporting forms can be obtained by contacting the Auditor's office, Room 1819, McCormack State Office Building, or Web Site:

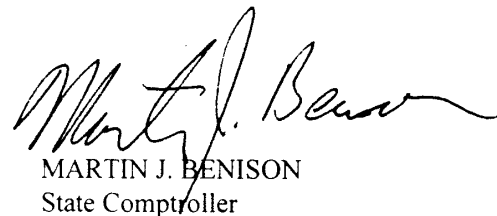
<http://www.magnet.state.ma.us/sao/>.

In conjunction with the above requirement, please note that management is responsible for financial records and systems and must inform, disclose and make representations to the auditors with regards to their management of funds, account activities, programs and systems.

The Offices of the State Comptroller and the State Auditor are committed to the goal of improving the Internal Control structure of the Commonwealth. Thank you for your cooperation and attention on this worthwhile task. Please do not hesitate to call upon the staff of either office for assistance.



A. JOSEPH D. NUCCI
Auditor of the Commonwealth



MARTIN J. BENISON
State Comptroller