



Audit Report Number 2005-10

City of Richmond
Department of Social Services
Child Day Care Review
May 2002 through April 2003

Prepared by
CITY AUDITOR
Richmond, Virginia

Submitted to
The Honorable Members of City Council
May 23, 2005

The Honorable Members of City Council
Richmond City Audit Committee
City of Richmond, Virginia 23219

City Auditor's Report

The City Auditor's Office performed audit testing¹ of the City of Richmond Department of Social Services (RDSS) Child Day Care (CDC) expenditures and data files for the period May 2002 through April 2003. The RDSS Child Day Care unit processed over \$6.8 million in payments to Child Day Care Providers for over 4,000 children during fiscal year 2004. Program funding has not changed significantly in several years, and it requires 10% City matching funds. Appendix A provides an overview of the current CDC process.

METHODOLOGY

We conducted our audit testing in accordance with Government Auditing Standards for Performance Audits issued by the Comptroller General of the United States. During the course of our work, we reviewed supporting documents related to the targeted data and conducted other appropriate tests. We believe that our audit provides a reasonable basis for our conclusions and recommendations.

The management of RDSS, is responsible for maintaining the financial records of RDSS. It is also responsible for establishing and maintaining a system of internal accounting control and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of control procedures.

¹ This audit supplements a review of Child Day Care (CDC) expenditures at the City of Richmond Department of Social Services (RDSS) by an Auditor from Audit Services of the Virginia Department of Social Services (VDSS) for fiscal year 2002. The Virginia Department of Social Services (VDSS) auditor had found 2 of 17 items tested for May 2002 to be duplicate payments in the amounts of \$572 and \$550.

1. DUPLICATE PAYMENTS

Objective: Identify possible duplicate payments, and determine their status.

Testing Performed: We identified 41 possible duplicate payments, between May 2002 and April 2003, for testing. We secured documentation of these payments from Human Services Internal Support (HSIS), reviewed and categorized them. Although HSIS and the CDC personnel had previously requested a computerized “duplicate payment suspect report,” their request was given a low priority, and the HSIS Administrative Services Manager manually searched for possible duplicates by reviewing listings of all RDSS payments (not simply CDC payments).

Results:

- 4 of the 41 items totaling \$789.11 were correct.
- 24 of the 41 items were duplicate payments totaling \$7,311.52, ranging from \$62.00 to \$621.00 each.
 - 12 of the 24 duplicate payments totaling \$4,377.21 were already identified and recovered by HSIS before our review.
 - Another 12 of 24 duplicate payments totaling \$2,934.31 were corrected as a result of our review.
 - 13 of 41 payments totaling \$2,768.56 were coded to either the wrong child in a family group or coded to the wrong client number and paid to the wrong vendor.
- Duplicate payments of \$210.00 should have been paid once at \$210.00, with a second payment at \$25.00 as a separate fee. Similarly,
- Duplicate payments of \$262.00 should have been \$262.00 once, with a second payment of \$25.00 as an allowable fee.
- Duplicate payments of \$151.38 should have been \$151.38 once, with a second payment of \$75.00 as an allowable fee.
- Due to funding limitations there was a waiting list for services which peaked at around 447 families and 708 children in January 2004. Some additional families might have been served if there were not duplicate payments.

Recommendations:

- a. During our review we recommended that a monthly “duplicate payment suspect report” be requested from the City Department of Information Technology (DIT) for use by HSIS and implemented, as soon as possible.
 - A monthly “duplicate payment suspect report” was produced starting January 2004, which included suspect payments

from June 2003 to-date. HSIS estimates about \$5,000 in duplicates were detected and corrected for 2004, at an average of 1 to 2 per month. We suggested continued monthly use of the report.

- b. We recommend that HSIS implement additional process controls, such as reviews by another processor or supervisor prior to payment, to prevent duplicate payments and miscoding.
- c. We recommend, in concurrence with the VDSS recommendation, that RDSS set a maximum allowed ceiling amount per month per case in the data base to reduce the probability that duplicate payments would go undetected. This feature should be requested in the new Harmony system when it replaces the decades old RDSS systems presently in use. (See Appendix B.)

Management Response:

Management will replace the current Case Management System and integrated payment system (ODE) with the new Harmony system by October 1, 2005. Harmony will include features, which will reduce the probability of duplicate payments. Responsibility: RDSS Administrative Services Manager – Budget/Finance section.

2. POSITIVE IDENTITY OF CLIENTS:

Objective: Determine whether positive identity of parents and children was established by obtaining valid social security numbers and birth dates. The Date of Birth (DOB) of children is a determinant of their eligibility for services within various age groups.

Testing Performed: We tested 100% of the computer data file of social security numbers (SSN) and dates of birth (DOB) of parents and children maintained in the RDSS ODE-VUWRS system (City DIT mainframe system) and in the separate RDSS Case Management system (Access data base) using computer software. We used the software to determine whether there was a valid SSN on file that was issued after the DOB of each client. Subsequently, we reviewed the case files for 48 case numbers of parents or children where the SSN were either identified as invalid or issued before the DOB, and we compared the SSN and DOB to the State VACIS system.

Results:

- Using computer software on 100% of the files:
 1. For the City mainframe (ODE/VUWRS) system
 - The SSN was missing or invalid for 973 parents and children (8%), including 301 coded as “applied for”.

- The DOB was blank for over 4,700 parents or children (39%).
 - 2. For the Case Management system (Access database), approximately 24.5% of the SSN or DOB were missing or invalid.
- From the sample of 48 parents and children whose case files were reviewed, we found:
 - a) 28 SSN errors in RDSS systems, where 20 of the correct SSN were available in VDSS systems.
 - b) 10 DOB errors (both SSN & DOB were incorrect for 1 client tested)
 - c) 11 unresolved
 - d) SSN & DOB could be traced to copies of social security cards, birth certificates, consent agreements, employment verification forms, or other documents in approximately half of the 48 of the individual case files tested, although the SSN or DOB was invalid on the City ODE/VUWRS system.
 - e) Some case files also contained hand written instances of the invalid SSN or DOB in spite of the presence of social security card, birth certificate, or other “best evidence”.
- Over 600 children on the RDSS systems were coded into an age category younger than that indicated by their DOB, or the age category was unknown or blank. *DOB errors in RDSS systems made the clients appear younger than their actual age, which could extend their eligibility dates unless questioned by a case worker or rejected by a State comparison to the VDSS DOB.*
- The SSN & DOB on the State VACIS system were more likely to be valid when a difference with the City system(s) existed.
- We provided the CDC unit our list of 48 cases tested along with the corrections identified for the SSN and DOB.

Legal Factors and Conclusions:

While the Social Security Act requires that everyone receiving benefits under TANF (Temporary Assistance for Needy Families) provide their SSN as a condition of receiving benefits, families receiving child care assistance through CCDF (Child Care Development Fund) or SSBG are not affected by the TANF SSN requirement.

The Federal Privacy Act of 1974 permits requesting that individuals voluntarily provide SSN. However, SSN cannot be made a requirement and condition of eligibility for child care, nor should it be linked to individual family identity. The VDSS form, “Consent to Exchange Information” includes the notation “optional” for SSN, and the SSN was generally provided by clients.

DOB, on the other hand, is a requirement for eligibility for child care, and DOB is linked to the “age categories,” with exceptions for the physically or mentally challenged.

Thus, we concluded that:

- For child care, the identity of individuals must be established by means other than SSN. *This makes the identification task much more difficult for all localities.*
- The required DOB, and voluntarily provided SSN, should be more accurate within City systems and consistent with State systems.
- The DOB & SSN data in both City systems is unreliable because of the number found to be invalid, and because case files provided proof of the correct SSN or DOB in about 37 of the 48 case files reviewed.

Recommendations:

- a. We recommend that DOB, Age Categories, and SSN data fields be reviewed and updated periodically for all active cases included on the RDSS systems, as a routine part of the case review.
- b. We recommend that Case Workers obtain positive proof, where none already exists in the case file, of DOB for the parent(s) and children during periodic case reviews. We also recommend comparison of the DOB, and the voluntarily provided SSN, to the data contained in the RDSS and VDSS systems, updating the computer data as needed.
- c. We recommend that Closed cases older than a specified date be purged from the RDSS systems.

Management Response:

Requesting social security numbers will be monitored for compliance with federal and state mandates. The best practices used by the Day Care Unit will be implemented for all staff processing requests for child day care. Best practices will include, but not limited to asking customers to (1) submit a copy of their social security cards, (2) provide a photo identification showing birth date of parents and (3) verify birth dates of their children. Best practice will also include supervisors validating that case files include documentation that social security numbers and birth dates of children have been verified. The agency will continue to purge closed cases with no activity within a three-year period. Responsibility: Human Services Manager – Day Care.

3. SYSTEM AND DATA ENTRY CHALLENGES:

Objective: Review the general flows of Child Day Care data through RDSS and VDSS systems to gain a better understanding of the automatic interfaces and the redundant data entry.

Testing Performed: Our tests of SSN and DOB described above combined with discussions of the system flows with personnel from the Child Day Care unit, HSIS, RDSS systems personnel, and City DIT, provided the description of the CDC process contained in Appendix A and yielded the following results.

Results:

- We found that the data systems used by VDSS and RDSS are over three decades old, except a completely separate Access data base used for Case Management.
- We learned that RDSS personnel must enter the same client (parent and child) data into as many as three (3) different systems - two RDSS systems (ODE and Case Management system), and one VDSS system (VACIS).
- There is an automatic link into the RDSS ODE/VUWRS system for new Richmond cases whose records already exist in the State VACIS system. The automatic link does not always add these cases, and they must be manually entered.
- Manual entry into VACIS by RDSS personnel is required for all new cases which are not already contained in VACIS.
- Inconsistencies in the SSN & DOB existed between systems. (See sample results described in Positive Identity of Clients section.)
- A new system called Harmony was purchased by RDSS in 2003 which is capable of a broad range of social services processing including integrating presently separate RDSS Child Day Care systems and thereby eliminating some duplicate data entry. See Appendix B.

Recommendation:

We recommend that conversion to the Harmony system be strongly considered for Child Day Care with goals including:

- a. integrating separate RDSS systems such as ODE/VUWRS and Case Management,
- b. eliminating redundant data entry into multiple systems,
- c. improving automatic data interfaces between RDSS and VDSS systems, and
- d. improving error reporting and controls such as those for preventing and detecting duplicate payments, and maintaining satisfactory data quality.

Management Response:

Management will replace the current Case Management System and integrated payment system (ODE) with the new Harmony system by October 1, 2005. Harmony will include features, which will reduce the probability of duplicate payments and eliminate redundant data entry and improve data quality. The Department is working with the City Department of Information Technology to improve automated interfaces between multiple VDSS and RDSS Systems. Responsibility: RDSS Administrative Services Manager – Budget/Finance section.

We hope this information will be helpful in your constant effort to enhance the systems used to provide quality services to your customers. We are grateful for the assistance given by the Social Services staff members. If you have any questions, please contact me.

Lance Kronzer, C.P.A.
City Auditor

John R. Allen, C.P.A.
I.T. Auditor

Attachments:

Appendix A – Description of Child Day Care Process, p. 8-9
Appendix B - Outdated Systems, p. 10

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APPENDIX A: Overview of Child Day Care Process

The Child Day Care (CDC) program, administered within the City Department of Social Services (RDSS), provides low-income families with the financial resources to find and afford quality child care for their children, to promote parental choice in the selection of child care, to permit single parents to return to work, and to ensure that subsidy dollars are provided to the neediest families. Primary funding of the program comes from Federal and State grants, which require 10% City matching funds.

Over 2,000 family units (clients) received approximately \$6,800,000 in assistance during fiscal 2004, with more than 4,000 children receiving day care. The January 2004 waiting list, due to lack of funds, included 447 families and 708 children. It is estimated that services should be available again without a waiting list before March 31, 2005.

RDSS Case workers determine whether applicants meet the eligibility requirements, after ensuring that the applications are properly completed, by validating verification of employment status and income levels of the applicants. Applicants must sign "Parent Responsibility" statements which list the clients' responsibilities while receiving child care assistance. If the signed parent's application is missing certain information, the workers may access any existing client data on the State's Application Benefit Delivery Automation Project system (ADAPT). City Child Day Care personnel approve or disapprove the award of child care assistance based upon employment information or school attendance and whether the applicant is currently receiving other types of assistance. They also screen income at 140% of federal poverty levels.

For approved applications, monthly gross pay is computed using all sources of income (salary, child support, alimony, and others) received by the client. Clients with jobs must pay 10% of their adjusted gross pay toward the cost of the child care. Recipients of Temporary Assistance to Needy Families (TANF) are not required to pay these fees although working. Case workers perform quarterly reviews of the working clients to determine that they are still employed and monthly reviews for those clients who are in school.

Purchases of Service Orders (POSO) for the providers are entered by the case manager of the CDC unit into the City's ODE (On-line Data Entry) system. Provider files, containing certification and licensing information, are maintained in file folders and on the separate Case Management system. The CDC unit case manager also enters provider information into the Virginia Client Information System (VACIS), the City's ODE system, and the Case Management system (a separate Microsoft Access database file). Except for the PC-based Case Management system, each

of the State and City systems are several decades old, and manual data entry into the multiple systems is redundant.

Day Care Providers submit monthly invoices to the Human Services Internal Support (HSIS) unit where the invoices are date stamped and summarized by provider. Three people in the unit are assigned responsibility for processing specific providers. Invoices are entered into ODE by the three assigned HSIS processors, and the invoice data is passed to the City's VUWRS system for viewing and subsequent reconciliation.

HSIS personnel receive and total the invoices, ensure that a POSO exists, ensure that the weekly rate and service dates are correct, and where applicable that any co-payment was already subtracted. Payment is denied for dates the Provider is closed (e.g., snow days); for holidays other than the six designated, and for dates the parent does not normally work. City DIT (Department of Information Technology) prints the checks and the check register from VUWRS. HSIS receives the resulting reports. Month-end reconciliations include agreeing the State's Locality Automated System for Expenditure Reimbursement (LASER) system to VUWRS expenditures and reimbursements. An HSIS Cashier picks up checks from City DIT, pulls specified checks, and delivers the remainder to the RDSS mailroom.

The output file is transmitted (FTP) by City DIT for uploading to the State's "interim Child Care System" for comparison to the client information on VACIS. If there are discrepancies in the data, a report is created and HSIS researches and corrects the erroneous information.

Summary payment information is also transmitted (FTP) by City DIT to the State LASER system, which is used for grant reimbursements by the State to the City. The Interim Child Care system also compares the information uploaded to that entered into LASER.

Reimbursements from the State are sent via electronic funds transfer to the City's Finance Department. The deposit detail is then forwarded to the DSS Accounting Superintendent who makes the journal voucher. Paid checks are returned by the bank to City Finance with a data file for use in reconciling.

City Finance prepares 1099 forms annually for the Day Care Providers using a day care file from VUWRS which is processed by the City's Advantage Financial System.

APPENDIX B: Outdated Systems

Numerous systems are in use by the City Department of Social Services (DSS). Most have been used for 30 years or more. Some are City systems and some are State systems that are required for record keeping, case management, disbursements, reporting of expenditures, and City requests for reimbursement from State Social Services.

While some of these systems are linked in one aspect or another, such as payments, the same data must be entered into multiple systems. Sometimes data is entered into as many as three systems: the State VACIS system, the City ODE system, and the City's Case Management system. The flow of data is difficult to follow, with the quality of some data we tested being judged as unreliable. The necessity to enter the same data into multiple systems results in an enormous duplication of effort and creates a greater potential for errors and omissions to occur. Although many paper documents are printed and filed, it is extremely difficult to trace the progress of clients through the various social services programs and services.

In 2003 the City DSS purchased modules of Harmony, a system designed specifically for use by Social Services (Human Services), to record data and transactions for the Comprehensive Services Act (CSA), Foster Care, and Title IV-E programs. Modules exist for child care, foster care, adoptions, court services and other DSS needs. With the proper modules installed, Harmony is capable of tracking information for clients (parents, guardians, and children) and providers of services, creating Purchase of Services Orders (POSO) for initiating payment processing, cutting checks, linking to the City's financial system and linking to the State's LASER system (uploading payment data, and reimbursement requests), providing case management information, and even interfacing into other welfare programs.

Besides providing a more up-to-date system with new features, Harmony's most significant advantage for Child Day Care would be to provide an integrated system to replace multiple RDSS Child Day Care systems and thereby eliminate the redundant data entry which presently exists.