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DEPARTMENT OF AUDITOR-CONTROLLER

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July 13, 2012

TO: Supervisor Zev Yaroslavsky, Chairman
        Supervisor Gloria Molina
        Supervisor Mark Ridley-Thomas
        Supervisor Don Knabe
        Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
        Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC SOCIAL SERVICES' REPORT MANAGEMENT AND CONTRACT INVOICING SYSTEM (RMS/CIS) – PAYMENT PROCESSING REVIEW**

At the request of the Department of Public Social Services (DPSS or Department), we have reviewed DPSS' procedures and controls over the Department's Report Management System and Contract Invoicing System (RMS/CIS or System). DPSS and their contractors use RMS/CIS to process electronic invoices from Community Services Block Grant Program (CSBG) contractors, and to track related financial and performance data for federal and State reporting purposes. In Fiscal Year (FY) 2010-11, DPSS authorized approximately $4.6 million in payments to CSBG contractors through RMS/CIS.

We reviewed the Department's procedures and controls over RMS/CIS for compliance with County fiscal policies. Our review included testing controls over System access and payment processing, including transferring payments from RMS/CIS to the County's eCAPS accounting and payment system.

Results of Review

DPSS has increased the efficiency of CSBG invoice and payment processing by using RMS/CIS. However, the Department needs to strengthen controls over several areas of RMS/CIS payment processing. Specifically:

- DPSS needs to limit RMS/CIS access. We noted 18 individuals who have RMS/CIS access do not need it. This includes six terminated contractor employees; seven current DPSS employees, whose duties no longer require access; and five contractor employees, who each have multiple unneeded user identifications (IDs) in the System. One of the terminated contractor employee's access was used after her termination date to create two invoices in RMS/CIS, totaling $27,600, which were eventually paid. DPSS is investigating these payments to determine if they were valid, and will report back to us.

  Some users, who need limited access, have additional access to System functions/information they do not need. For example, we noted a County user who had unneeded invoice approval authority; and two programmers who received System-generated emails with participant information, but had no fiscal or client service responsibilities.

  DPSS' attached response indicates that they have removed all terminated employees and duplicate users' access, and established policies/procedures to restrict and periodically review user access. DPSS will also report back within 60 days on the invoices created with the terminated contractor employee's access.

- DPSS needs to strengthen password controls. The System does not require users to reset their password every 90 days, prevent reuse of expired passwords, or enforce minimum password complexity standards.

  DPSS' response indicates that System passwords now meet minimum complexity standards, are reset every 90 days and cannot be reused when expired.

- DPSS needs to ensure that the System rejects invoices for ineligible participants, and resolve some potential overpayments. Between January 2009 and May 2011, DPSS paid $44,928 for 72 participants who, according to the System, were ineligible because of their income.

  DPSS' response indicates that they have established System controls to prevent billing for income ineligible participants. DPSS also indicated they have reviewed the 72 ineligible participants, and recovered all verified overpayments.

- DPSS needs to use RMS/CIS to centrally account for over and under payments. Currently, staff track over and under payments manually, and the Department cannot readily determine the total amounts outstanding. Staff also manually resolve overpayments and pay underpayments. This process is inefficient and increases the risk of errors or fraud.

DPSS' response indicates that they now resolve over and under payments in the System. However, DPSS also indicated that staff continue to track the over and under payments manually. DPSS should use the System to track over and under payments, to help reduce the risk of errors or fraud.

- DPSS needs to ensure staff enter payment rates in RMS/CIS properly, and that payment approvers reject inaccurate payments. We noted instances where DPSS staff entered inaccurate rates into RMS/CIS, causing inaccurate payments, and those errors were not identified in the payment approval process. In other cases, DPSS staff knew RMS/CIS used inaccurate rates, but approved the payments anyway. While staff later corrected the amounts in eCAPS before the payments were made, the changes caused discrepancies between the systems. Since DPSS is planning to electronically send approved RMS/CIS invoices/payments directly to eCAPS for payment, it is critical that rates are updated properly in RMS/CIS.

DPSS' response indicates that they have established a process to help ensure payment rates are accurate. This includes having staff verify the rates after they are entered, and having approvers reject inaccurate payments.

- DPSS should require contractors to provide supporting documentation when billing the County, and consider expanding RMS/CIS to allow contractors to electronically attach documents to their invoices. Currently, contractors do not submit supporting documents, even though some are required under contract.

DPSS' response indicates that they are evaluating various options, including document imaging, for contractors to support their billings.

- DPSS needs to separate invoice processing duties from quality assurance reviews of contractors. We noted that DPSS program monitors process RMS invoices for the same contractors they monitor, increasing the risk for improper payments to go undetected. Program monitors also tell contractors in advance what invoices they plan to review. This could allow contractors to "clean up" their records to prepare for the review, and reduces the effectiveness of the quality assurance process.

DPSS' response indicates that they have separated invoice processing duties from quality assurance monitoring. However, they will not stop giving contractors advance notice of the invoices they plan to review because monitoring staff would have to wait while contractors' staff gather the necessary cases/documents. We still believe that DPSS should stop giving contractors advance notice to prevent any "clean-up" or "cover-up" by the contractors, and to ensure an effective quality assurance process.

DPSS began incorporating the Domestic Violence Program into RMS/CIS during our review, and plans to incorporate at least ten other programs by FY 2013-14. DPSS also plans to electronically transmit approved RMS/CIS invoices to eCAPS for payment. However, many of the payment processing issues we noted increase the risk for inappropriate payments, and should be addressed before the interface is implemented.

Details of these and other findings and recommendations are in the attached report.

Acknowledgement

We discussed our report with DPSS management. The Department's response (Attachment II) indicates general agreement with our findings and recommendations, except for our recommendation to stop giving contractors advance notice of what invoices they plan to review.

We thank DPSS management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MP

Attachments

c: Sheryl L. Spiller, Director, Department of Public Social Services
    William T Fujioka, Chief Executive Officer
    Public Information Office
    Audit Committee

DEPARTMENT OF PUBLIC SOCIAL SERVICES
REVIEW OF REPORT MANAGEMENT SYSTEM AND CONTRACT INVOICING
SYSTEM

Background

The Department of Public Social Services (DPSS or Department) uses the Report Management System and Contract Invoicing System (RMS/CIS or System) to process electronic invoices from Community Services Block Grant Program (CSBG) contractors, and to track financial and performance data for federal and State reporting. CSBG contractors bill the County by inputting invoices directly to the System. DPSS staff review the invoices for compliance with contract requirements, and electronically approve them. DPSS staff then process payment requests in the County's eCAPS accounting and payment system to pay the contractors. In Fiscal Year (FY) 2010-11, DPSS authorized approximately $4.6 million in payments to CSBG contractors through RMS/CIS.

We reviewed the Department's procedures and controls over RMS/CIS for compliance with County fiscal policies. Our review included testing controls over System access and payment processing, including transferring payments from RMS/CIS to eCAPS.

Access Controls

County Fiscal Manual (CFM) Section 8.6.3 requires departments to limit system access based on each user's responsibilities. CFM Section 8.6.4 also requires departments to periodically review user access to ensure it is authorized and appropriate, and to ensure passwords are complex, and are changed at least every 90 days to maintain their effectiveness. These controls ensure system data is secured.

Restricting System Access

We noted instances where contractor (non-County) employees and County staff had unneeded access to RMS/CIS information, which increases the risk of error or inappropriate activity. For example:

- 18 individuals had RMS/CIS access they do not need. This included six terminated contractor employees; seven current County employees who no longer needed access to RMS/CIS; and five contractor employees, who each had multiple, unnecessary active user IDs in the System. We also noted that a terminated contractor employee's access was used after her termination date to create two invoices in RMS, totaling $27,600, which were eventually paid. DPSS is investigating these payments to determine if they were valid, and will report back to us.

DPSS should cancel user accounts for employees who no longer need access to the System, and ensure that services billed on the two invoices noted above were appropriate.

- Two DPSS programming staff received System-generated emails, with invoice and participant information (e.g., name, address, yearly income, etc.), when Invoice Processing staff rejected RMS/CIS invoices. However, the programmers have no fiscal or client service responsibilities.

- One DPSS employee had unnecessary invoice approval authority. Although the authority was not used, DPSS should restrict System access based on each user's responsibilities as required by CFM Section 8.6.4.

We also noted DPSS Information Technology (IT) staff assign contractor employees their System identifications (IDs), manually create temporary passwords, and route access information to the contractor through other DPSS staff, who have no need for the information. To reduce the risk of unauthorized access, DPSS management should ensure IT staff do not share IDs and passwords with anyone except the account user. DPSS should also evaluate enhancing the System to automatically generate, and send passwords directly to the account users.

Recommendations

DPSS management:

1. **Restrict users' access based on work assignments, and cancel access for terminated employees, users who no longer need access, and users with multiple, unnecessary System IDs.**

2. **Determine if the two invoices processed with the terminated contract employee's access were appropriate, and report the results to the Auditor-Controller within 60 days.**

3. **Ensure IT staff who assign System IDs and temporary passwords do not share them with anyone except the account users, and evaluate enhancing the System to automatically generate and send passwords directly to the account users.**

Access Control Procedures

One reason for the access issues noted earlier is that DPSS does not have written policies and procedures to create, limit, and periodically review users' System access as required by CFM 8.6.4. In addition, the Department does not have documentation for access assignments and changes. Six (30%) of the 20 users reviewed did not have written authorization for their access.

We also noted that five (25%) of the 20 users reviewed did not have a signed RMS/CIS data security acknowledgement on file as required by CFM Section 8.6.3. In addition, DPSS does not enforce password controls required by CFM Section 8.6.4. Specifically, the System does not require active users to change their password every 90 days, block the use of expired passwords, or require passwords to include both upper and lower case characters.

To minimize the risk of inappropriate payments, and ensure System information is safeguarded, DPSS management should strengthen access controls.

Recommendations

DPSS management:

4. **Establish policies and procedures to create, limit, and periodically review RMS/CIS access roles.**

5. **Ensure staff document approval for access assignments and changes.**

6. **Require all RMS/CIS users to sign an acknowledgement of the System data security policy.**

7. **Require RMS/CIS passwords to be changed every 90 days, include both upper and lower case characters, and block expired passwords.**

Payment Processing Controls

CSBG contractors bill the County monthly by creating an invoice in RMS/CIS showing the Program participants they served each month. The System automatically applies the contract rate per participant, and calculates the total amount due to the contractor. DPSS contract and fiscal staff review the invoice/payment for compliance with contract requirements, and electronically approve them in RMS/CIS. Fiscal staff then manually enter the corresponding payment in eCAPS, and two additional fiscal staff or managers, depending on the payment amount, review the payment to ensure it agrees with the RMS/CIS information, and approve the payment in eCAPS.

We noted invoice/payment processing weaknesses that resulted in discrepancies between RMS/CIS invoices and eCAPS payments, as well as over and under payments.

Overpayments – Ineligible Participants

DPSS paid some invoices containing ineligible participants, resulting in possible overpayments. Specifically, we analyzed participant data, and noted that, from January 1, 2009 to May 19, 2011, DPSS paid $44,928 for 72 participants who were ineligible because their income in RMS/CIS exceeded CSBG Program limits.

DPSS management indicated that most of these participants appeared to be ineligible because the contractors claim they entered participant income data incorrectly in the System. DPSS management should review supporting documentation to confirm these claims, and resolve any overpayments. In addition, to reduce the risk of future overpayments, DPSS should ensure staff reject invoices for participants who exceed CSBG income limits, and establish System controls to prevent payments for ineligible participants.

Recommendations

DPSS management:

8. **Review supporting documentation of possible overpayments, and recover any verified overpayments.**

9. **Ensure staff reject invoices for participants who exceed CSBG income limits, and establish System controls to prevent payments for ineligible participants.**

Manual Over and Under Payment Correction/Update Procedures

DPSS staff review prior period invoices to identify over and under payments, and use a manual system to track and resolve them. Staff manually withhold eCAPS payments to recover overpayments, and increase subsequent payments to correct underpayments. DPSS does not have centralized records of over and under payments, and the Department cannot readily determine the total amounts outstanding/owed. This manual process is inefficient and increases the risk of errors or fraud.

DPSS should establish a process within RMS/CIS to account for all over and under payments, including preparing credit invoices to resolve overpayments, and issuing supplemental payments to address underpayments.

Recommendations

10. **DPSS management establish a process within RMS/CIS to account for over and under payments, including preparing credit invoices for overpayments, and issuing supplemental payments for underpayments.**

Transaction Review and Payment Approvals

DPSS has procedures to ensure invoice and payment information are correct before issuing payments. However, staff do not always follow these procedures. For example:

- DPSS staff updated RMS/CIS with inaccurate rates, causing inaccurate payments. RMS/CIS payment approvers did not identify these errors when they approved the payments. In other cases, the approvers knew the RMS/CIS rates were inaccurate, but they approved the payments in RMS/CIS anyway. While staff later manually input and paid the correct amounts in eCAPS, this practice causes discrepancies between the systems, and could lead to inappropriate payments. Since DPSS is planning an interface to electronically transmit approved RMS/CIS payments directly to eCAPS, it is critical that rates in RMS/CIS are updated properly, and that inaccurate payments are rejected.

- DPSS staff entered the wrong payment amounts in eCAPS, and the eCAPS approvers did not identify the errors before approving the payments. Although the discrepancies were immaterial, they resulted in over and under payments to contractors. Until DPSS develops an eCAPS interface, the Department should ensure staff enter RMS/CIS information into eCAPS accurately, and verify the information as part of the eCAPS approval process.

DPSS staff identify some payment discrepancies during their monthly reconciliations, but this is a manual process and can take up to one month. Since RMS/CIS is updated daily with eCAPS payment data, DPSS management should enhance RMS/CIS to automate the reconciliation process, and produce exception reports as soon as discrepancies between RMS/CIS and eCAPS are noted, as required by CFM 8.4.2.

Recommendations

DPSS management:

11. **Ensure staff enter rates in RMS/CIS properly, and that payment approvers reject RMS/CIS payments with incorrect rates.**

12. **Ensure staff enter RMS/CIS information into eCAPS accurately, and that eCAPS approvers compare the payment amounts to RMS/CIS information.**

13. **Enhance RMS/CIS to reconcile RMS/CIS and eCAPS data, and produce exception reports when discrepancies are noted.**

Manual Invoice Processing

During our review, we noted DPSS staff sometimes issue payments in eCAPS for invoices they manually processed outside of RMS/CIS. We reviewed seven of these invoices, and noted that most were processed when RMS/CIS was unavailable due to maintenance. We also noted one invoice was processed manually because the vendor billed DPSS for training CSBG contractors, and RMS/CIS is only setup to pay for services to participants. Although all the manual invoices we reviewed were properly approved, none were entered into RMS/CIS. DPSS also indicated that contractors

sometimes bill DPSS before they are granted access to RMS/CIS, so DPSS has to manually process those invoices. To ensure a comprehensive record of all services and payments, DPSS management should consider enhancing RMS/CIS to record manually processed invoices.

Recommendation

14. **DPSS management consider enhancing RMS/CIS to record manually processed invoices.**

Billing Documentation and Quality Assurance Reviews

CSBG contractors currently do not provide documentation for the invoices they submit electronically to the County. DPSS conducts annual quality assurance reviews to ensure that contractors have the supporting documentation required for billed services. However, we noted weaknesses with the current process, including violations of contract requirements, which increase the risk of errors. Specifically:

- Some CSBG contracts require that participant sign-in sheets be submitted with invoices to support the billings. However, DPSS does not enforce this requirement. DPSS management should consider enhancing RMS so contractors can attach supporting documents to their invoices electronically.

- DPSS staff who perform quality assurance reviews of contractors, also process invoices for the contractors they review. DPSS should ensure that the quality assurance and invoice processing/approval functions are separated.

- DPSS quality assurance staff give contractors advance notice of the invoices they plan to audit. This could allow contractors time to "clean up" records, and reduces the effectiveness of the quality assurance process. DPSS should immediately stop giving contractors advance notice of the invoices they plan to audit.

The control weaknesses noted above may increase the risk of inappropriate payments going undetected. While we did not review whether contractors keep appropriate documentation to support their billings, we will review this area and report back as part of a separate review of DPSS' contracting operations.

Recommendations

DPSS management:

15. **Consider enhancing RMS to allow contractors to attach supporting documents to their invoices electronically.**

16. **Ensure that the quality assurance and invoice processing/approval functions are separated.**

17. **Stop giving contractors advance notice of the invoices they plan to audit.**

RMS/CIS Future Plans

As mentioned earlier, DPSS plans to develop an interface to transmit approved RMS/CIS invoices to eCAPS for payment electronically. While we believe this will increase payment efficiency, many of the payment processing issues we noted increase the risk for inappropriate payments, and must be addressed before the interface is implemented.

We also noted that DPSS incorporated the Domestic Violence program into the RMS/CIS process in January 2011, which we did not review. The Department also plans to incorporate at least ten other programs by FY 2013-14. DPSS management should ensure that the findings and recommendations from this review are addressed in existing and future program automations.

Recommendations

Department management:

18. **Ensure the payment processing issues in our review are addressed before the eCAPS interface is implemented.**

19. **Ensure that the findings and recommendations from this review are also addressed in existing and future program automations.**

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES

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GLORIA MOLINA
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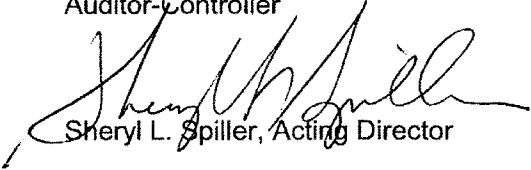MARK RIDLEY-THOMAS
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Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

June 25, 2012

TO: Wendy L. Watanabe
              Auditor-Controller

FROM: Sheryl L. Spiller, Acting Director

SUBJECT: **RESPONSE TO DRAFT FINDINGS AND RECOMMENDATIONS FROM THE AUDITOR-CONTROLLER REVIEW OF THE DEPARTMENT OF PUBLIC SOCIAL SERVICES' REPORT MANAGEMENT AND CONTRACT INVOICING SYSTEM**

Thank you for having your staff review the Department of Public Social Services' (DPSS) Report Management and Contract Invoicing System (RMS/CIS), as requested by Philip L. Browning in 2010. We believe that this system will provide a much needed solution to the manual processing of contractor invoices and can lend itself to automated efficiencies for other County departments as well.

Attached is DPSS' response to the draft findings and 19 recommendations resulting from the Auditor-Controller's RMS/CIS review. DPSS agrees with 18 of the recommendations and proactively has addressed them. To date, 15 have been implemented; one is targeted for implementation by August 31, 2012, one is targeted for implementation by September 30, 2012; and one is targeted for October 31, 2012. DPSS disagrees with the remaining finding and recommendation (number 17).

If you have any questions, please let me know or your staff may contact Joan Reyes, Acting Division Chief, at (562) 908-5879.

SLS:SL
JR:se

Attachment

"To Enrich Lives Through Effective And Caring Service"

DPSS RESPONSE TO
FINDINGS AND RECOMMENDATIONS
AUDITOR-CONTROLLER'S REVIEW OF
DEPARTMENT OF PUBLIC SOCIAL SERVICES
CONTRACT INVOICING SYSTEM

Access Controls

County Fiscal Manual (CFM) Section 8.6.3 requires departments to limit system access based on each user's responsibilities. CFM Section 8.6.4 also requires departments to periodically review user access to ensure it is authorized and appropriate, and to ensure passwords are complex, and are changed at least every 90 days to maintain their effectiveness. These controls ensure system data is secured.

Restricting System Access

We noted instances where contractor (non-County) employees and County staff had unneeded access to the Report Management System (RMS) and Contract Invoicing System (CIS), which increases the risk of error or inappropriate activity. For example:

- 18 individuals had RMS/CIS access they do not need. This includes six terminated contractor employees; seven current County employees who no longer needed access to RMS/CIS; and five contractor employees, who each have multiple, unnecessary active user IDs in the System. We also noted that a terminated contractor employee's access was used after his termination date to create two invoices in RMS, totaling $27,600, which were eventually paid. DPSS is investigating these payments to determine if they were valid, and will report back to us.

DPSS should cancel user accounts for employees who no longer need access to the System, and ensure that services billed on the two invoices noted above were appropriate.

- Two DPSS programming staff received System-generated emails, with invoice and participant information (e.g., name, address, yearly income, etc.), when Invoice Processing staff rejected RMS/CIS invoices. However, the programmers have no fiscal or client service responsibilities.

- One DPSS employee had unnecessary invoice approval authority. Although the authority was not used, DPSS should restrict system access based on each user's responsibilities as required by CFM Section 8.6.4.

We also noted DPSS Information Technology (IT) staff assign contractor employees their System identifications (IDs), manually create temporary passwords, and route the access information to the contractor through other DPSS staff who have no need for the information. To reduce the risk of unauthorized access, IT staff should not share ID's and passwords with anyone except the account user. DPSS should also evaluate enhancing the System to automatically generate and send passwords directly to the account users.

<u>Recommendations</u>

DPSS management:

1. **Restrict users' access based on work assignments, and cancel access for terminated employees, users who no longer need access, and users with multiple, unnecessary System IDs.**

2. **Determine if the two invoices processed with the terminated contractor's access were appropriate, and report the results to the Auditor-Controller within 60 days.**

3. **Ensure IT staff who assign System IDs and temporary passwords do not share them with anyone except the account users, and evaluate enhancing the System to automatically generate and send passwords directly to the account users.**

<u>DPSS Response to 1, 2, and 3:</u> DPSS Agrees

1. *The "CIS DPSS Employees User Access Controls Policy" for defining the separate invoice processing and reconciliation duties has been established and the policy is available on the home screen of the application for all CIS modules. The DPSS Contract Management Division (CMD) and Fiscal Management Branch (FMB) began receiving the monthly CIS User Inventory Listing in June 2011 to be used to validate ongoing access to CIS. The annotated report is due back to the Information Technology Division (ITD) within ten calendar days for updating any changes in the CIS. All duplicate users and terminated employees have been deleted. In addition, DPSS implemented the use of the "CIS Quarterly User Status Report" in September 2011, which Community Services Block Grant (CSBG) contractors are required to complete and return to verify current user information, or to request the addition, deletion or other modification of the system user.*

   Completed: September 30, 2011

2. *DPSS is in the process of reviewing the supporting documentation for the two invoices to determine if the invoices were processed appropriately and will report back to the Auditor-Controller within 60 days of release of the final report.*

   Target Date: August 31, 2012

3. *This finding is related to DPSS test policies for user passwords. Effective June 6, 2011, DPSS changed the policy. ITD no longer tests user passwords before sending them out and only sends an email to the end user with their account information. In addition, ITD has put in place a policy for the Database Administrators to email new passwords to the users directly who are prompted to change the password on the first login.*

   Completed: June 6, 2011

Access Control Procedures

One reason for the access issues noted earlier is that DPSS does not have written policies and procedures to create, limit, and periodically review users' System access as required by CFM 8.6.4. In addition, the Department does not have documentation for access assignments and changes. Six (30%) of the 20 users we reviewed did not have written authorization for their access.

We also noted that five (25%) of the 20 users reviewed did not have a signed RMS/CIS data security acknowledgement on file as required by CFM Section 8.6.3. In addition, DPSS does not enforce password controls required by CFM Section 8.6.4. Specifically, the System does not require active users to change their password every 90 days, block the use of expired passwords, or require passwords to include both upper and lower case characters.

To minimize the risk of inappropriate payments, and ensure System information is safeguarded, DPSS management should strengthen access controls.

Recommendations

DPSS management:

4. **Establish policies and procedures to create, limit, and periodically review RMS/CIS access roles.**

5. **Ensure staff document approval for access assignments and changes.**

6. **Require all RMS/CIS users to sign an acknowledgement of the System data security policy.**

7. **Require RMS/CIS passwords to be changed every 90 days, include both upper and lower case characters, and block expired passwords.**

DPSS Response to 4, 5, 6, and 7:   DPSS Agrees

4   *The "CIS DPSS Employees User Access Controls Policy" for defining the separate invoice processing and reconciliation duties has been established and is provided on the home screen of the CSBG-CIS application.*

    Completed: June 24, 2011

5.   *CMD and FMB began receiving a monthly CIS User Inventory Listing effective June 2011 from ITD to be validated for ongoing access. The annotated report is due back to ITD within ten calendar days for updating any changes needed for CIS access. All DPSS employees and contract employees that no longer need access to CIS are removed.*

    Completed: June 24, 2011

Access Control Procedures (Continued)

6   *It is County and departmental policy that all County employees annually sign the appropriate County user agreement forms that advise them of their responsibilities regarding computer system access, usage and confidentiality. To further reinforce this policy, as requested by the Auditor-Controller reviewers, effective June 2011 ITD required separate CIS user agreements from the users. The signed data security acknowledgement forms are available upon request to support compliance with the finding.*

Completed: June 24, 2011

7.   *DPSS currently has minimum password complexity controls and additional compensating controls to ensure adequate authentication security. In June 2011, the Department further enhanced password complexity by requiring at least one upper and one lower case character. Below are the current standards.*

- *Each user must have unique User name and Password.*
- *Minimum password length – 8 characters*
- *Maximum password age – 90 days*
- *Password expire warning – 14 days*
- *Remember last 6 passwords*

Completed: June 24, 2011

Payment Processing Controls

CSBG contractors bill the County monthly by creating an invoice in RMS/CIS showing the Program participants they served each month. The System automatically applies the contract rate per participant, and calculates the total amount due to the contractor. DPSS contract and fiscal staff review the invoice/payment for compliance with contract requirements, and electronically approve them in RMS/CIS. Fiscal staff then manually enter the corresponding payment in eCAPS, and two additional fiscal staff or managers, depending on the payment amount, review the payment to ensure it agrees with the RMS/CIS information, and approve the payment in eCAPS.

We noted invoice/payment processing weaknesses that resulted in discrepancies between RMS/CIS invoices and eCAPS payments, as well as over and under payments.

Overpayments – Ineligible Participants

DPSS paid some invoices containing ineligible participants, resulting in possible overpayments. Specifically, we analyzed participant data, and noted that, from January 1, 2009 to May 19, 2011, DPSS paid $44,928 for 72 participants who were ineligible because their income in RMS/CIS exceeded CSBG Program limits.

Overpayments – Ineligible Participants (Continued)

DPSS management indicated that most of these participants appeared to be ineligible because the contractors claim they entered participant income data incorrectly in the System. DPSS management should review supporting documentation to confirm these claims, and resolve any overpayments. In addition, to reduce the risk of future overpayments, DPSS should ensure staff reject invoices for participants who exceed CSBG income limits, and establish System controls to prevent payments for ineligible participants.

Recommendations

DPSS management:

8. **Review supporting documentation of possible overpayments, and recover any verified overpayments.**

9. **Ensure staff reject invoices for participants who exceed CSBG income limits, and establish System controls to prevent payments for ineligible participants.**

DPSS Response to 8 and 9:   *DPSS Agrees*

8. *For identified CSBG participants supporting documentation of possible overpayments was reviewed and verified overpayments have been recovered.*

   Completed: January 30, 2012

9. *A validation process has been implemented that ensures staff reject invoices for participants that exceed CSBG income limits, and CIS functionality was added to include income validation controls that will prevent registration of clients that are potentially income ineligible under the CSBG program.*

   Completed: October 25, 2011

Manual Over and Underpayment Correction/Update Procedures

DPSS staff review prior period invoices to identify over and under payments, and use a manual system to track and resolve them. Staff manually withhold eCAPS payments to recover overpayments, and increase subsequent payments to correct underpayments. DPSS does not have centralized records of over and under payments, and the Department cannot readily determine the total amounts outstanding/owed. This manual process is inefficient and increases the risk of errors or fraud.

DPSS should establish a process within RMS/CIS to account for all over and under payments, including preparing credit invoices to resolve overpayments, and issuing supplemental payments to address underpayments.

Recommendations

DPSS management:

10. DPSS management establish a process within RMS/CIS to account for over and under payments, including preparing credit invoices for overpayments, and issuing supplemental payments for underpayments.

DPSS Response to 10: **DPSS Agrees**

10. DPSS has established added functionality within RMS/CIS that allows invoice adjustments which resolve under and overpayments issued by DPSS.

Completed: October 1, 2011

Transaction Review and Approval Process

DPSS has procedures to ensure invoice and payment information are correct before issuing payments. However, staff do not always follow these procedures. For example:

- DPSS staff updated RMS/CIS with inaccurate rates, causing inaccurate payments, and RMS/CIS payment approvers did not identify these errors when they approved the payments.

- In other cases, the approvers knew the RMS/CIS rates were inaccurate, but they approved the payments in RMS/CIS anyway. While staff later manually input and paid the correct amounts in eCAPS, this practice causes discrepancies between the systems, and could lead to inappropriate payments. Since DPSS is planning an interface to electronically transmit approved RMS/CIS payments directly to eCAPS, it is critical that rates in RMS/CIS are updated properly, and that inaccurate payments are rejected.

- DPSS staff data entered the wrong payment amounts in eCAPS, and the eCAPS approvers did not identify the errors before approving the payments. Although the discrepancies were immaterial, they resulted in over and under payments to contractors. Until DPSS develops an eCAPS interface, the Department should ensure staff enter RMS/CIS information into eCAPS accurately, and verify the information as part of the eCAPS approval process.

DPSS staff identified some payment discrepancies during their monthly reconciliations, but this is a manual process and can take up to one month. Since RMS/CIS is updated daily with eCAPS payment data, DPSS management should enhance RMS/CIS to automate the reconciliation process, and produce exception reports as soon as discrepancies between RMS/CIS and eCAPS are noted, as required by CFM 8.4.2.

Transaction Review and Approval Process (Continued)

Recommendations

DPSS management:

11. **Ensure staff enter rates in RMS/CIS properly, and that payment approvers reject RMS/CIS payments with incorrect rates.**

12. **Ensure staff enter RMS/CIS information into eCAPS accurately, and that eCAPS approvers compare the payment amounts to RMS/CIS information.**

13. **Enhance RMS/CIS to reconcile RMS/CIS and eCAPS data, and produce exception reports when discrepancies are noted.**

DPSS Response to 11, 12 and 13: *DPSS Agrees*

11. *The contract information, including per participant rate, is loaded into RMS/CIS at the beginning of the fiscal year. The "Invoice Adjustment Feature," implemented effective October 2011, prevents manual adjustments to rates and avoids potential data entry errors in the fixed fee rates.*

    Completed: October 1, 2011

12. *This issue will be eliminated once the system goes to electronic transaction to eCAPS. The sampled transactions with the findings all occurred during the early stages of CIS implementation in 2009. As the users gained more knowledge and familiarity with the CIS process, the errors have been eliminated. DPSS has reinforced the proper procedures with the Fiscal staff on June 1, 2011. The final phase of the CIS development is the linkage with eCAPS to electronically transmit the invoice payment request, and for eCAPS to generate the GAX document. This will eliminate the manual entry process. The Auditor-Controller (A-C) technical staff advised DPSS that we could not begin work on the CIS/eCAPS linkage until the A-C review is finalized.*

    Target Date: September 30, 2012

13. *ITD completes the exception report and provides it to FMB with the reconciliation reports in the first week following each month's processing period. FMB staff review and take corrective action for any exceptions identified on the reconciliation report. Also, any corrective actions taken are annotated on the report. The reviewed reports are signed by the General Accounting Unit staff and manager to confirm that corrective action was taken.*

    Completed: December 8, 2011

Manual Invoice Processing

During our review, we noted DPSS staff sometimes issue payments in eCAPS for invoices they manually processed outside of RMS/CIS. We reviewed seven of these invoices, and noted that most were processed when RMS/CIS was unavailable due to maintenance. We also noted one invoice was processed manually because the vendor billed DPSS for training CSBG contractors, and RMS/CIS is only setup to pay for services to participants. Although all the manual invoices we reviewed were properly approved, none were entered into RMS/CIS. DPSS also indicated that contractors sometimes bill DPSS before they are granted access to RMS/CIS, so DPSS has to manually process those invoices. To ensure a comprehensive record of all services and payments, DPSS management should consider enhancing RMS/CIS to record manually processed invoices.

Recommendations

14. **DPSS management consider enhancing RMS/CIS to record manually processed invoices.**

DPSS Response to 14:   DPSS Agrees

14. DPSS has created a CIS Reconciliation Report to reinforce the proper procedures with the staff to ensure that invoice and payment information in both CIS and eCAPS match. The sampled transactions occurred during the early stages of CIS implementation and these issues are now resolved.

Completed: December, 2011

Support for Billing

CSBG contractors currently do not provide documentation for the invoices they submit electronically to the County. DPSS conducts annual quality assurance reviews to ensure that contractors have required supporting documentation for billed services. However, we noted weaknesses with the current process, including violations of contract requirements, which increases the risk of errors and fraud. Specifically:

- Some CSBG contracts require that participant sign-in sheets be submitted with invoices to support the billings. However, DPSS does not enforce this requirement. DPSS management should consider enhancing RMS so contractors can attach supporting documents to their invoices electronically.

- DPSS staff who perform quality assurance reviews of contractors, also process invoices for the contractors they review. DPSS should ensure that the quality assurance and invoice processing/approval functions are separated.

Support for Billing (Continued)

- DPSS quality assurance staff give contractors advance notice of the invoices they plan to audit. This could allow contractors time to "clean up" records, and reduces the effectiveness of the quality assurance process. DPSS should immediately stop giving contractors advance notice of the invoices they plan to audit.

  The control weaknesses noted above may increase the risk of inappropriate payments going undetected. While we did not review whether contractors keep appropriate documentation to support their billings, we will review this area and report back as part of a separate review of DPSS' contracting operations.

Recommendations

Department management:

15. **Consider enhancing RMS to allow contractors to attach supporting documents to their invoices electronically.**

16. **Ensure that the quality assurance and invoice processing/approval functions are separated.**

17. **Stop giving contractors advance notice of the invoices they plan to audit.**

DPSS Response to 15 and 16:   DPSS Agrees

15. DPSS is exploring the options that will best serve to ensure contractors have the required supporting documentation for billed services. DPSS will research the cost and benefits of all possibilities, including document imaging of supporting documentation and uploading to RMS/CIS.

   Target Date: October 31, 2012

16. DPSS developed a Contract Management Division structure that separates the responsibilities for invoice processing from quality assurance monitoring.

   Completed: March 1, 2012

DPSS Response to 17:   DPSS Disagrees

17. DPSS disagrees with this recommendation. It is standard audit procedure for the State and federal governments to provide notification and case/document sample selection in advance of departmental audits.

Support for Billing (Continued)

> *Although the Department understands the Auditor-Controller concerns, given the Department's and contractors' limited staffing resources and the amount of time that would be required for the contractor to pull the cases/documents needed for the monitoring review while the contract monitor waits, this option is not feasible. It would create undue delays and create an untenable workload for contract monitoring and contractor staff.*

> ***Target Date:*** ***Not Applicable***

RMS/CIS Future Plans

As mentioned earlier, DPSS plans to develop an interface to transmit approved RMS/CIS invoices to eCAPS for payment electronically. While we believe this will increase payment efficiency, many of the payment processing issues we noted increase the risk for inappropriate payments, and must be addressed before the interface is implemented.

We also noted that DPSS incorporated the Domestic Violence program into the RMS/CIS process in January 2011, which we did not review. The Department also plans to incorporate at least ten other programs by FY 2013-14. DPSS management should ensure that the findings and recommendations from this review are addressed in existing and future program automations.

Recommendation

18. **Ensure the payment processing issues in our review are addressed before the eCAPS interface is implemented.**

19. **Ensure that the findings and recommendations from this review are also addressed in existing and future program automations.**

DPSS Response to 18 and 19: *DPSS Agrees*

18. *As it pertains to FMB invoice processing, procedures were reinforced with the staff responsible for eCAPS data entry, review, and approval.*

> ***Completed:*** ***June 1, 2011***

19. *Where applicable, the findings and recommendations from the Auditor-Controller's review of RMS/CIS have currently been employed across all CIS Modules and will be utilized to implement future programs in CIS.*

> ***Completed:*** ***June 24, 2011***