

Financial Audit Division Report

Department of Human Services
Medical Assistance, Temporary Assistance for
Needy Families, and Food Stamp Programs

Eligibility Data Validation Controls



Financial Audit Division

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OLA's Financial Audit Division annually audits the state's financial statements and, on a rotating schedule, audits agencies in the executive and judicial branches of state government, three metropolitan agencies, and several "semi-state" organizations. The division also investigates allegations that state resources have been used inappropriately.

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- Promote Accountability,
- Strengthen Legislative Oversight, and
- Support Good Financial Management.

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OFFICE OF THE LEGISLATIVE AUDITOR
State of Minnesota • James Nobles, Legislative Auditor

Representative Tim Wilkin, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Kevin Goodno, Commissioner
Department of Human Services

We have conducted an information technology audit to assess the adequacy of specific eligibility data validation controls for the Medical Assistance (CFDA# 93.778), Temporary Assistance for Needy Families (CFDA# 93.558), and Food Stamps (CFDA#10.551) programs as of December 2004. The scope of our audit focused on computerized file matches designed to validate the social security numbers and income of program recipients. The Report Summary highlights our overall conclusion. Specific audit objectives and conclusions are contained in the individual chapters of this report.

We designed this audit to supplement other work done by our office in determining the state's compliance with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2004.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we obtain an understanding of management controls relevant to the audit objectives. We used the guidance contained in *Control Objectives for Information and Related Technologies*, published by the IT Governance Institute, as our criteria to evaluate controls. We also obtained evaluation criteria from the OMB Circular A-133, *Compliance Supplement* and the Code of Federal Regulations.

Government Auditing Standards require that we plan the audit to provide reasonable assurance that the department complied with financial-related legal provisions that are significant to the audit. In determining the department's compliance with legal provisions, we considered requirements of laws, regulations, contracts, and grant agreements.

To meet our audit objectives, we interviewed information technology and business professionals who oversee the data validation processes and its controls. We also used computer-assisted audit tools to test selected controls.

Information technology audits frequently include the review of sensitive security data that is legally classified as nonpublic under the Minnesota Data Practices Act. In some cases, to protect state resources and comply with the Minnesota Data Practices Act, we must withhold security-related details from our publicly released reports. When these situations occur, we communicate all pertinent details to agency leaders in a separate, confidential document. For this audit, we issued a separate, confidential document to the management of the department.

/s/James R. Nobles

/s/ Claudia J. Gudvangen

James R. Nobles
Legislative Auditor

Claudia J. Gudvangen, CPA
Deputy Legislative Auditor

End of Fieldwork: January 6, 2005
Report Signed On: February 21, 2005

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Audit Participation

The following members of the Office of the Legislative Auditor prepared this report:

Claudia Gudvangen, CPA	Deputy Legislative Auditor
Chris Buse, CPA, CISA, CISSP	Information Technology Audit Manager
Mark Mathison, CPA, CISA	Auditor-in-Charge
Eric Wion, CPA, CISA	Auditor
Alan Sasse, CPA	Auditor

Exit Conference

We discussed the findings and recommendations in this report with the following staff of the Department of Human Services on February 11, 2005:

Dennis Erickson	Assistant Commissioner, Finance & Management Operations
Chuck Johnson	Assistant Commissioner, Children & Family Services
Kate Wulf	Director, Transition Support Systems Division
David Ehrhardt	Director, Internal Audit
Sally Fashant	Manager, Program Assessment & Integrity
Jane Martin	Manager, Health Care Programs
Rita Sjoberg	Manager, Systems Management & Production Control
Ron Kuriscak	Security Analyst

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Report Summary

Conclusion:

The Department of Human Services implemented an Income and Eligibility Verification System (IEVS). However, some aspects of this system do not comply with federal regulations. We also identified significant control deficiencies that could impact the department's ability to validate eligibility data completely and accurately.

Key Findings:

- The department lacked effective controls to validate social security numbers. (Finding 1, page 6)
- The department did not use IEVS to validate eligibility data for many federal program recipients. (Finding 2, page 7)
- The department has not clearly defined how IEVS discrepancy data impacts the eligibility of Medical Assistance recipients. (Finding 3, page 10)

The audit report contained seven findings relating to income and eligibility data validation weaknesses.

Audit Scope:

Audit Period:

As of December 2004

Selected Audit Areas:

- Income and Eligibility Verification System Controls
 - Social Security Enumeration Controls
-

Background:

This information technology audit assessed the adequacy of income and eligibility data validation controls. Federal regulations require all states to maintain an Income and Eligibility Verification System. IEVS is a series of computerized file matches used to validate the accuracy and completeness of data provided by applicants and recipients of public assistance. The department used IEVS to validate data for the Medical Assistance, Temporary Assistance for Needy Families, and Food Stamps programs.

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Chapter 1. Introduction

This information technology audit assessed the adequacy of selected eligibility data validation controls for the Medical Assistance (CFDA# 93.778), Temporary Assistance for Needy Families (CFDA# 93.558), and Food Stamps (CFDA#10.551) programs.

The Department of Human Services administers the Medical Assistance, Temporary Assistance for Needy Families, and Food Stamps programs for the State of Minnesota. The state and federal governments jointly fund the Medical Assistance and Temporary Assistance for Needy Families programs. However, the Food Stamps program is funded entirely by federal dollars. The federal government pays about half of the Medical Assistance costs. The remaining expenditures paid by the state are one of the most significant obligations of the General Fund. During fiscal year 2004, the state and federal governments each contributed about \$3 billion towards the cost of Medical Assistance, an increase of over 46 percent since fiscal year 2001.

In Minnesota, the responsibility for ensuring recipient eligibility is shared by the Department of Human Services and county caseworkers. County caseworkers process applications for public assistance programs. For some programs, that may include a face-to-face interview with the applicant. Caseworkers also review documents to verify certain information provided on the application. Specific requirements vary by program, but may include verification of income, assets, identity, residence, social security number, immigration status, relationship of household members, shelter costs, age, disability status, or pregnancy. Caseworkers file copies of the verification documents and enter the application data into MAXIS, a centralized computer system that determines eligibility for various public assistance programs. The Department of Human Services maintains MAXIS and provides caseworkers with policies and procedures to help them make consistent decisions and comply with state and federal requirements. The department also validates income and eligibility data by comparing it to similar data stored at other state and federal agencies. If discrepancies are found, the department disseminates that information to caseworkers for further investigation.

Chapter 2 discusses the scope, objectives, and methodology that we used to assess the adequacy of eligibility data validation controls. We obtained our evaluation criteria from three sources:

- Control Objectives for Information and Related Technology (COBIT);
- Office of Management and Budget Circular A-133 Compliance Supplement; and
- Code of Federal Regulations.

Published by the IT Governance Institute, COBIT includes 34 high-level control objectives and 318 detailed control objectives, grouped in four domains: Planning and Organization, Acquisition and Implementation, Delivery and Support, and Monitoring. The Compliance

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Supplement outlines provisions that federal agencies believe are vital to the successful management of their programs. It also identifies important compliance requirements that auditors are expected to consider. The Code of Federal Regulations outlines general and permanent rules for specific federal programs.

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Chapter 2. Validating Applicant and Recipient Eligibility Data

Chapter Conclusions

The department established an Income and Eligibility Verification System (IEVS) to validate the accuracy and completeness of eligibility data for Medical Assistance, Temporary Assistance for Needy Families, and Food Stamps recipients. However, some aspects of this system do not comply with federal regulations. Specifically, the department excluded certain types of eligibility data from validation without first obtaining the necessary approval from the federal government. The department also did not ensure that counties resolved IEVS discrepancies within federally mandated timelines. And finally, the department does not maintain records for applicants and recipients that show the results of all IEVS matches, as required by federal regulations.

We identified significant control deficiencies that could impact the department's ability to validate eligibility data completely and accurately. The department does not have appropriate controls to promptly resolve outstanding social security number issues. Without accurate social security numbers, the department cannot perform any of the federally mandated IEVS data validations. We also found many examples where caseworkers did not appropriately resolve IEVS discrepancies that could have impacted Medical Assistance eligibility for prior periods. We believe that unclear policy guidance and conflicting communications have led to confusion in this area. Inadequate security controls over some IEVS components make the system susceptible to abuse. And finally, the department did not design and implement effective controls to ensure that all IEVS file matches were completely and accurately processed.

To participate in certain federal programs, the state must implement an Income and Eligibility Verification System (IEVS). IEVS is a series of computerized file matches used to validate the accuracy and completeness of data provided by applicants and recipients of public assistance. The department uses IEVS to validate data for the Medical Assistance, Temporary Assistance for Needy Families, and Food Stamps programs. As illustrated in Table 2-1, the department validates income and eligibility data by comparing it to similar data stored at the Internal Revenue Service, Social Security Administration, and the Minnesota Department of Employment and Economic Development.

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**Table 2-1
 Required IEVS File Matches**

External Data Source	Recipient Data Validated
Internal Revenue Service	<ul style="list-style-type: none"> • Interest, dividends, and other forms of unearned income
Social Security Administration	<ul style="list-style-type: none"> • Retirement, survivors, disability insurance, Medicare, and supplemental security benefits • Wages, including self-employment and federal pension earnings
Minnesota Department of Employment and Economic Development	<ul style="list-style-type: none"> • Unemployment insurance benefits • Wages reported by Minnesota employers

Source: Auditor prepared.

Federal regulations also require states to perform computerized file matches to verify the accuracy of social security numbers. Commonly referred to as SSN Enumeration, this process compares social security numbers reported by applicants to information on file with the Social Security Administration. Many critical eligibility data verification controls are predicated on the accuracy of social security numbers. In fact, without accurate social security numbers, the department cannot perform the required IEVS file matches.

The department schedules IEVS and SSN Enumeration file matches to run on specific dates. County caseworkers must review and investigate the data discrepancies identified by these file matches. To do this, caseworkers often request authorization from recipients to contact their employers. Based on the information received from employers, caseworkers may dismiss discrepancies because they are in error or establish claims and/or redetermine eligibility. If recipients do not cooperate, their cases may be closed. For public assistance recipients, federal regulations require states to resolve at least 80 percent of the discrepancies within 45 days.

Audit Objectives

We designed this audit to assess the adequacy of eligibility data validation controls. Specific questions addressed included:

- Did the department’s data validation practices comply with federal requirements?
- Did the department design controls to ensure that eligibility data is completely and accurately validated?

Current Findings and Recommendations

1. Social security number validation follow-up controls were lax in several respects.

The department does not have reports or other control mechanisms to readily identify people with longstanding social security number discrepancies. Discrepancies occur when the number

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supplied by a person does not agree with Social Security Administration information. The department provides county caseworkers with a biweekly report that identifies social security number discrepancies. However, this report does not include dates to isolate discrepancies that have been outstanding for extended periods. We analyzed active cases in December 2004 and found 1,375 people with social security number discrepancies who collected benefits for over nine months. In one case, a social security number appeared to have been transposed when entered in MAXIS in December 2003. The error was not corrected, despite appearing on biweekly discrepancy reports for over a year. Developing reports that age outstanding discrepancies is one possible way to alert managers to high-risk cases.

The department also has inadequate controls over people who must apply for a social security number from the Social Security Administration. Applicants must supply a social security number to be eligible for most forms of public assistance. However, people in the process of applying for a number can collect benefits. When questioned, the department told us that it does not produce reports to alert caseworkers to missing social security numbers until they have been outstanding 270 days. Since it typically takes less than a month to apply for and receive a social security number, we believe that waiting 270 days to follow-up on cases with missing numbers is unreasonable. During December 2004, we identified 4,130 people with missing social security numbers who had collected benefits for over 270 days. Many had collected benefits for over 400 days.

Confirming the accuracy of social security numbers is vital. The department cannot perform federally mandated IEVS data validations without accurate social security numbers. Therefore, the department should develop new reports and procedures to aggressively pursue outstanding social security number issues.

Recommendations

- *The department should develop aging reports or other tools to help caseworkers and managers identify people with longstanding social security number discrepancies.*
- *The department should adopt procedures and develop reports to more aggressively pursue cases with missing social security numbers.*

2. The department did not use IEVS to validate eligibility data for many federal program recipients.

The department designed IEVS to exclude certain types of eligibility data from validation. Commonly referred to as “targeting,” the practice of not validating certain data is allowable under federal regulations. However, before deploying a targeting strategy, states must submit written justification to the appropriate federal agency for approval. The department did not seek federal approval for many of the targeting practices that we identified during our audit.

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For reporting purposes, we classified the unapproved targeting practices into five categories:

- unauthorized changes to approved discrepancy thresholds;
- data not validated for non-recipient members of a recipient's household;
- data not validated for recipients whose cases were not active for the entire period of an IEVS match;
- data not validated for recipients whose cases were inactive when an IEVS match was run; and
- data not validated for recipients whose cases were administered by the Mille Lacs Band of Ojibwe.

The following paragraphs discuss our concerns with each of these targeting practices in more detail.

Discrepancy thresholds

In 1990, the department received federal approval to use certain discrepancy thresholds for each of its IEVS data matches. Establishing thresholds helps the department and county caseworkers focus their resources on the most significant discrepancies. Since 1990, the department has made significant changes to its discrepancy thresholds. To illustrate, the department had approval not to investigate any Internal Revenue Service unearned income discrepancies below \$900 per year. The department subsequently changed the unearned income discrepancy threshold to \$2,000 per year. However, we found no evidence that the department sought approval for the change, as required by federal regulations. We also found other unapproved changes to IEVS discrepancy thresholds.

Data for household members of the recipient

The income of other individuals, such as family members residing in a household, is a factor that must be considered when determining eligibility for some federal programs. Though the department collects this data on its standard application for assistance, it does not validate its accuracy or completeness through IEVS, as required by federal regulations. In one case we reviewed, a household member of a Medical Assistant and Food Stamps recipient reported no income. However, after examining wage data gathered by the department, we learned that this individual earned \$25,000. The department requests household member validation data from external sources, such as the Minnesota Department of Employment and Economic Development. However, it does not use the data.

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Recipients who were not active for an entire IEVS match period

The department does not validate eligibility data for recipients who were not active for the entire period of a particular IEVS match. To illustrate, in August 2004, the department ran an IEVS file match to validate January through March 2004 wages. This IEVS match did not validate the accuracy or completeness of any wages reported by recipients whose cases were not active for the entire three month period. This one IEVS process excluded over 20,000 recipients. We found no provisions in federal regulations that give states the authority to exclude cases from validation for certain periods.

We recognize that matching data for periods that are not the same length will result in more discrepancies. However, the resulting information may help caseworkers identify inaccurate or incomplete eligibility data that they otherwise may miss. For example, one recipient that we reviewed reported no wages during the first quarter of 2004. However, wage data that the department obtained from the Minnesota Department of Employment and Economic Development indicated that this recipient earned \$35,462 during the quarter. The IEVS file match did not validate the reported wages because this recipient did not start receiving benefits until February 2004. Therefore, the caseworker never had an opportunity to question the recipient about the potential unreported income.

Recipients with cases that were inactive when an IEVS match was run

The department does not validate eligibility data for recipients whose cases were no longer active when an IEVS match was run. IEVS file matches typically run many months after the match period. For example, the 2004 first quarter wage match with the Minnesota Department of Employment and Economic Development was not run until August 2004. The department did not validate wages for any cases that closed prior to the date in August when the match was run, even if those cases were active during the match period. When questioned, managers told us they believe that the department does not have the legal authority to request information from people who are former recipients. Managers also indicated that people with closed cases would have no incentive to cooperate with caseworkers trying to resolve IEVS discrepancies.

We did not find any legal provisions prohibiting the department from validating data in closed cases. Furthermore, even though cases have been closed, we believe that it is prudent to confirm that people who received public assistance were in fact eligible.

Cases administered by the Mille Lacs Band of Ojibwe

The department did not provide IEVS discrepancy information to tribal caseworkers of the Mille Lacs Band of Ojibwe. The Mille Lacs Band of Ojibwe has contractual agreements with the state and federal governments to administer federal programs. These agreements provide tribal caseworkers with access to MAXIS, the statewide computer system used to determine eligibility

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for public assistance programs. The department ran the required IEVS file matches for cases managed by the Mille Lacs Band of Ojibwe. However, the department did not disseminate discrepancy information to the tribal caseworkers. When asked, the department indicated that federal regulations prohibit the disclosure of Internal Revenue Service data.

We encourage the department and Mille Lacs Band of Ojibwe leaders to seek approval to share federal tax data. In the meantime, the department should disseminate to tribal caseworkers IEVS discrepancy information that does not include Internal Revenue Service data.

Recommendations

- *The department should validate all income and eligibility data that is required to be validated by federal regulations. If it chooses to exclude certain types of income and eligibility data from its IEVS matches, the department should obtain federal approval.*
- *The department should obtain a legal opinion to determine if it can request information from people who are no longer active recipients of public assistance.*
- *The department should work with Mille Lacs Band of Ojibwe officials to seek approval to share federal tax data.*

3. The department has not clearly defined how IEVS discrepancy data impacts the eligibility of Medical Assistance recipients.

Policies and procedures provided to county caseworkers do not clearly explain what to do with IEVS discrepancy information for Medical Assistance (CFDA# 93.778) recipients. In some, but not all cases, policies instruct caseworkers to consider the impact of IEVS discrepancies on Medical Assistance eligibility and benefits. However, this policy guidance conflicts with other IEVS information distributed to caseworkers and what we were told during conversations with staff. Specifically, we were told that caseworkers do not use IEVS discrepancy data to determine if Medical Assistance recipients were over awarded or ineligible during prior periods. We think that unclear and conflicting directives have resulted in some caseworkers not diligently validating and resolving IEVS discrepancies for Medical Assistance recipients.

Computerized notes for many cases that we reviewed indicate that caseworkers are not adequately following up on IEVS discrepancies for the Medical Assistance program. In one instance, wage information gathered from the Minnesota Department of Employment and Economic Development indicated that a Medical Assistance recipient earned \$119,424 between January and March 2004. This same recipient reported to her caseworker biweekly earnings of only \$162. The caseworker resolved this IEVS discrepancy by indicating, “*Job was already on*

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file. Case is MA only and Job panels are not updated on a monthly basis. No further action required.” We found similar notes in other case files that we reviewed, supporting a decision not to pursue prior period eligibility concerns:

- *“Healthcare only so cannot go back and take away benefits. No affect.”*
- *“I cannot go back and take away MA NC(No Change). This job was not reported to me timely.”*
- *“Client is on MA, we will not go back so no action needed.”*
- *“On QMB/PDP; Would have been over Inc Standard but can’t go back and penalize.”*
- *“This would not affect his current MA, and we cannot go back.”*
- *“This income occurred in 2002 and client has only had MA, and we cannot go back and do a negative action.”*
- *“This job has not been verified. I cannot go back and take away HC(Healthcare) or issue an overpayment.”*
- *“No active food stamp program for time period, only MA for William and can’t go back for MA.”*
- *“Client on MA only, job was reported but monthly wages are not update for MA.”*

Given the enormous cost of Medical Assistance, the department and counties must do more to aggressively pursue recipients who collected benefits that were based on inaccurate or incomplete eligibility data. The department and counties also should take steps to quantify the amount of Medical Assistance paid on behalf of ineligible recipients. We recognize that there are significant challenges in recovering funds from ineligible people who actually received medical services. However, quantifying the extent of the problem will help the department and policy makers make more informed decisions.

Issues raised in this finding are similar to those expressed by our office in the August 2003 report, *“Controlling Improper Payments in the Medical Assistance Program.”* In that report, we commented that some departmental staff believed county caseworkers did not question applicants as much as they should about eligibility criteria, such as income and assets. The report also highlighted the fact that the department did not estimate payment error rates resulting from Medical Assistance eligibility and noted weaknesses with the pursuit of recipient fraud. Ultimately, the report concluded that the state’s approach to controlling improper payments needs more focus, coordination, and commitment.

Recommendations

- *The department should revise its Medical Assistance policies and procedures to ensure that caseworkers resolve all IEVS discrepancies, including those that pertain to prior eligibility periods.*
- *The department should track and quantify Medical Assistance payments made on behalf of ineligible recipients.*

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4. PRIOR FINDING PARTIALLY RESOLVED: The department did not ensure that counties resolve IEVS discrepancies within federally mandated timelines.

The department made progress to increase the timeliness of IEVS discrepancy resolutions. However, the department still is not in compliance with the resolution timeframes outlined in federal regulations. Federal regulations require states to resolve at least 80 percent of its IEVS discrepancies within 45 days. By not promptly resolving discrepancies, the department is at risk of providing assistance payments to ineligible recipients and could be penalized by the federal government.

Between July 2003 and July 2004, caseworkers resolved 75.4 percent of all IEVS discrepancies in 45 days or less. In fact, 66 of the 87 counties in Minnesota met the 80 percent requirement. However, unacceptable compliance rates at the remaining 21 counties decreased the overall statewide average to a level that did not comply with federal regulations. Table 2-2 lists the 21 counties that did not resolve 80 percent of their IEVS discrepancies within 45 days:

**Table 2-2
 Counties Not In Compliance With IEVS Resolution Requirements
 July 2003 through July 2004**

County Name	Discrepancies to Resolve	More than 45 Days	Compliance Rate
Beltrami	1,470	462	68.57%
Chippewa	273	81	70.33%
Chisago	569	130	77.15%
Clearwater	185	39	78.92%
Douglas	525	113	78.48%
Goodhue	471	108	77.07%
Grant	120	50	58.33%
Hennepin	23,926	8,927	62.69%
Isanti	563	221	60.75%
Itasca	848	306	63.92%
LeSueur	379	86	77.31%
Lyon	475	132	72.21%
Otter Tail	853	208	75.62%
Ramsey	10,200	3,580	64.90%
Renville	410	96	76.59%
Sibley	242	56	76.86%
Steele	913	430	52.90%
Todd	406	117	71.18%
Washington	1,767	751	57.50%
Winona	657	140	78.69%
Wright	1,138	341	70.04%

Source: Auditor prepared.

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Recommendation

- *The department should work with the county social service agencies to improve their IEVS discrepancy resolution processes. Special emphasis should be directed to counties not in compliance with federal regulations.*

5. PRIOR FINDING PARTIALLY RESOLVED: Many employees had inappropriate security clearance to change IEVS data.

Many employees had security clearances that they did not need to fulfill their job duties. Some groups of people had broad clearance to read and update the discrepancy thresholds used by the IEVS programs, as well as other critical MAXIS data and computer programs. After examining these groups, we identified more than 100 information technology professionals whose job responsibilities did not require such clearance.

We raised concerns with the broad access of these information technology professionals in a security report released in August 2002. Since then, the department has worked to reduce some of the data and programs that these individuals can access. However, additional work remains to reduce the risk of inadvertent or unauthorized changes to critical data and computer programs.

Recommendation

- *The department should ensure that all security clearances are commensurate with employees' job duties.*

6. The department lacked effective controls to ensure that IEVS file matches were completely processed.

The department did not monitor its IEVS file match programs to ensure that processing results were in line with expectations. Although the department produced various control reports to tally the number of records processed by its data matching programs, it never compared those results to expectations. Errors could occur and go undetected because the department lacks these important process-monitoring controls.

The department also does not have controls to ensure that 1) it gets all IEVS match files that it requests from external entities, such as the Minnesota Department of Employment and Economic Development, and 2) files returned contain the proper data. The department sends files to external entities requesting records for specific recipients of public assistance. However, it does not reconcile the records obtained to those requested. Without this control, the department has no mechanism to detect missing or incomplete files.

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Recommendations

- *The department should review IEVS processing results to ensure that they do not deviate from expectations.*
- *The department should develop procedures to ensure that it receives all data requested from external entities.*

7. The department does not have a sufficient audit trail to prove that required IEVS matches have been completed.

The department does not maintain records for applicants and recipients that show the results of all IEVS matches. Federal regulations require states to maintain records that show the disposition of IEVS information. Currently, the disposition of IEVS discrepancy information sent to county caseworkers can be accessed through MAXIS. However, the department does not maintain records for IEVS data that it excluded from validation. Without this information, we could not determine if the department performed all required IEVS validations for specific applicants and recipients.

Recommendation

- *The department should establish an audit trail to track the status of IEVS file matches.*



Minnesota Department of **Human Services**

February 18, 2005

James R. Nobles, Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Dear Mr. Nobles:

The enclosed material is the Department of Human Services response to the findings and recommendations included in the draft audit report of the Department's Medical Assistance, Temporary Assistance for Needy Families, and Food Stamp programs Eligibility Data Validation Controls for the fiscal year ended June 30, 2004. It is our understanding that our response will be published in the Office of the Legislative Auditor's final audit report.

The Department of Human Services policy is to follow up on all audit findings to evaluate the progress being made to resolve them. Progress is monitored until full resolution has occurred. If you have any further questions, please contact David Ehrhardt, Internal Audit Director, at (651) 282-9996.

Yours sincerely,

/s/ Kevin Goodno

Kevin Goodno
Commissioner

Enclosure

cc: Christopher Buse

**Department of Human Services
Response to the Legislative Audit Report on
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Audit Finding #1

Social security number validation follow-up controls were lax in several respects.

Audit Recommendation #1

The department should develop aging reports or other tools to help caseworkers and managers identify people with longstanding social security number discrepancies.

The department should adopt procedures and develop reports to more aggressively pursue cases with missing social security numbers.

Department Response #1

The department agrees with both recommendations. We are working on an implementation plan to develop appropriate tracking tools, policies, and procedures to manage longstanding social security number discrepancies.

Person Responsible: Kate Wulf

Estimated Completion Date: September 30, 2005

Audit Finding #2

The department did not use IEVS to validate eligibility data for many federal program recipients.

Audit Recommendation #2-1

The department should validate all income and eligibility data that is required to be validated by federal regulations. If it chooses to exclude certain types of income and eligibility data from its IEVS matches, the department should obtain federal approval.

Department Response #2-1

The department agrees with the recommendation. We will obtain clarification from the Department of Health and Human Services on which populations we are required to validate and will revise and resubmit our targeting plan. The department will

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submit for federal approval an updated targeting plan for any excluded income types and eligibility data from its IEVS matches.

Audit Recommendation #2-2

The department should obtain a legal opinion to determine if it can request information from people who are no longer active recipients of public assistance.

Department Response #2-2

The department agrees with the recommendation. We will obtain a legal opinion on this issue.

Audit Recommendation #2-3

The department should work with Mille Lacs Band of Ojibwe officials to seek approval to share federal tax data.

Department Response #2-3

The department originally shared federal tax data with the Mille Lacs Band of Ojibwe. The Internal Revenue Service (IRS) audited the department for compliance with their requirements concerning the sharing of federal tax information. They found that we had violated their regulations by sharing this data with the Mille Lacs Band of Ojibwe. We then appealed their finding but the IRS denied our appeal. After the denial, we removed the Mille Lacs Band of Ojibwe's access. The department is currently working with the Department of Health and Human Services to resolve the conflicting federal requirements.

Person Responsible: Ramona Scarpace

Estimated Completion Date: June 30, 2005

Audit Finding #3

The department has not clearly defined how IEVS discrepancy data impacts the eligibility of Medical Assistance recipients.

**Department of Human Services
Response to the Legislative Audit Report on
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Audit Recommendation #3

The department should revise its Medical Assistance policies and procedures to ensure that caseworkers resolve all IEVS discrepancies, including those that pertain to prior eligibility periods.

The department should track and quantify Medical Assistance payments made on behalf of ineligible recipients.

Department Response #3

The department agrees with the recommendations and will begin drafting a corrective action plan.

Person Responsible: Kathleen Henry

Estimated Completion Date: September 30, 2005

Auditing Finding #4

PRIOR FINDING PARTIALLY RESOLVED: The department did not ensure that counties resolve IEVS discrepancies within federally mandated timelines.

Audit Recommendation #4

The department should work with the county social service agencies to improve their IEVS discrepancy resolution processes. Special emphasis should be directed to counties not in compliance with federal regulations.

Department Response #4

The department agrees with the recommendation and will continue to work with counties, particularly those not in compliance with federal regulations, to improve the timeliness of IEVS resolutions statewide.

Person Responsible: Ramona Scarpace

Estimated Completion Date: June 30, 2005

**Department of Human Services
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Audit Finding #5

PRIOR FINDING PARTIALLY RESOLVED: Many employees had inappropriate security clearance to change IEVS data.

Audit Recommendation #5

The department should ensure that all security clearances are commensurate with employees' job duties.

Department Response #5

The department has made substantial progress in this area and agrees that additional work remains.

Person Responsible: Kate Wulf

Estimated Completion Date: September 30, 2005

Audit Finding #6

The department lacked effective controls to ensure that IEVS file matches were completely processed.

Audit Recommendation #6

The department should review IEVS processing results to ensure that they do not deviate from expectations.

The department should develop procedures to ensure that it receives all data requested from external entities.

Department Response #6

The department agrees with the recommendation. We will make changes to send alerts when expected file totals don't match normal processed totals.

Person Responsible: Kate Wulf

Estimated Completion Date: September 30, 2005

**Department of Human Services
Response to the Legislative Audit Report on
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Audit Finding #7

The department does not have a sufficient audit trail to prove that required IEVS matches have been completed.

Audit Recommendation #7

The department should establish an audit trail to track the status of IEVS file matches.

Department Response #7

The department disagrees with this finding and recommendation. In our opinion, we are not required to track IEVS matches that were excluded from county review based on our targeting plan. We will seek federal clarification on this issue.

Person Responsible: Kate Wulf

Estimated Completion Date: September 30, 2005