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INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
DEPARTMENT OF SOCIAL SERVICES
JULY 1, 2002 TO JUNE 30, 2003

OFFICIAL AUDIT
REPORT
FEBRUARY 18, 2004

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The Department of Social Services (DSS), established by Section 1 of Chapter 18B of the Massachusetts General Laws, provides safe homes for children from abuse and neglect, and when possible, works to strengthen families. DSS administers comprehensive social services programs through 29 area-based offices, including counseling, protective services, parent aid or day care to reduce risks to children, and legal and adoptive services. For fiscal year 2003, DSS administered approximately \$670 million, of which federal funds totaled approximately \$250 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, 2003.

AUDIT RESULTS

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1. PRIOR AUDIT RESULTS RESOLVED - SUBRECIPIENT MONITORING IMPROVED

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The fiscal year 2002 Single Audit disclosed that DSS did not notify subrecipients under the Social Services Block Grant of federal funding received because a supplemental appropriation passed on September 21, 2001 significantly changed the fund splits, which is the basis for notifying subrecipients of the amounts of federal and state funds. As a result, DSS could not effectively monitor its subrecipients to comply with Office of Management and Budget (OMB) Circular A-133. Our follow-up review indicated that on September 17, 2003, DSS notified its subrecipients for fiscal year 2003 of the amount of federal funds received and the need to comply with the OMB Circular A-133 audit requirements.

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 2002) with regard to the re-evaluation of Criminal Offense Record Information (CORI) for persons providing foster care services and the process for home licensing.

a. Timeliness of CORI Checks Needs Improvement

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DSS did not perform timely re-evaluations of Criminal Offense Record Information (CORI) checks for persons providing foster care services under the Title IV-E Foster Care Program in five of the 25 Title IV-E cases tested as of June 30, 2003. In one case, the CORI check and the annual re-evaluation were completed seven months after they were due. For the other 4 cases, the CORI checks were overdue by seventeen, thirteen, eight, and five months after the child was placed in the home, and still had not been performed at the time of our audit. 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. DSS also implemented a monthly Resource Characteristics Report available to area office personnel to identify cases due for annual home re-evaluations or licensing reviews.

Discussions with DSS officials indicated that some information regarding CORI checks is communicated to the Central Office by memorandums and telephone rather than electronic request, and that CORI personnel are not always notified of overdue criminal background check reviews. The lack of a timely re-evaluation could result in children being placed in an unsafe environment, does not comply with DSS policy, and may result in ineligible claims for federal reimbursement. In response to this issue, DSS indicated that it will continue towards the completion and implementation of the CQI process and DocDirect Reporting System to assist in timely initiation and completion of annual CORI re-evaluations. Also, DSS management will continue to emphasize the importance of completing timely criminal background checks on foster care providers, and fully utilizing the FamilyNet system to inform Family Resource staff and the Central CORI Unit of checks that need to be performed.

b. The Process for Home Licensing Needs Improvement

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In three of the 25 Title IV-E cases tested, DSS placed children in homes without completing proper licensing requirements. In one of these cases, as of June 30, 2003, proper licensing had not been performed 12 months after the placement of the child. The annual license reassessment for the second case was overdue by 15 months. In the third case, the licensing study was initiated nine months after the child was placed, which is beyond the 40-day emergency placement period. DSS did take some corrective action on this issue by implementing a CQI process to monitor, evaluate, and provide feedback to DSS on the performance of its system of care. In addition, DSS implemented the monthly Unapproved Homes With Active Placements Report to assist licensing personnel in identifying cases due for licensing. Our review noted that as of July 21, 2003, 641 children were placed in foster homes prior to the home being licensed, of which 370 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 result, DSS indicated that representatives from the Field Operations Division will work with Administration and Finance and FamilyNet (a local area network implemented by DSS) staff in designing and developing a status report of foster home licenses by area office, that the report will provide an analysis of the timeliness of license reviews completed as well as any that may remain outstanding, and that staff will investigate how to better integrate and translate the licensing information on family resource workers' FamilyNet tickler tab into the regional CQI process.

3. CONTROLS OVER FAMILYNET AND HOME LICENSING REPORT DATA NEED IMPROVEMENT

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Our review of the monthly DSS Resource Characteristics 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 67% error rate. These errors include missing date information, data integrity issues whereby dates input to the FamilyNet system were inaccurate, and overdue annual reassessments, including criminal background checks. Our review of 4,079 files from the August 2, 2003 report

disclosed that 841 files lacked “initial assessment” dates, which represents the original approval for child placement; 1,327 files lacked “recent reassessment” dates, representing the last reassessment date; and 162 files lacked “next reassessment due” dates. In addition, 114 files had dates that were incorrectly input, and 301 files indicated that annual assessments 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. It further results in noncompliance with state and federal laws, rules, and regulations and DSS policy. In response to the audit, DSS indicated that FamilyNet staff, in collaboration with the Family Resource and Background Records Check units, will conduct an analysis of the needed data elements and formatting to better support central, regional and area office oversight of the family resource management process, specifically focusing on licensing, re-assessment, and criminal background records checks as the key elements for compliance with policy and regulations relative to the safety and well-being of DSS’s consumers. The analysis will draw on the participation and input of key DSS stakeholders from all levels of the agency and will inform the decision (maker) whether to re-tool the existing report or design a new reporting format specifically designed to support monitoring and compliance activities.

4. INTERNAL CONTROLS OVER FIXED ASSETS NEED IMPROVEMENT

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DSS does not maintain a fixed asset listing that includes dates of acquisition and sources of funds, and fixed assets lack a permanent individual state property control identification tag number, as required by Office of the State Comptroller (OSC) regulations. The DSS Non-GAAP fixed asset listing as of June 30, 2003, which totals \$11,331,477, does not include furniture items such as desks and file cabinets and does not include dates of acquisition and funding source. 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 our audit, DSS indicated it will modify its Inventory Update Form to include the asset acquisition date and funding source and that the tracking database will be modified to track this data as well. DSS also indicated that all newly purchased technology assets meeting the criteria established by the OSC will be tracked, all technology fixed assets will bear a unique serial number to identify the asset, and all newly purchased furniture and equipment with a value exceeding \$1,000 will be recorded in the inventory and tagged in accordance with OSC policy.

5. PAYROLL CERTIFICATIONS NOT COMPLETED

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DSS did not complete bi-weekly payroll certifications in compliance with OSC’s payroll expenditure requirements. The OSC relies on the certification as an assurance that services were performed and payroll records are accurate and maintained by DSS. During fiscal year 2003, DSS central and area office personnel completed weekly payroll

exception certifications; however, a signatory authority did not certify the entire bi-weekly payroll based on the confirmation of managers. In response to our audit, DSS indicated that, beginning on October 6, 2003, its CFO will sign and date the payroll expenditure approval form, inclusive of the payroll amount for the applicable pay period, and that a file of the approval forms and back-up reports will be maintained by the CFO.

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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 29 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 2003, approximately 10,000 children were living in foster or group homes.

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 2003, DSS administered approximately \$670 million, of which federal funds totaled approximately \$250 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, 2002 to June 30, 2003. We conducted our review in conjunction with the Single Audit of the Commonwealth of Massachusetts for the fiscal year ended June 30, 2003.

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 2003 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.

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 RESULTS RESOLVED - SUBRECIPIENT MONITORING IMPROVED

The fiscal year 2002 Single Audit reported that the Department of Social Services (DSS) did not notify subrecipients under the Social Services Block Grant of federal funding received because the supplemental appropriation passed on September 21, 2001 significantly changed the fund splits, which is the basis for notifying subrecipients of the amounts of federal and state funds. As a result, DSS could not effectively monitor its subrecipients to comply with Office of Management and Budget (OMB) Circular A-133. A bill entitled “An Act Making Certain Amendments to the General Appropriation Act for Fiscal Year 2003 and other Technical Corrections” was passed by the Legislature on October 23, 2002, which allows the Office of the State Comptroller (OSC) to revise the percentages established in the Social Service Fund split based on the certification by DSS that they reflect the appropriate distribution of actual expenses. The OSC shall report the final fund split within 60 days of the end of the state fiscal year. On September 17, 2003, DSS notified its subrecipients for fiscal year 2003 of the amount of federal funds received and the need to comply with OMB Circular A-133 audit requirements.

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 2002) with regard to the re-evaluation of Criminal Offense Record Information (CORI) for persons providing foster care services, and the process for home licensing. The issues that have not been completely resolved are as follows:

a. Timeliness of CORI Checks Needs Improvement

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 five of the 25 Title IV-E cases tested as of June 30, 2003. In one case, the CORI check and the annual re-evaluation were completed seven months after they were due. Moreover, in four of the five cases, the re-evaluations still had not been performed at the time of our audit, and were overdue by seventeen, thirteen, eight, and five months after the child was placed in the home.

Through the FamilyNet system, the DSS area office family resource worker tracks when CORI re-evaluations are due, and is supposed to electronically submit requests to the central office CORI unit to complete the background check. Our review disclosed that the family resource worker does not always notify the unit when a CORI check is due. Discussions with DSS officials indicated that some information regarding CORI checks is communicated to the central office by memorandums and telephone rather than electronic request, which increases the risk of untimely CORI requests or requests not being communicated at all.

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) require 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, DSS is required to “re-evaluate foster parents and foster homes annually and request criminal record and Central Registry checks for adult household members.” Additionally, the CORI process is required during various stages of an eligible foster care provider’s term with DSS. First, the prospective foster or pre-adoptive family must complete an initial eligibility screening process. This process determines whether the individual who is interested in serving as a DSS family resource and the members of her/his household age 14 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 homestudy evaluation. The home study evaluation is performed to pre-qualify the home and applicant to serve as a DSS 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 response to the fiscal year 2002 Single Audit finding, DSS developed a Continuous Quality Improvement (CQI) process administered in each DSS office – area, regional, and central. The goals of CQI teams are to monitor, evaluate, and provide feedback to DSS 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 DSS. Family resource licensing data is one of the many review indicators, and the tool to measure the status of the licensing family resources is the monthly report of “Resource Characteristics,” which is accessible on the DocDirect

management reporting system maintained by DSS. The area office family resource worker and the area director are responsible for reviewing the report monthly 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 providing services by type and date and is updated on the second day of the month by region/area office from data input into FamilyNet by the area office caseworkers. This report presents comprehensive data including identifying the resource parent information, approved capacity, and the names of the children placed in the home. The report delineates for each case the recent approved assessment date, recent approved reassessment date, and next assessment due date. However, the CQI process and the DocDirect reporting system are not fully developed and does not address weaknesses noted.

The development of the CQI process, the establishment of the teams, and the content of the reviews have been included in senior management meeting discussions. Per discussions with senior management personnel, the CQI process is in its initial stages of implementation, and is continually undergoing review.

The lack of a timely re-evaluation could result in children being placed in an unsafe environment, does not comply with DSS policy, and may result in ineligible claims for federal reimbursement.

Recommendation

DSS should complete development of the CQI process and DocDirect reporting system to ensure a timely completion of the annual CORI re-evaluations, including implementing an automatic notification to the CORI unit prior to the re-evaluation due date through the FamilyNet system. Also, DSS management should emphasize the importance of completing timely criminal background checks on foster care provider homes and fully utilizing the electronic process to inform the central CORI office of checks that need to be performed.

Auditee's Response

The Department will continue towards the completion and implementation of the CQI process and DocDirect Reporting System, as noted in the Fiscal Year 2002 Single Audit Corrective Action Plan for Finding #1, to assist in the timely initiation and completion of annual CORI re-evaluations. This will include a feasibility study for the possible development and implementation of an automatic Annual Re-evaluation BRC/CORI Request to the CORI unit, prior to the re-evaluation due date, through the FamilyNet system. DSS management will continue to emphasize the importance of completing timely criminal background checks on foster care providers, and fully utilizing the FamilyNet system to inform Family Resource staff and the Central CORI Unit of checks that need to be performed.

b. The Process for Home Licensing Needs Improvement

In three of the 25 Title IV-E cases tested, DSS placed children in homes prior to completing proper licensing requirements. In one of these cases as of June 30, 2003, the foster care home was a kinship home, and proper licensing was not performed 12 months after the placement of the child. The second case was a kinship placement, and the annual license reassessment was overdue by 15 months. The third case was a child-specific placement, and the licensing study was initiated nine months after the child was placed, which is beyond the 40-day emergency placement period.

A review of the Children in Unapproved Homes Report noted that as of July 21, 2003, 641 of the approximately 7,800 children in foster care homes were placed in foster homes prior to the home being licensed. Of those, 348 children were placed in unlicensed homes for more than 40 days and less than one year, 16 children were placed in unlicensed homes for one to two years, and six children were placed in unlicensed homes for two to five years. 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 abovementioned 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. Discussions with DSS officials noted that exceptions indicated are due to the fact that these deficiencies are not being identified at the regional offices.

In response to the fiscal year 2002 Single Audit finding, DSS implemented a CQI process administered in each DSS office – area, regional, and central offices. CQI teams were established to monitor, evaluate, and provide feedback to DSS 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, and the 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. Discussions with management personnel disclosed that the CQI process is in its initial stages of implementation and is still under review.

To identify homes requiring immediate licensing approvals and timely reviews, DSS also implemented a monthly report available to area office personnel on the DocDirect management reporting system maintained by DSS entitled “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. Area managerial staff is responsible to perform license reviews to ensure licensing approvals are completed in compliance with DSS policy.

Federal regulations 42 USC 671(a)(10) and 672(c) require 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, DSS is the licensing authority for foster family homes. 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 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 who work at the facility have had background checks.

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.

Recommendation

DSS should identify foster care homes that require immediate licensing approvals and develop a process to ensure that 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 nonreimbursable.

Auditee's Response

Representatives from the Field Operations Division will work with A&F and FamilyNet (IT) staff in designing and developing a status report of foster home licenses, by area office. The report will provide an analysis of the timeliness of license reviews completed as well as any that may remain outstanding. As well, staff must investigate how to better integrate and to translate the licensing tickler information on family resource workers' FamilyNet tickler tab into the regional CQI process.

3. CONTROLS OVER FAMILYNET AND HOME LICENSING REPORT DATA NEED IMPROVEMENT

A review of 4,079 foster care records in FamilyNet, a local area network implemented by DSS in February 1998, was performed to determine DSS compliance with licensing, reassessments, and criminal background checks.

The review indicated that the monthly DSS Resource Characteristics Report, compiled from FamilyNet data and issued to area agency personnel to monitor foster care provider licensing and criminal background checks, had a 67% error rate. These errors include missing date information, data integrity issues whereby dates input to the FamilyNet system were inaccurate, and overdue annual reassessments, including criminal background checks.

An analysis of the data in the FamilyNet system, as of August 2, 2003, noted the following information. Of the 4,079 files reviewed, 841 files did not indicate an "initial assessment" date, which represents the original approval for child placement; 1,327 files lacked a "recent reassessment" date, which represents the last reassessment date; and 162 files lacked a "next reassessment due" date. Moreover, there were 114 files where the dates were incorrectly input,

and 301 files that indicated that the annual assessments were overdue. This results in a 67% error rate in the files. Additionally, 1,027 files dated after August 2, 2003 with blank initial and reassessment dates were not included in the analysis due to insufficient information. Discussions with DSS officials indicated this is partially due to the fact that social workers maintain individual tickler files and that information relating to initial and annual reassessments is not consistently updated on the FamilyNet system.

DSS area office personnel input case management data to FamilyNet such as resource provider name; licensing information, including the initial assessment date, most recent assessment date, and the next due dates; number of authorized children; and the names of children placed in the resource provider home. From the FamilyNet data, DSS produces monthly reports entitled "Resource Characteristics" and "Unapproved Homes With Active Placements" provided on DSS DocDirect system to personnel responsible to monitor and conduct foster care providers licensing and criminal background review checks. There is no central office review of information entered into FamilyNet.

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 home study/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.

DSS maintains a monthly report entitled Unapproved Homes With Active Placements Report available on the DSS DocDirect system to area agency personnel responsible to ensure the completion of foster care home licensing. Our transaction review noted that one provider was

not located in FamilyNet Resource Data and was not located in the monthly report. DSS personnel stated that a home approval was issued; however, our review noted that a CORI background check had never been completed and therefore the home could not have been properly approved. DSS personnel indicated that the monthly reports were a tool for determining licensing reassessment due dates, 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. It further results in noncompliance with state and federal laws, rules, and regulations and DSS policy.

Recommendation

DSS should develop a central office oversight control process that includes periodic reviews of monthly reports and case information entered to the FamilyNet system to ensure that information related to foster care cases and licenses is properly recorded and current. In addition, DSS should develop a summary exception report to facilitate identifying overdue licensing and case reassessment dates by region/area office for review. DSS personnel should complete a reconciliation of information in FamilyNet and the manual case files and perform any overdue reassessments, including criminal background 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 purpose.

Auditee's Response

FamilyNet staff, in collaboration with the Family Resource and Background Records Check units, will conduct an analysis of the needed data elements and formatting to better support Central, Regional and Area Office oversight of the family resource management process. This will specifically focus on licensing, re-assessment and criminal background records checks as the key elements for compliance with policy and regulations relative to the safety and well being of DSS consumers. The analysis will draw on the participation and input of key Department stakeholders from all levels of the agency, and will inform the decision (maker) whether to re-tool the existing report, or design a new reporting format specifically designed to support monitoring and compliance activities. This analysis will commence in November 2003, and result in the availability of an improved reporting tool in March 2004.

4. INTERNAL CONTROLS OVER FIXED ASSETS NEED IMPROVEMENT

DSS was not in compliance with Office of the State Comptroller (OSC) requirements for accounting for, reconciling, reporting, and recording its fixed assets. The DSS Non-GAAP fixed asset listing, which totaled \$11,331,477 as of June 30, 2003, lacks dates of acquisition and source of funds. In addition, fixed assets lacked a permanent individual state property control identification tag number, which is not in compliance with the OSC requirements.

DSS maintains Generally Accepted Accounting Principles (GAAP) fixed assets on the Massachusetts Management Accounting and Reporting System (MMARS) fixed asset system. The Non-GAAP fixed assets listing maintained by DSS, which includes computer equipment, laptop computers and cameras, does not include any furniture inventory such as desks and file cabinets. The listing does not include dates of acquisition and funding source, contrary to OSC regulations. Ten items were selected for review to verify the existence and proper recording of the asset. One item (a laptop computer) selected from the floor to determine whether it was recorded properly could not be located on the Non-GAAP fixed asset listing. The review also noted that fixed assets were not tagged with an individual state identification number. DSS personnel stated that fixed asset items were tracked by their serial numbers and that emphasis was placed on computer equipment and GAAP assets, since furniture was deemed of little value as there has been few new purchases made in the last several years.

The MMARS Fixed Asset Subsystem User Guide sets forth the following asset control:

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.

Without proper controls over fixed assets, there is inadequate assurance that property and equipment is adequately safeguarded against loss, theft, or misuse.

Recommendation

DSS should establish controls to ensure that its fixed assets are properly safeguarded, valued, and reported and that they are in compliance with the OSC's MMARS Fixed Assets Subsystem User Guide. These controls should include the maintenance of a cumulative fixed assets listing, including dates of purchase and acquisition funding source. In addition, all fixed assets should be properly tagged with an individual property identification number in compliance with OSC regulations.

Auditee's Response

The Department's Inventory Update Form will be modified to include 2 new fields: "Asset Acquisition Date" and "Funding Source", and the tracking database will be modified to track this data as well. Effective immediately, all newly purchased technology assets meeting the criteria established by the Office of the Comptroller, will be tracked via this modified tool. In addition, DSS will investigate the costs associated with the purchase of more advanced inventory tracking software. All technology fixed assets bear a unique serial number which is utilized by DSS to identify the asset. Commencing immediately, all newly purchased furniture and equipment with a value exceeding \$1,000 will be recorded in DSS's inventory and tagged in accordance with Commonwealth policy.

5. PAYROLL CERTIFICATIONS NOT COMPLETED

DSS did not complete bi-weekly payroll certifications in compliance with OSC payroll expenditure requirements. The OSC relies on the certification as an assurance that services were performed and that payroll records are accurately maintained by DSS.

The OSC's Payroll Expenditures Manual-Chapter 5, Policy No. 5-1, Approving Payroll Expenditures, issued June 28, 2002 states, in part:

Once an employee's time is recorded, his/her manager must confirm that services have been delivered in accordance with this record. Time and attendance can then be recorded in the payroll system.

A signatory authority certifies the entire payroll based on the confirmation of managers. This approval should include the following statement or be indicated on the "Payroll Expenditure Approval" form:

This payroll has been processed in accordance with the Commonwealth's Payroll Expenditure Policy, State Finance Laws and this Department's Internal Control Plan. The amount listed has been certified to the Comptroller through the payroll system for payment. This certifies that time and attendance for each employee is on file in this department and approved by the appropriate manager to support amounts paid. This approval and supporting details will remain on file in this department for three years for review by the Office of the Comptroller or other auditing entity.

Both levels of approval should be done in accordance with the Commonwealth's payroll expenditure policy, state finance law, and DSS's Internal Control Plan. These approvals are key steps in the series of reliance's for payment consistent with state finance law. It further states,

The Comptroller requires an affidavit from the Department Head or designee that articles have been furnished, services have been rendered (including payroll) or obligations have been incurred, as certified.

During fiscal year 2003, DSS central and area office personnel completed weekly payroll exception certifications; however, DSS's bi-weekly payroll expenditure certification was not completed, contrary to OSC policies and procedures.

DSS personnel stated the person completing the certification prior to fiscal year 2003 left the agency and that no one assumed the responsibility.

Recommendation

DSS should implement procedures to comply with the OSC's payroll requirements and complete bi-weekly payroll certifications as an assurance to OSC that payroll services were rendered and proper documentation is maintained on file at DSS.

Auditee's Response

Commencing Monday, October 6, 2003 the department's CFO signs and dates the payroll expenditure approval form, inclusive of the payroll amount for the applicable pay period. The amount of the payroll will be consistent with the amount recorded on Payroll Report PCRS26, as run on the Monday of the payroll run. A file of the approval forms and back up PCRS reports will be maintained by the department's CFO.

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

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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.

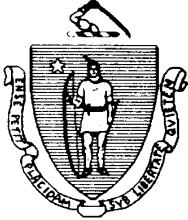
Passed to be enacted, *George Luvaan*, Speaker.

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:

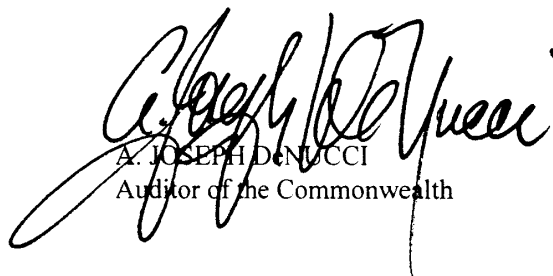
- ◆ The Office of the Comptroller offers departments free monthly training on internal controls. These classes are listed in the *OSC Training Bulletin*.
- ◆ The Office of the Comptroller provided a new document entitled the *Internal Control Guide for Managers* on the Office of the Comptroller's Web 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:

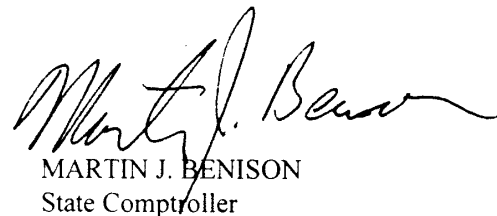
<http://www.magnet.state.ma.us/sao/>.

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