



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

Financial Audit Division Report

Department of Human Services
Federal Program Compliance
Year Ended June 30, 2007



Financial Audit Division

The Office of the Legislative Auditor (OLA) is a professional, nonpartisan office in the legislative branch of Minnesota state government. Its principal responsibility is to audit and evaluate the agencies and programs of state government (the State Auditor audits local governments).

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.

The division has a staff of approximately forty auditors, most of whom are CPAs. The division conducts audits in accordance with standards established by the American Institute of Certified Public Accountants and the Comptroller General of the United States.

Consistent with OLA's mission, the Financial Audit Division works to:

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

Through its Program Evaluation Division, OLA conducts several evaluations each year.

OLA is under the direction of the Legislative Auditor, who is appointed for a six-year term by the Legislative Audit Commission (LAC). The LAC is a bipartisan commission of representatives and senators. It annually selects topics for the Program Evaluation Division, but is generally not involved in scheduling financial audits.

All findings, conclusions, and recommendations in reports issued by the Office of the Legislative Auditor are solely the responsibility of the office and may not reflect the views of the LAC, its individual members, or other members of the Minnesota Legislature.

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Financial Audit Division Report

**Department of Human Services
Federal Program Compliance**

Year Ended June 30, 2007

March 28, 2008

08-12

FINANCIAL AUDIT DIVISION

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**Department of Human Services
Federal Program Compliance**

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Audit Participation

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

Cecile M. Ferkul, CPA, CISA	Deputy Legislative Auditor
Michael Hassing CPA, CISA	Audit Manager
Susan Kachelmeyer, CPA, CISA	Auditor-in-Charge (DHS)
Sonya Johnson, CPA	Auditor-in-Charge (County)
Melanie Greufe	Lead Worker (DHS/County)
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Jennifer Cooper	Auditor
Tracy Gebhard	Auditor
Kathy Rootham	Auditor
Emily Wiant	Auditor
Zach Yzermans	Auditor
Joseph Dreschler	Audit Intern
Danielle Mathiason	Audit Intern

**Department of Human Services
Federal Program Compliance**

Exit Conference

We discussed the findings and recommendations in this report with the following staff of the Department of Human Services on March 12, 2008:

Brian Osberg	Assistant Commissioner
Jane Hardwick	Chief Financial Officer
David Ehrhardt	Internal Audit Director
Martin Cammack	Financial Operations Director
Terri Engel	Accounting Operations Manager
Chris Ricker	Fiscal Operations Manager
David Ball	Budget Operations Manager
Chris Reisdorf	Health Care Manager
Larry Kontio	Health Care Eligibility Manager
Barb Martin	IEVS Coordinator

Department Human Services Federal Program Compliance

Report Summary

Conclusions:

The department generally complied with federal requirements for the administration of federal programs. However, the department had some weaknesses in its internal controls over the financial management and reporting of federal financial activity which resulted in several findings.

The audit report contains nine audit findings relating to internal control and legal compliance. We also reported ten noncompliance issues to eight counties.

Key Findings:

- PRIOR FINDING NOT RESOLVED: The department had significant deficiencies in its process for certifying federal payroll costs. ([Finding 1, page 5](#))
- The department did not comply with federal cash management requirements in one federal program. ([Finding 4, page 7](#))
- PRIOR FINDING NOT RESOLVED: The department submitted some inaccurate and late reports to the federal government. ([Findings 5 and 6, pages 8-9](#))
- The department did not adequately monitor a vendor in the federal Medical Assistance Program. ([Finding 7, page 9](#))
- The department did not adequately oversee the county human service agencies that are responsible for eligibility determination for public assistance programs. ([Finding 8, page 10](#); also, see attached county reports.)

Key Findings – Selected County Human Services Offices:

- The counties did not have documentation to support the citizenship requirements for all recipients of assistance in some cases.

Audit Scope:

- Financial activity material to the State of Minnesota’s fiscal year 2007 financial statements, including state and federal payments for medical services, income support for needy people and families, and payments to counties for program administrative services.
 - Internal control and federal compliance over nine federally funded programs, such as Medical Assistance, State Children’s Health Insurance, Temporary Assistance to Needy Families, Food Stamps, Child Support Enforcement, and Child Care.
 - Testing of recipient eligibility for the Medical Assistance and Temporary Assistance for Needy Families programs at selected county human services offices.
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Agency Background:

The Department of Human Services is Minnesota’s principal state agency responsible for administering public assistance and social service programs. County human services offices determine eligibility for most of these programs.

**Department Human Services
Federal Program Compliance**

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OFFICE OF THE LEGISLATIVE AUDITOR

State of Minnesota • James Nobles, Legislative Auditor

Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Cal R. Ludeman, Commissioner
Department of Human Services

We have performed certain audit procedures at the Department of Human Services as part of our audit of the basic financial statements of the State of Minnesota for the year ended June 30, 2007. We also audited the state's compliance with applicable requirements governing the administration of federal awards for the year ended June 30, 2007, as described in the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

The Department of Finance is primarily responsible for statewide financial reporting. The department prepares the *Comprehensive Annual Financial Report* that contains the state's basic financial statements and our opinion on those statements. The Department of Finance also annually prepares the *Minnesota Financial and Compliance Report of Federally Assisted Programs*. This report provides the federal government with information about the state's use of federal funds and its compliance with federal program requirements. The report includes the results of our audit work, conclusions on the state's internal controls over and compliance with federal programs, and findings about control and compliance weaknesses.

The scope of our audit work at the Department of Human Services included:

- Activities that were material to the state's basic financial statements. These activities included payments to counties for the administration of various programs, payments made through the department's eligibility system for family support programs, medical program expenses, and Medical Assistance drug rebates. We performed certain audit procedures on these activities as part of our objective to obtain reasonable assurance about whether the State of Minnesota's financial statements for the year ended June 30, 2007, were free of material misstatement.
- Major federal programs administered by the Department of Human Services, as identified in Table 1. We performed certain audit procedures on these programs as part of our objective to obtain reasonable assurance about whether the State of Minnesota complied with the types of compliance requirements that are applicable to each of its major federal programs. We also audited the department's cash management practices

Department of Human Services Federal Program Compliance

and other general compliance requirements related to federal assistance. To support our conclusions on recipient eligibility for the Medical Assistance, State Children’s Health Insurance, and Temporary Assistance for Needy Families programs, we performed certain limited audit procedures at selected county human services offices. The *Circular A-133 Compliance Supplement* requires us to audit recipient eligibility determinations at the county level as part of our audit of the Department of Human Services’ benefit payment process. We have attached letters to the eight county human services offices where we tested recipient eligibility determinations. These letters report the results of that work and include some instances of noncompliance and recommendations for improvement.

We emphasize that this has not been a comprehensive audit of the Department of Human Services.

Table 1
Major Federal Programs
Administered by the Department of Human Services
Fiscal Year 2007 (in thousands)

<u>CFDA</u> ¹	<u>Program Name</u>	<u>Federal Expenditures</u>
	Food Stamp Cluster: ²	
10.551	Food Stamps	\$ 292,663
10.561	Food Stamp Administration	\$ 49,830
93.558	Temporary Assistance for Needy Families	\$ 227,200
93.563	Child Support Enforcement	\$ 97,286
	Child Care Cluster:	
93.575	Child Care and Development Block Grant	\$ 80,364
93.596	Child Care Mandatory and Matching Fund	\$ 45,416
93.658	Foster Care	\$ 46,180
93.659	Adoption Assistance	\$ 24,347
93.667	Social Services Block Grant	\$ 34,268
93.767	State Children’s Health Insurance	\$ 62,584
	Medical Assistance Cluster:	
93.778	Medical Assistance	\$ 3,288,100
93.777	State Health Care Providers’ Survey	\$ 4,155
93.776	Hurricane Katrina Relief Program	\$ 0

¹The Catalog of Federal Domestic Assistance (CFDA) is a unique number assigned by the federal government to identify its programs.

²A cluster of programs is a group of closely related programs that have similar compliance requirements and are treated as a single program.

Source: Selected accounting transactions within the Minnesota Accounting and Procurement System for fiscal year 2007.

Department of Human Services Federal Program Compliance

Conclusions

We issued an unqualified audit opinion,¹ dated December 7, 2007, on the State of Minnesota's basic financial statements for the year ended June 30, 2007. In accordance with *Government Auditing Standards*, we also issued our report, dated February 11, 2008, on our consideration of the State of Minnesota's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. This report includes control deficiencies related to the Department of Human Services' financial activity. These deficiencies resulted in errors in the department's process for reporting accrual activity for the state's Comprehensive Annual Financial Report, a significant payment to an invalid vendor, and errors in the preparation of the Schedule of Expenditures of Federal Awards. The Department of Finance is primarily responsible for the state's financial reporting process and, therefore, we included these concerns in our report to the Department of Finance issued in February 2008 ([Legislative Audit Report #08-02](#)).

The Department of Human Services generally complied with and had controls to ensure compliance with certain provisions of laws, regulations, contracts, and grants applicable to its major federal programs for fiscal year 2007. However, the department had the following weaknesses:

Findings and Recommendations

1. PRIOR FINDING NOT RESOLVED: The Department of Human Services had significant deficiencies in its process for certifying federal payroll costs.

The department did not design adequate internal controls over its certification process for federal payroll costs and was unable to provide sufficient evidence that it adequately monitored the activity. Federal requirements² state that employees working solely on a single federal award or cost objective will have their salaries or wages supported by periodic certifications. The department combines an electronic and manual system to produce certification forms for federally funded employees on a quarterly basis. Employees and their supervisors provide an electronic signature to finalize the process. The certification process affects the following federal programs: Food Stamps Cluster (CFDA 10.551 and CFDA 10.561), Temporary Assistance to Needy Families (CFDA 93.558), Child Care Development Cluster (CFDA 93.575 and CFDA 93.596), and Social Services Block Grant (CFDA 93.667).

The department had the following significant deficiencies in its federal payroll certification process:

¹ An unqualified audit opinion means that we concluded that the state fairly presented its financial data in its basic financial statements.

² U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

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- The department did not sufficiently monitor employee access to the certification process. The department gave unlimited access to two financial management employees responsible for the oversight of the department's certification process and two information system employees who assist the financial management employees with underlying technology needs. These employees had the ability to manipulate the system without an approval or review process, and the department did not monitor these employees' activities. We noted in our prior report³ that these financial management staff had inappropriately signed certifications for employees and their supervisors in order to clear certifications for three former employees. Since we reported these issues, the department has not taken any action to resolve this weakness.
- The department did not retain documentation to support federal payroll charges it certified. For three quarters of fiscal year 2007, the department did not retain a table it created from the state's payroll system that listed all employees paid with federal funds. The department used this table as a basis for identifying employees who are required to submit certifications. Without this information, the department could not support that it had obtained certifications for all employees subject to the certification process.

Recommendation

- *The department should monitor and review the certification process to decrease the potential for inaccurate federal payroll certifications and retain adequate documentation to support federal payroll charges.*

2. The Department of Human Services incorrectly allocated indirect payroll costs to two federal programs.

The department made errors when it allocated payroll costs to the Child Care and Development Cluster (CFDA 93.575 and CFDA 93.596) and the Medical Assistance Program (CFDA 93.778). The department entered incorrect percentages into its cost allocation plan that resulted in the Child Care and Development Cluster being overcharged and the Medical Assistance Program being undercharged by \$192,000, respectively, during fiscal year 2007. The department did not have adequate procedures to ensure that it used the authorized allocation rates or to detect an error if it occurs.

Recommendations

- *The department should reallocate \$192,000 between the Child Care and Development Cluster and the Medical Assistance Program.*
- *The department should verify the accuracy of all data used for federal payroll cost allocation.*

³ Legislative Audit [Report 07-08](#), Department of Human Services, issued March 23, 2007.

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3. The Department of Human Services did not have adequate internal controls over some data input into the state's accounting system.

The department coded \$1.2 million of federal expenditures for the Adoption Assistance Program (CFDA 93.659) to state fiscal year 2008 instead of the fiscal year to which the activity related. Generally accepted accounting principles require that expenditures be recognized when the liability is incurred or when the services were provided. The department's controls did not identify the inaccurate and inconsistent reporting of financial activity.

In addition, the department incorrectly coded some payments made to individuals as expenditures for repairs, alterations, and maintenance within the Child Care and Development Cluster Program (CFDA 93.575 and CFDA 93.596). This resulted in an over-reporting of \$242,000 for repairs, alterations, and maintenance and an under-reporting of \$242,000 for payments to individuals. The error was not detected by the department's staff even though building related expense is not an expected activity in this federal program. Although the actual payment was a valid expenditure, a weakness in the department's internal controls existed because procedures did not include verification of authorized and approved transactions after they were entered into the system.

Recommendation

- *The department should design and implement internal controls that include a review of the completeness and reasonableness of the recorded financial activity.*

4. The Department of Human Services was not in compliance with federal cash management requirements for one federal program.

The department did not comply with its Treasury-State Agreement for the Temporary Assistance for Needy Families (TANF) Program (CFDA 93.558). In accordance with the federal Cash Management Improvement Act, the department agreed to minimize the time it holds federal cash. For the TANF Program, the department agreed to a one-day clearing pattern between draws and expenditures of federal funds. On five occasions in fiscal year 2007, the department exceeded its one-day limit and had excess cash on hand. The number of consecutive days in which the program had positive cash balances ranged from 4 to 32 days, and the positive federal cash amounts per day were from \$206,000 through \$11 million. The average daily balance during those periods was approximately \$5.2 million. The department requests TANF funds on a reimbursement basis and normally does not maintain a positive balance. However, the department periodically adjusted TANF expenditures eligible for federal reimbursement, which impacted the cash balances on hand. In prior years, the department returned excess funds by making several "negative" draws, but discontinued this practice in fiscal year 2007.

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Recommendation

- *The department should comply with the federal Cash Management Improvement Act and its Treasury-State Agreement by maintaining minimum program cash balances.*

5. PRIOR FINDING NOT RESOLVED: The Department of Human Services submitted some inaccurate reports to the federal government.

The department did not have sufficient internal controls to ensure the accuracy of reports for three of its federal programs – Food Stamps Cluster (CFDA 10.551 and CFDA 10.561), Medical Assistance (CFDA 93.778), and State Survey and Certification of Health Care Providers and Suppliers (CFDA 93.777).

- The department submitted reports⁴ for three quarters of fiscal year 2007 that did not accurately summarize the Food Stamps Cluster’s financial activity. Due to the vacancy of a key position, department staff did not detect errors in the reports before they were submitted to the federal government. The types of errors included data entry mistakes, incorrect formulas, and incomplete reporting of program activity. For example, the department understated “total unobligated balances of federal awards” by \$600,000, \$3.3 million, and \$900,000, respectively, for the first, second, and third quarter of federal fiscal year 2007. The federal oversight agency also questioned why it could not directly compare individual row and column entries on the reports with award draws on the federal tracking system.
- The department understated its MinnesotaCare tax receipts on the June 30, 2007, quarterly report⁵ for the Medical Assistance Cluster by \$3.7 million. The department neglected to update the template for the report and resubmitted the April 30, 2007, amount. In addition, the department understated its drug rebate offset by \$247,000. The department was unable to substantiate the drug rebate amount it reported.
- The department overstated its expenditures on the June 30, 2007, quarterly report⁵ for the Medical Assistance Cluster by approximately \$372,000. This error occurred because the department double counted the traumatic brain injury waiver amount. The federal regulators changed the reporting methodology and format for the waiver in fiscal year 2007. The department appropriately added a separate line for the traumatic brain injury waiver, but neglected to subtract the waiver amount from the program total previously reported.

⁴ Quarterly Financial Status Report for the Food Stamps Program (SF-269). This report shows certain federal grant activity, including awards and expenditures.

⁵ Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64). This report shows certain federal grant activity, including awards and expenditures.

Department of Human Services Federal Program Compliance

Recommendations

- *The department should improve internal controls over federal reporting to ensure accurate reporting for all of its federal reports.*
- *The department should correct the inaccuracies in its fiscal year 2007 federal reports.*

6. PRIOR FINDING NOT RESOLVED: The Department of Human Services submitted reports late to the federal government for three federal programs.

The department did not maintain sufficient internal controls to ensure the timeliness of reports for three of its federal programs - Medical Assistance Program (CFDA 93.778), State Children's Health Insurance Program (CFDA 93.767), and the State Survey and Certification of Health Care Providers and Suppliers Program (CFDA 93.777). The department did not submit its quarterly reports⁶ to the federal government within 30 days after the end of the quarter, as required by federal regulations. During fiscal year 2007, the department electronically filed each initial quarterly report late. The department submitted the reports from 30 to 64 days after the due dates.

Recommendation

- *The department should improve its reporting process to ensure timely completion of all of its federal reports.*

7. The Department of Human Services did not adequately monitor a vendor in the federal Medical Assistance Program.

The department did not adequately monitor the activity for one Medical Assistance Program (CFDA 93.778) vendor. Federal grant agreements require management to monitor that vendors appropriately use federal funds. The department developed specific reporting requirements in the contract to allow it to actively monitor the quality and extent of this vendor's services. However, the department did not obtain all of the contractually required reports. At our request, the department obtained copies of the vendor's annual audited financial statements and call center activity reports. The department paid approximately \$18 million for special transportation and other medical assistance services to this vendor in fiscal year 2007.

⁶ Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (CMS-64) and State Children's Health Insurance Program (CMS-21). These reports show certain federal grant activity, including awards and expenditures.

Department of Human Services Federal Program Compliance

Recommendation

- *The department should more carefully monitor its special transportation services vendor to ensure that the vendor complies with contractual requirements.*

8. The Department of Human Services did not adequately oversee county human service agencies that are responsible for eligibility determination for public assistance programs.

The department needs to improve its oversight of counties that determine eligibility for certain public assistance programs. The counties' human service agencies are responsible for application intake and determination of eligibility for certain federal programs, including Temporary Assistance for Needy Families (TANF - CFDA 93.558) and Medical Assistance (CFDA 93.778).

The department identifies income discrepancies through the Income Eligibility and Verification System. The income verification process compares the information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service. Discrepancies occur when the income amounts recorded in the state's eligibility determination system differs by more than a pre-established target amount from these other data sources. The department communicates discrepancy information to county human service agencies. The federal government requires the state to resolve at least 80 percent of income discrepancies within 45 days. The state delegates the responsibility to resolve the discrepancies to the county and expects the counties to resolve 80 percent of their cases in order for the state to meet the federal requirement.

The data for the period May 1, 2006, to April 30, 2007, indicated that several counties had not resolved at least 80 percent of their discrepancies in a timely manner. In that period, there were 20 counties below the 80 percent threshold, with resolution rates ranging from 64.36 to 79.94 percent.⁷ For the 12 months ended April 30, 2006, 15 counties did not meet the federal requirement, with resolution rates ranging from 59.16 to 79.52 percent

Recommendation

- *The department should work with counties to ensure the timely resolution of discrepancies identified by the Income Eligibility Verification System.*

⁷ We also reported this noncompliance to specific counties included in our eligibility verification testing, as reported in the attached letters.

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9. The Department of Human Services did not comply with citizenship verification requirements for one federal healthcare program.

The Department of Human Services' MinnesotaCare (MnCare) Division did not comply with federal regulations that require that the department retain documentation to substantiate applicants' citizenship as a condition of initial and continued eligibility for certain federal health care programs. According to the Center for Medicare and Medicaid Services' regulations, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation.⁸ In 5 of 49 cases tested for the State Children's Health Insurance Program (CFDA 93.767), the department did not have evidence of citizenship documentation in the files.

Recommendation

- *The department should ensure that it properly documents evidence of citizenship for federal health program applicants.*

This report is intended for the information of the Legislative Audit Commission and the management of the Department of Human Services. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 28, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

⁸ As reported in the attached letters, county human service offices also did not maintain adequate documentation of recipients' citizenship when making eligibility determinations for the Medical Assistance Program (CFDA 93.778).

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Federal Program Compliance**

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Department of Human Services Federal Program Compliance

Status of Prior Audit Issues As of January 25, 2008

March 23, 2007, Legislative Audit Report 07-08 examined the Department of Human Services' activities and programs material to the State of Minnesota's *Comprehensive Annual Financial Report* and the Single Audit for the year ended June 30, 2006. The report contained six findings directed to the department. The department resolved three of these findings. The department continued to have weaknesses in its process to allocate and certify salaries to federal programs, as reported in Finding 1 of the current report. The department also had errors in its federal reports and did not submit some reports by the federal reporting deadlines, as reported in Findings 5 and 6 of the current report. In addition, we repeated an issue of significant weaknesses in the state's process (including the Department of Human Services) for preparing the Schedule of Expenditures of Federal Awards to the Department of Finance in our Report on Internal Control Over Statewide Financial Reporting ([Report 08-02](#)) as Finding 11.

The report also included three findings resulting from our eligibility testing at the county level. We have repeated two of these issues as partially resolved in the letters to the county human services offices included with this year's report.

**Department of Human Services
Federal Program Compliance**

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Minnesota Department of **Human Services**

March 21, 2007

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 financial and compliance audit conducted by your office for the year ended June 30, 2007. 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) 431-3619.

Sincerely,

/s/ Cal R. Ludeman

Cal R. Ludeman
Commissioner

Enclosure

**Department of Human Services
Response to the Legislative Audit Report
For the Year Ended June 30, 2007**

Audit Finding #1

PRIOR FINDING NOT RESOLVED: The Department of Human Services had significant deficiencies in its process for certifying federal payroll costs.

Audit Recommendation #1

The department should monitor and review the certification process to decrease the potential for inaccurate federal payroll certifications and retain adequate documentation to support federal payroll charges.

Department Response #1

The department agrees with the recommendation. System changes have already been made to retain comprehensive supporting documentation at the end of each quarter's federal payroll certification. The department is reviewing all procedures and documentation and will improve internal controls over the certification process by enforcing system edits and controls.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: April 30, 2008

Audit Finding #2

The Department of Human Services incorrectly allocated indirect payroll costs to two federal programs.

Audit Recommendation #2-1

The department should reallocate \$192,000 between the Child Care and Development Cluster and the Medical Assistance Program.

Department Response #2-1

The department agrees with the recommendation. Necessary adjustments were made during the quarter ended September 30, 2007.

**Department of Human Services
Response to the Legislative Audit Report
For the Year Ended June 30, 2007**

Audit Recommendation #2-2

The department should verify the accuracy of all data used for federal payroll cost allocation.

Department Response #2-2

The department agrees with the recommendation. Data used for federal payroll cost allocation is reviewed for accuracy by the lead worker.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: April 30, 2008

Audit Finding #3

The Department of Human Services did not have adequate internal controls over some data input into the state's accounting system.

Audit Recommendations #3

The department should design and implement internal controls that include a review of the completeness and reasonableness of the recorded financial activity.

Department Response #3

The department agrees with the recommendation. Internal controls for manual payments have been reviewed and enhanced. Manual payment procedures have also been documented and reviewed with accounts payable staff. To assure continuity, the procedures are maintained on an internal web page.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: Completed

**Department of Human Services
Response to the Legislative Audit Report
For the Year Ended June 30, 2007**

Auditing Finding #4

The Department of Human Services was not in compliance with federal cash management requirements for one federal program.

Audit Recommendation #4

The department should comply with the federal Cash Management Improvement Act and its Treasury-State Agreement by maintaining minimum program cash balances.

Department Response #4

The department agrees with this recommendation and will monitor the TANF program cash balances more closely. The department will perform negative draws when necessary to adjust cash balances, as permitted by the federal letter of credit system.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: April 30, 2008

Audit Finding #5

PRIOR FINDING NOT RESOLVED: The Department of Human Services submitted some inaccurate reports to the federal government.

Audit Recommendation #5-1

The department should improve internal controls over federal reporting to ensure accurate reporting for all of its federal reports.

Department Response #5-1

The department agrees with the recommendation. The department is in the process of documenting existing procedures for completing these federal reports, and will review and re-engineer the procedures to improve accuracy of reporting. The technical Food Stamps reporting process has been converted to a spreadsheet.

**Department of Human Services
Response to the Legislative Audit Report
For the Year Ended June 30, 2007**

This change will reduce the risk of inaccuracies, and will increase the time for additional review prior to report submission.

Audit Recommendation #5-2

The department should correct the inaccuracies in its fiscal year 2007 federal reports.

Department Response #5-2

The department agrees with the recommendation and has made the necessary adjustments to its fiscal year 2007 federal reports.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: Completed

Audit Finding #6

PRIOR FINDING NOT RESOLVED: The Department of Human Services submitted reports late to the federal government for three federal programs.

Audit Recommendation #6

The department should improve its reporting process to ensure timely completion of all of its federal reports.

Department Response #6

The Department agrees with the recommendation. The department will identify the specific factors contributing to late submission, and will address those factors within its control. Each quarter, department staff coordinate and plan report submission with their contacts at CMS.

Person Responsible: Martin Cammack, Financial Operations Director

Estimated Completion Date: June 30, 2008

**Department of Human Services
Response to the Legislative Audit Report
For the Year Ended June 30, 2007**

Audit Finding #7

The Department of Human Services did not adequately monitor a vendor in the federal Medical Assistance Program.

Audit Recommendation #7

The department should more carefully monitor its special transportation services vendor to ensure that it complies with contractual requirements.

Department Response #7

The department agrees with the recommendation that the monitoring of the MTM contract is critical and increased attention needs to be paid to it. The reporting requirements put into the contract were added as general oversight and not because of the vendor's past performance in other states. We have obtained the requested reports and will forward them to your office.

Person Responsible: Jeff Schiff, M.D.,
Health Services and Medical Management Director

Estimated Completion Date: June 30, 2008

Audit Finding #8

The Department of Human Services needs to improve its oversight of county human service agencies that are responsible for eligibility determination for public assistance programs.

Audit Recommendation #8

The department should work with counties to ensure the timely resolution of discrepancies identified by the Income Eligibility Verification System.

Department Response #8

Based on data from InfoPac Report FN750301 – IEVS Quarterly Timeliness Report, the department believes that for the period May 1, 2006 to April 2007 Minnesota was in compliance with the federal requirement to resolve at least 80% of IEVS matches statewide within 45 days. However, we do agree with the auditors that for the state to meet this federal requirement, counties need to be resolving matches timely. We

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Response to the Legislative Audit Report
For the Year Ended June 30, 2007**

share the auditors' concern that for the time period May 1, 2006 to April 2007, 20 counties had more than 20% of IEVS matches overdue and that this was an increase from the previous year. A goal for all counties should be to resolve 80% of their matches within the 45 day timeframe.

The Department does agree with the recommendation and plans to continue working with the counties to insure timely resolution of IEVS matches.

Person Responsible: Ramona Scarpace,
Program Assessment and Integrity Division Director

Estimated Completion Date: June 30, 2008

Audit Finding #9

The Department of Human Services did not comply with citizenship verification requirements for one federal healthcare program.

Audit Recommendation #9

The department should ensure that it properly documents evidence of citizenship for federal health program applicants.

Department Response #9

The department agrees with the recommendation. We feel that most of the errors identified occurred within the first year of the requirement, while we were dealing with new processes for both staff and applicants. We will do a thorough review of the cases with errors to ensure that there are not gaps in our processes.

We have implemented a number of policies and procedures in our MinnesotaCare Operations area to ensure that we properly document citizenship for all applicants and enrollees subject to that provision. We've developed the tools listed below for our staff; we will review these tools and make sure that our staff is aware of and are using them:

- Application and Renewal processing procedures related to citizenship located in the MinnesotaCare Operations Manual (M.O.M.).
- Citizenship documentation Quick Reference Guides for New Apps and Renewals processing.

**Department of Human Services
Response to the Legislative Audit Report
For the Year Ended June 30, 2007**

- Standardized case note formats that we have programmed into all programmable keyboards (used by all MinnesotaCare Operations staff) that help indicate if cit/ID is verified and if a worker checklist has been completed.
- A tracking database to assist with timelines, such as sending out a second request for verifications.
- A Birth Record Request database to assist workers with completing in-state and out-state birth verification requests for people who have requested the agency's assistance in obtaining the verifications.

Also, MinnesotaCare Operations has designated a supervisor to function as a resource in the area of citizenship and identity policies and procedures.

Person Responsible: Stephanie Radtke,
Health Care Eligibility and Access Director

Estimated Completion Date: May 1, 2008



Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Dave Rooney, Human Services Director
Dakota County

We have performed certain audit procedures at Dakota County as part of our audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. The objectives of our work at Dakota County were to review internal controls and compliance over recipient eligibility for certain federal public assistance programs. This work was done in conjunction with our audit of the Minnesota Department of Human Services to determine whether the department complied with the federal eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*. The compliance supplement requires us to audit recipient eligibility determinations at the county level as part of our audit of the Department of Human Services' benefit payment process. Our work was very limited in scope and was not a comprehensive audit of Dakota County.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of OMB *Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations*.

Dakota County had the following noncompliance in its fiscal year 2007 eligibility documentation. We will include this weakness in our report to the federal government on compliance with requirements applicable to each State of Minnesota major federal program and internal control over compliance in accordance with OMB Circular A-133.

1. Dakota County did not comply with citizenship verification requirements.

Dakota County did not comply with federal regulations that require all applicants, as a condition of eligibility, to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued

Dakota County

eligibility for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare Program for families with children and the Minnesota Family Planning Program.

Dakota County did not have evidence of citizenship documentation in the file for a particular applicant that was selected for testing. The county had a notation in the case notes that they had requested this documentation; however, there was no evidence in the file to show that the requested documentation had been obtained. Not having citizenship documentation as required by federal regulations could make applicants ineligible for program benefits.

Recommendation

- *Dakota County should ensure that proper citizenship documentation is obtained for all health care program applicants.*

This management letter is intended for the information of the Legislative Audit Commission and the management of Dakota County. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 28, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor



March 19, 2008

Mr. James Nobles
Legislative Auditor
658 Cedar St. Room 140
St. Paul, MN 55155

Dear Mr. Nobles:

**Employment and
Economic
Assistance**
Ruth Krueger
Director

Dakota County
Northern Service Center
1 Mendota Road West
Suite 100
West St. Paul, MN
55118-4765

651.554.5611
Fax 651.554.5748
www.co.dakota.mn.us

I am writing this letter in response to a letter from Michael Hassing, Audit Manager, and dated March 03, 2008. The letter was addressed to David Rooney, Dakota County's Community Services Director. Attached was a draft management letter regarding the results of your office's review of Dakota County's internal control and compliance with recipient eligibility requirements applicable to the Minnesota Health Care programs cited in the letter.

The draft included one finding: "Dakota County did not comply with citizenship verification requirements." The letter referenced one particular individual. After receipt of the draft letter, our office reviewed the case to determine what had taken place since the file was audited. The draft letter indicated that there was no evidence in the file to show that documentation requested earlier had been received.

The recommendation in the draft management letter is "Dakota County should ensure that proper citizenship documentation is obtained for all health care program applicants." Following is our response to both the findings, for the particular individual, and Dakota County's compliance with this federal requirement in general:

Implementation of the requirements to verify both citizenship and identity were effective in early State Fiscal Year 2007. The requirement, based on federal law, was new. During the implementation phase of the new policy, there was a short transition period during which verification requirements were handled differently for program recipients and program applicants.

Our recent review of the case record cited, reflects that the individual was closed for failure to provide verification. However, at the same time eligibility was terminated, the agency did receive verification of citizenship, which confirmed the individual's eligibility. Benefits did however remain closed at that time because of a change in both needs and household composition.

Dakota County program staff do follow federal and state policies which require verification of both identity and citizenship for health care programs referenced in your letter. Staff are trained on these policies using both written internal procedures as well as instructions provided by the Department of Human Services.

Feel free to contact me if staff or I can be of further assistance related to your report or if you have any other questions.

Very truly yours,

/s/ Dennis H. Anderson

Dennis H. Anderson, Deputy Director

C:
David Rooney, Director, Community Services Division
Ruth Krueger, Director, Employment and Economic Assistance



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Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Brian Buhmann, Human Services Director
Freeborn County

We have performed certain audit procedures at Freeborn County as part of our audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. The objectives of our work at Freeborn County were to review internal controls and compliance over recipient eligibility for certain federal public assistance programs. This work was done in conjunction with our audit of the Minnesota Department of Human Services to determine whether the department complied with the federal eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*. The compliance supplement requires us to audit recipient eligibility determinations at the county level as part of our audit of the Department of Human Services' benefit payment process. Our work was very limited in scope and was not a comprehensive audit of Freeborn County.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of OMB *Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations*.

Freeborn County had the following noncompliance in its eligibility determinations for fiscal year 2007. We will include this weakness in our report to the federal government on compliance with requirements applicable to each State of Minnesota major federal program and internal control over compliance in accordance with OMB Circular A-133.

1. Freeborn County did not document the cost effectiveness of other health insurance.

For two of the cases tested, the state paid for the recipients' health insurance even though Freeborn County had not determined the cost effectiveness of the other insurance compared to typical Medical Assistance coverage. Although still eligible for the Medical Assistance Program (CFDA 93.778), recipients with other health insurance options may be required to enroll in or maintain group or private health insurance if that coverage is deemed to be cost effective. Cost effective coverage is coverage that provides services at a lower premium than the costs the state Department of Human Services would incur if the client was not enrolled in

Freeborn County

the coverage. Without determining the cost effectiveness of other insurance, neither the state nor the county can determine the most cost effective way to deliver services.

Recommendation

- *Freeborn County should ensure that it determines and documents the cost effectiveness of other health insurance in all cases where the applicant notifies them that other health insurance is available.*

This management letter is intended for the information of the Legislative Audit Commission and the management of Freeborn County. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 28, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor



Department of Human Services
203 West Clark Street
P.O. Box 1246
Albert Lea, MN 56007-1246

March 24, 2008

James Noble
Legislative Auditor

Freeborn County had the following noncompliance in its eligibility determinations for fiscal year 2007

1. Freeborn County did not document the cost effectiveness of other health insurance.

Recommendation

Freeborn County should ensure that it determines and documents the cost effectiveness of other health insurance in all cases where the applicant notifies them that other health

In response to the 2007 Audit review, Freeborn County staff received training in September 2007, on the importance of determining and documenting the cost effectiveness of other health insurance for applicants of our public assistance.

The person responsible for resolving this recommendation and the anticipated date of completion is Dennis Roelfsema, Financial Supervisor II.

A handwritten signature in black ink, appearing to read "Brian Buhmann".

Brian Buhmann, Director
Freeborn County Department Human Services
brian.buhmann@co.freeborn.mn.us

**Department Human Services
Federal Program Compliance**

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OLA’s Rebuttal to Hennepin County’s Response

In the following response to our Finding 1 about inadequate resolution of income eligibility verification discrepancies within the Temporary Assistance for Needy Families (CFDA 93.558) and Medical Assistance (CFDA 93.778) programs, Hennepin County indicated that the state Department of Human Services’ monthly data showed that the county’s resolution rate was 96.3 percent and that it met the federal guidelines. This contradicted our audit conclusion that Hennepin County was below the 80 percent federally required resolution rate.

We followed up on this inconsistency with the Department of Human Services. They found that the data they had provided to Hennepin County was in error and did not accurately represent the county’s resolution rate. The department stated that it would contact Hennepin County with revised data.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

**Department Human Services
Federal Program Compliance**

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Mr. Daniel Engstrom, Assistant County Administrator
Hennepin County

We have performed certain audit procedures at Hennepin County as part of our audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. The objectives of our work at Hennepin County were to review internal controls and compliance over recipient eligibility for certain federal public assistance programs. This work was done in conjunction with our audit of the Minnesota Department of Human Services to determine whether the department complied with the federal eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*. The compliance supplement requires us to audit recipient eligibility determinations at the county level as part of our audit of the Department of Human Services' benefit payment process. As part of our work, we also determined the status of our prior year findings. Our fiscal year 2006 report (Legislative Audit Report 07-08) contained one finding addressed to Hennepin County. That finding is repeated in this management letter. Our work was very limited in scope and was not a comprehensive audit of Hennepin County.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of OMB *Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations*.

Hennepin County had the following noncompliance in its fiscal year 2007 eligibility documentation and verification process. We will include these weaknesses in our report to the federal government on compliance with requirements applicable to each State of Minnesota major federal program and internal control over compliance in accordance with OMB Circular A-133.

Hennepin County

1. PRIOR FINDING NOT RESOLVED: Hennepin County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations.

Hennepin County has continued to make improvements to its income discrepancy resolution process. However, it still did not resolve income discrepancies identified by the Income Eligibility and Verification System (IEVS) at the level required by federal regulations. In order to comply with federal requirements, the state Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families (CFDA 93.558) and the Medical Assistance (93.778) programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. For the period May 1, 2006, through April 30, 2007, Hennepin County's overall resolution rate was 76.6 percent. The county's resolution rates in fiscal years 2006 and 2005 were 69.6 and 59 percent, respectively.

Recommendation

- *Hennepin County should continue to make improvements toward resolving all Income Eligibility Verification System (IEVS) discrepancies in a timely manner.*

2. Hennepin County did not comply with citizenship verification requirements.

Hennepin County did not comply with federal regulations that require, as a condition of eligibility, all applicants to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by the Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued eligibility for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare program for families with children, and the Minnesota Family Planning Program (MFPP).

Hennepin County did not have evidence of citizenship documentation in the files for two of thirteen cases selected for testing. Not having citizenship documentation, as required by federal regulations, could make applicants ineligible for program benefits.

Hennepin County

Recommendation

- *Hennepin County should ensure that proper citizenship documentation is obtained for all health program applicants.*

This management letter is intended for the information of the Legislative Audit Commission and the management of Hennepin County. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 28, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

**Department Human Services
Federal Program Compliance**

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Corrective Action Plan: Year Ended April 30, 2007

Finding #: 1 – Prior Finding Not Resolved: Hennepin County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations.

State/Federal Agency: Minnesota Department of Human Services/HHS

Program Name: Temporary Assistance for Needy Families and Medical Assistance

CFDA # and Program Expenditures: 93.558 and 93.778

Department: HSPHD

Recommendation: Hennepin County should continue to make improvements toward resolving all Income Eligibility Verification System (IEVS) discrepancies in a timely manner.

Action Plan:

1. *Please describe what action you plan to take to implement the recommendation or identify alternative corrective actions that may be employed. The action plan must state the name of the contact person responsible for the corrective action.*

Hennepin County continued to make steady and encouraging strides in this area during 2007. After the OLA audit in July 2006, an additional four full time positions were approved for hiring to process IEVS matches in the Debt Establishment Unit. Two new hires were in place by July 2007. One new hire was in place December 2007.

2. *Please include an anticipated completion date for the corrective action. If you have already implemented the corrective action, please give the implementation date.*

The Debt Establishment Unit should be fully staffed by March 31, 2008.

3. *Please provide a brief description of the procedures that you have done or will do for resolution of any questioned costs related to the findings, if applicable.*

See #1 above.

Based on the monthly data we receive from DHS, the calculations for the same time period show that Hennepin County received 34,384 matches and 1,274 were not resolved timely. Based on these figures, Hennepin County's resolution rate from

May 1, 2006 to April 30. 2007 was 96.3% which meets the federal guidelines. Barb Martin, IEVS Coordinator for DHS, has the monthly breakdowns and documentation should you need to review it.

Maureen Headbird, Supervisor, Debt Establishment Unit
Name/Title of Person Completing the Corrective Action Plan

03/10/08
Date Completed



Corrective Action Plan: Year Ended June 30, 2007

Finding #: 2 – Hennepin County did not comply with Federal Citizenship Requirements.

State/Federal Agency: Minnesota Department of Human Services/HHS

Program Name: Medical Assistance

CFDA # and Program Expenditures: 93.767

Department: HSPHD

Recommendation:

Hennepin County should ensure that proper citizenship documentation is obtained for all health program applicants.

Action Plan:

1. *Please describe what action you plan to take to implement the recommendation or identify alternative corrective actions that may be employed. The action plan must state the name of the contact person responsible for the corrective action.*

HSR Teams will be reminded about the importance of obtaining proper citizenship verification for all health program applicants. This will be accomplished in a variety of ways including reminder e-mails regarding the policy, personal visits to Team meetings by members of the Quality Assurance Team to discuss the policy and random case reviews of selected cases to ensure the policy is being adhered to. Contact person for this corrective action will be Mary McDowell, Quality Assurance Supervisor, HSPHD.

2. *Please include an anticipated completion date for the corrective action. If you have already implemented the corrective action, please give the implementation date.*

An e-mail reminder to Teams about this policy was sent on 3/11/08 by Hennepin's Health Care Policy Committee. Quality Assurance staff will visit Team meetings during March and April to review the policy.

Please provide a brief description of the procedures that you have done or will do for resolution of any questioned costs related to the findings, if applicable.

In July and November 2007, supervisors performed random audits (total of 460) which specifically targeted whether cases had proper documentation of citizenship. The few

cases found in error were corrected. Additional audits will be completed in months yet to be determined.

Original policy directives from DHS were not clear about the actions required on cases when birth verifications were lacking. In July 2007, DHS policy was further clarified. Some of the cases found in the audit may have been processed in the interim when DHS was attempting to refine the procedures.

Mary H. McDowell, Supervisor, Quality Assurance Team

Name/Title of Person Completing the Corrective Action Plan

3/12/08

Date Completed



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Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Monty Martin, Director of Human Services
Ramsey County

We have performed certain audit procedures at Ramsey County as part of our audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. The objectives of our work at Ramsey County were to review internal controls and compliance over recipient eligibility for certain federal public assistance programs. This work was done in conjunction with our audit of the Minnesota Department of Human Services to determine whether the department complied with the federal eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*. The compliance supplement requires us to audit recipient eligibility determinations at the county level as part of our audit of the Department of Human Services' benefit payment process. As part of our work, we also determined the status of our prior year findings. Our fiscal year 2006 report (Legislative Audit Report 07-08) contained one finding addressed to Ramsey County. This finding is repeated in this management letter. Our work was very limited in scope and was not a comprehensive audit of Ramsey County.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of OMB *Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations*.

Ramsey County had the following noncompliance in its fiscal year 2007 eligibility documentation and verification process. We will include these weaknesses in our report to the federal government on compliance with requirements applicable to each State of Minnesota major federal program and internal control over compliance in accordance with OMB Circular A-133.

1. PRIOR FINDING NOT RESOLVED: Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations.

Ramsey County has not attained the level required by federal regulations for income discrepancies identified by the Income Eligibility and Verification System (IEVS). The state

Ramsey County

Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families (CFDA 93.558) and the Medical Assistance (CFDA 93.778) programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. For the period May 1, 2006, through April 30, 2007, Ramsey County's overall resolution rate was 67.8 percent. The county's resolution rates in fiscal years 2006 and 2005 were 71.6 and 70.5 percent, respectively.

Recommendation

- *Ramsey County should continue to work with the Department of Human Services to resolve Income Eligibility Verification System (IEVS) discrepancies in a timely manner.*

2. Ramsey County did not comply with citizenship verification requirements.

Ramsey County did not comply with federal regulations that require, as a condition of eligibility, all applicants to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued eligibility for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare program for families with children, and the Minnesota Family Planning Program (MFPP).

Ramsey County did not have evidence of citizenship documentation in the file for a particular applicant that was selected for testing. Not having citizenship documentation as required by federal regulations could make applicants ineligible for program benefits.

Recommendation

- *Ramsey County should ensure that proper citizenship documentation is obtained for all health care program applicants.*

Ramsey County

This management letter is intended for the information of the Legislative Audit Commission and the management of Ramsey County. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 28, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

**Department Human Services
Federal Program Compliance**

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Community Human Services Department

160 Kellogg Blvd E
St. Paul, MN 55101-1494

Financial TDD: 651-266-3750
Services TDD: 651-266-4002
General Info: 651-266-4444

Michael Hassing, CPA
Audit Manager
Office Of The Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St Paul, MN 55155-1603

March 11, 2008

Dear Mr. Hassing:

We have received the draft management letter summarizing the results of our 2007 audit. The following issues were identified as needing resolution.

1. PRIOR FINDING NOT RESOLVED: Ramsey County did not resolve income discrepancies identified as part of the benefit eligibility process in the time frames required by federal regulations.

Ramsey County acknowledges that we have not met the standard for IEVS processing and that our performance has not improved in this aspect. We did implement a plan of increased monitoring of individual staff performance and of using some overtime to help improve processing of these matches. Unfortunately those efforts were not enough to redress the performance issues. We have analyzed what has and what has not worked and why. Looking across our organization we find that:

- Our Intake and Adult Case Management areas generally resolve IEVS matches in a timely manner up to standard.
- The Family Case Management (FCM) area has struggled in completing their IEVS matches. Performance on IEVS matches in FCM has been impacted by a 39% turnover in casework staff over the past two years. This has been primarily due to promotions into other areas of Ramsey County Human Service, taking some of the best staff off of caseloads in FCM. This turnover has meant redirecting much of our coverage resources into training and development of new staff. Priority has been given to accomplishing the most basic functions of casework. Given the complexity of the job new staff do not get trained on IEVS until they have proven competency in other areas of work.
- Most of our overtime resources were directed to basic case work but we did have one person specialize in IEVS processing. Unfortunately that person focused on volume processing initial matches, which negatively impacted our processing statistics for overdue matches. We corrected that situation but too late to be able to improve our statistics.
- Monitoring of matches was lax in our closed records area.

Ramsey County is dedicated to improving its IEVS processing but two trends will continue to impact this effort. We are in a resource tight environment so use of overtime as a fix will not be available. An analysis of our staffing shows that we will continue to have turnover as experienced staff retire and case management staff promote to take those positions. Given these issues we have developed the following strategies for improving our IEVS performance.

1. Data Specialist Positions. We have developed two data specialist positions whose function is to improve agency performance on employment related programs. As part of that work these positions will review and process IEVS matches for caseloads with new staff, focusing on resolving overdue matches and those matches that better reflect the employed status of our clients.
2. Revised New Worker Training. Given that staff turnover will be a reality for the foreseeable future we are revising our new worker training to get people to desks more quickly and more quickly develop the full set of case processing skills. This includes earlier training on IEVS and other message processing
3. Biweekly Process Reports. We've instituted biweekly reporting on IEVS and other caseload processing in the FCM area to enhance tracking and early targeting of performance issues, including IEVS processing.
4. Closed File Monitoring. Resolving matches on closed files is a simple process and this function will be accomplished monthly.

It is our belief that this plan will result in Ramsey County significantly improving our processing of IEVS in 2008.

2. Ramsey County did not comply with citizenship verification requirements.

We recognize that as part of processing all federal Medical Assistance applications we are required to obtain citizenship documentation, and without such documentation we have not proven eligibility. The documentation should be in every file for applications processed after the new regulations were implemented. We believe that although the appropriate documentation was not found in one of the cases that was tested we have made every effort to ensure that we are in compliance. To that end we have taken the following actions since 2006 and will continue to do what is needed to ensure compliance.

1. Starting in 2006 all Minnesota Department of Human Services bulletins and updates have been copied and distributed to staff.
2. Our internal Health Care Policy Work Group has discussed the policies on numerous occasions and have issued memos and instructions as needed.
3. Policies and procedures have been reviewed as needed at unit meetings.
4. The Case Review Check List that on-going workers use to review cases from intake was updated effective 9/06 and a checkpoint for citizenship and identity was added.
5. The Eligibility Review Check List was also updated 9/06 and a citizenship and identity check point was added. This was more critical in late and 2006 and most of 2007, as we needed to verify citizenship and identity at the time of the annual review for cases approved before the July 2006 change.
6. We are finalizing an on-line Supervisor Case Review Form that includes a review point for citizenship and identity.
7. New staff receives training on this topic as part of the state training they receive and the training we do.
8. When necessary we obtain the needed verification for the applicant. We believe the fact that our spending for birth certificates in 2007 was \$50,500 compared to the \$10,000-\$11,000 we were spending in prior years indicates that staff are using this option.

Cristy Hong and Nancy Cincotta are the managers who are responsible for overseeing on-going compliance with this plan.

Sincerely,

/s/ Monty Martin

Monty Martin
Director of Human Services



Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Mark Shaw, Human Services Director
Rice County

We have performed certain audit procedures at Rice County as part of our audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. The objectives of our work at Rice County were to review internal controls and compliance over recipient eligibility for certain federal public assistance programs. This work was done in conjunction with our audit of the Minnesota Department of Human Services to determine whether the department complied with the federal eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*. The compliance supplement requires us to audit recipient eligibility determinations at the county level as part of our audit of the Department of Human Services' benefit payment process. Our work was very limited in scope and was not a comprehensive audit of Rice County.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of OMB *Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations*.

Rice County had the following noncompliance in its fiscal year 2007 eligibility documentation. We will include this weakness in our report to the federal government on compliance with requirements applicable to each State of Minnesota major federal program and internal control over compliance in accordance with OMB Circular A-133.

1. Rice County did not comply with citizenship verification requirements.

Rice County did not comply with federal regulations that require all applicants, as a condition of eligibility, to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued eligibility

Rice County

for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare Program for families with children and the Minnesota Family Planning Program (MFPP).

Rice County did not have evidence of citizenship documentation in the file for a particular applicant that was selected for testing. Not having citizenship documentation, as required by federal regulations, could make applicants ineligible for program benefits.

Recommendation

- *Rice County should ensure that proper citizenship documentation is obtained for all health care program applicants.*

This management letter is intended for the information of the Legislative Audit Commission and the management of Rice County. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 28, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

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RICE COUNTY

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March 11, 2008

Mr. Michael Hassing, Audit Manager
Office of the Legislative Auditor
658 Cedar Street, Room 140
St. Paul, MN. 55155

Dear Mr. Hassing,

This letter constitutes Rice County's response to your comments and recommendations made as a result of your audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. Rice County was found to be in noncompliance with the federal regulation that requires all applicants, as a condition of eligibility, to furnish citizenship documentation when applying for Medical Assistance and other health care programs.

Upon receiving notification of Rice County's noncompliance with federal requirements, Financial Supervisors Michele Evans and Nedra VanDam reviewed Minnesota Department of Human Services Instructional Bulletin # 06-21-09C, Citizenship and Identity Documentation Requirements for Certain Minnesota Health Care Programs Applicants and Enrollees, with all Rice County employees involved in eligibility determination for Medical Assistance and other Minnesota Health Care programs. Additionally, since that time and on an ongoing basis, Ms. Evans and Ms. VanDam will assure that citizenship documentation is included in all client case files that undergo internal review.

Sincerely,

A handwritten signature in cursive script that reads "Mark Shaw".

Mark Shaw
Director

**Department Human Services
Federal Program Compliance**

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Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Ann Busche, Human Services Director
Saint Louis County

We have performed certain audit procedures at Saint Louis County as part of our audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. The objectives of our work at Saint Louis County were to review internal controls and compliance over recipient eligibility for certain federal public assistance programs. This work was done in conjunction with our audit of the Minnesota Department of Human Services to determine whether the department complied with the federal eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*. The compliance supplement requires us to audit recipient eligibility determinations at the county level as part of our audit of the Department of Human Services' benefit payment process. Our work was very limited in scope and was not a comprehensive audit of Saint Louis County.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of OMB *Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations*.

Saint Louis County had the following noncompliance in its fiscal year 2007 eligibility documentation. We will include this weakness in our report to the federal government on compliance with requirements applicable to each State of Minnesota major federal program and internal control over compliance in accordance with OMB Circular A-133.

1. Saint Louis County did not comply with citizenship verification requirements.

Saint Louis County did not comply with federal regulations that require all applicants, as a condition of eligibility, to furnish citizenship documentation when applying for Medical Assistance (CFDA 93.778) and other health care programs. According to regulations provided by the Center for Medicare and Medicaid Services, as of July 1, 2006, applicants must provide U.S. citizenship and identity documentation as a condition of original and continued

Saint Louis County

eligibility for federal medical assistance benefits, which also impacts eligibility for the state's MinnesotaCare Program for families with children, and the Minnesota Family Planning Program (MFPP).

Saint Louis County did not have evidence of citizenship documentation in the file for a particular applicant that was selected for testing. Not having citizenship documentation as required by federal regulations makes applicants ineligible for program benefits.

Recommendation

- *Saint Louis County should ensure that proper citizenship documentation is obtained for all health care program applicants.*

This management letter is intended for the information of the Legislative Audit Commission and the management of Saint Louis County. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 28, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor



Saint Louis County

Public Health and Human Services Department • www.co.st-louis.mn.us

March 6, 2008

Ann M. Busche
Director

James Nobles, Legislative Auditor
Office of the Legislative Auditor
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

This letter is our formal written response to comments and recommendations from the Review of St. Louis County's internal control and compliance with recipient eligibility requirements applicable to the State Children's Health Insurance, Medical Assistance, and TANF programs for the year ended June 30, 2007. As was discussed with us at the conclusion of the audit, we were found weak in one area as follows:

St. Louis County did not comply with citizenship verification requirements: in one client file selected for testing, evidence of citizenship documentation was not present.

Resolution:

- a.) Citizenship documentation was entered into the selected file.
- b.) St. Louis County financial workers will ensure that proper citizenship documentation is obtained for all health care applicants; DHS Form 4842 will serve as verification and be maintained in the record.
- c.) Date completed: August 10, 2007.

I am the contact person regarding this audit and am responsible for resolution.

Please advise if any further action is required.

Sincerely,

Shelley M. Saukko, Division Director
Financial Assistance Division

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Government Services Center
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**Department Human Services
Federal Program Compliance**

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Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Ms. Jan Busch-Koehnen, Human Services Manager
Scott County

We have performed certain audit procedures at Scott County as part of our audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. The objectives of our work at Scott County were to review internal controls and compliance over recipient eligibility for certain federal public assistance programs. This work was done in conjunction with our audit of the Minnesota Department of Human Services to determine whether the department complied with the federal eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*. The compliance supplement requires us to audit recipient eligibility determinations at the county level as part of our audit of the Department of Human Services' benefit payment process. Our work was very limited in scope and was not a comprehensive audit of Scott County.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of OMB *Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations*.

Scott County had the following noncompliance in its fiscal year 2007 eligibility verification process. We will include this weakness in our report to the federal government on compliance with requirements applicable to each State of Minnesota major federal program and internal control over compliance in accordance with OMB Circular A-133.

1. Scott County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations.

Scott County did not resolve income discrepancies identified by the Income Eligibility and Verification System (IEVS) at the level required by federal regulations. In order to comply with federal requirements, the state Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families (CFDA 93.558) and the Medical Assistance (CFDA 93.778) programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax

Scott County

information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. For the period May 1, 2006, through April 30, 2007, Scott County's overall resolution rate was 76.6 percent. The county's resolution rate in fiscal year 2006 was 67.2 percent.

Recommendation

- *Scott County should work with the Department of Human Services to resolve all Income Eligibility Verification System (IEVS) discrepancies within the timeframes outlined in federal regulations.*

This management letter is intended for the information of the Legislative Audit Commission and the management of Hennepin County. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 28, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor



SCOTT COUNTY COMMUNITY SERVICES DIVISION

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Timothy B. Walsh
Community Services Director
twalsh@co.scott.mn.us

March 10, 2008

Michael Hassing, Audit Manager
Office of the Legislative Auditor
658 Cedar Street, Room 140
Saint Paul, MN 55155

Dear Mr. Hassing:

Scott County's formal written response to your comments and recommendations dated March 3, 2008 is as follows:

1. Scott County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations.

Scott County's Response:

Upon review it was discovered that one worker was responsible for the majority of the overdue IEVS cases. This individual is no longer employed at Scott County. We continue to strive towards meeting State guidelines for the timely processing of IEVS.

Monthly listings of the IEVC report will be reviewed by each Supervisor. This is one area we routinely monitor for our Scott County Performance Measures.

Based on the recommendation by the Office of Legislative Auditor, Scott County will work with the Department of Human Services in an attempt to resolve all Income Eligibility Verification System (IEVS) discrepancies within the timeframes outlined in federal regulations.

If you have questions or need any additional information, please contact me at 952/496-8259.

Sincerely,

Jan Busch-Koehnen
Economic Assistance Manager

c: Judith Brumfield, Human Services Assistant Director
Michelle Weber, Financial Assistance Supervisor
Deb Greening, Financial Assistance Supervisor

**Department Human Services
Federal Program Compliance**

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Representative Rick Hansen, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Daniel Papin, Director of Human Services
Washington County

We have performed certain audit procedures at Washington County as part of our audit of the State of Minnesota's major federal programs for the year ended June 30, 2007. The objectives of our work at Washington County were to review internal controls and compliance over recipient eligibility for certain federal public assistance programs. This work was done in conjunction with our audit of the Minnesota Department of Human Services to determine whether the department complied with the federal eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's *Circular A-133 Compliance Supplement*. The compliance supplement requires us to audit recipient eligibility determinations at the county level as part of our audit of the Department of Human Services' benefit payment process. Our work was very limited in scope and was not a comprehensive audit of Washington County.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of OMB *Circular A-133 – Audits of States, Local Governments, and Non-Profit Organizations*.

Washington County had the following noncompliance in its fiscal year 2007 eligibility verification process. We will include this weakness in our report to the federal government on compliance with requirements applicable to each State of Minnesota major federal program and internal control over compliance in accordance with OMB Circular A-133.

1. Washington County did not resolve income discrepancies identified as part of the benefit eligibility process in the timeframes required by federal regulations.

Washington County did not resolve income discrepancies identified by the Income Eligibility and Verification System (IEVS) at the level required by federal regulations. In order to comply with federal requirements, the state Department of Human Services (DHS) coordinates data exchanges with other sources for the Temporary Assistance for Needy Families (CFDA 93.558) and the Medical Assistance (CFDA 93.778) programs. This data exchange, called IEVS, includes comparing income information submitted by applicants with income and tax

Washington County

information obtained from other state and federal sources, such as the Minnesota Department of Employment and Economic Development, the Social Security Administration, and the Internal Revenue Service.

Discrepancies occur when the income amounts recorded in MAXIS, the state's eligibility determination system, differ by more than a pre-established target amount. DHS relies on county human services offices to review and resolve these discrepancies. Federal law requires the state to resolve at least 80 percent of the case discrepancies within 45 days. For the period May 1, 2006, through April 30, 2007, Washington County's overall resolution rate was 76.3 percent. The county's resolution rate in fiscal year 2006 was 84.17 percent.

Recommendation

- *Washington County should make improvements toward resolving all Income Eligibility Verification System (IEVS) discrepancies in a timely manner.*

This management letter is intended for the information of the Legislative Audit Commission and the management of Washington County. This restriction is not intended to limit the distribution of this report, which was released as a public document on March 28, 2008.

/s/ James R. Nobles

James R. Nobles
Legislative Auditor

/s/ Cecile M. Ferkul

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor



March 6, 2008

Michael Hassing, Audit Manager
Office of the Legislative Auditor
658 Cedar Street, Room 140
Saint Paul, Minnesota 55155

Dear Mr. Hassing:

This is in response to the Office of the Legislative Auditor letter dated March 3, 2008 which summarizes the review of Washington County's internal controls and compliance with federal recipient eligibility requirements applicable to the State Children's Health Insurance (CFDA 93.767), Medical Assistance (CFDA 93.778), and Temporary Assistance for Needy Families (CFDA 93.558) programs, as described in the U.S. Office of Management and Budget's Circular A-133 Compliance Supplement for the period from July 1, 2006, through June 30, 2007.

Washington County does not dispute the finding that the County did not resolve income discrepancies identified by the Income Eligibility and Verification System (IVES) as part of the benefit eligibility process in the timeframes required by federal regulations. Specifically, Washington County had an overall resolution rate of 76.3 percent, which is below the federally required 80 percent standard.

Washington County accepts the recommendation that the County should make improvements toward resolving all Income Verification System (IVES) discrepancies in a timely manner. Patrick Singel, Community Services Deputy Director, is charged with the accomplishment of this recommendation by March 31, 2009.

If you have questions regarding this matter or if you require further information, please call me at (651) 430-6461.

Sincerely,

/s/ Daniel J. Papin

Daniel J. Papin, Director
Washington County Community Services
651 430 6461
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cc: Patrick Singel

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