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Missouri State Auditor

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## SOCIAL SERVICES

# Children's Services Integrated Payment System - Data Accuracy and Integrity



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## **Internal Control and System Weaknesses Increase Risk of Invalid Child Welfare Payments**

This audit reviewed the internal controls used to ensure the accuracy and integrity of child welfare payments processed by the Department of Social Service (DSS) Children's Services Integrated Payment System (CSIPS). Auditors reviewed a limited number of CSIPS payment records and found DSS overpaid vendors at least \$51,628 during fiscal year 2005. Our work concluded DSS and Information Technology Services Division (ITSD) officials have established appropriate security controls to protect CSIPS from unauthorized access.

Service dates are not thoroughly tracked	DSS officials face an increased risk of making duplicate children services payments or paying for services which should not be provided at the same time because CSIPS does not record or track the exact calendar days services are provided. We found DSS officials overpaid vendors at least \$31,898 in fiscal year 2005 due to exact service dates not being recorded on payment transactions. (See page 5)
System control weaknesses allow inaccurate payments	DSS and ITSD officials have established multiple internal controls to edit and validate CSIPS payment data. However, weaknesses in the system may allow inaccurate or unauthorized payments. These weaknesses are the result of established data validation and edit controls that are not working effectively and edit controls that have not been included in the system. A DSS official said some of these weaknesses have been identified, but edits necessary to fix them are not a priority because resources are currently being focused on development of a new processing system. We found DSS officials overpaid vendors at least \$19,730 in fiscal year 2005 due to these weaknesses. (See page 7)
No assurance payments are approved	Approval and review of payment source documents is done manually before the payment is entered in CSIPS. There are no post-payment reviews to ensure the amount approved on the source document equals the amount input on the payment transaction. Without performing a post-payment review or authorizing payment source documents electronically after being input, there is an increased risk inaccurate payments will go undetected or invoices and services will be paid that were never approved. (See page 10)
Use of overrides not reviewed	DSS officials did not monitor the use of overrides on CSIPS payment transactions. Overrides bypass CSIPS data validation and edit controls to allow the processing of a transaction to continue. Without properly monitoring the use of overrides on CSIPS payment transactions, there is an increased risk inappropriate payments can be processed without detection by management. (See page 10)
Documented policies and procedures needed to ensure continuity and consistency	DSS officials have developed policies and procedures for the operation of CSIPS, but have not yet formally documented procedures for tracking overpayments and processing deductions, processing transaction errors, or for the retention of payment source documents. Documentation of all aspects of computer operations and support is important to ensure continuity and consistency. (See page 11)

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## Abbreviations

CD	Children's Division
CSIPS	Children's Services Integrated Payment System
DSS	Department of Social Services
ITSD	Information Technology Services Division



**CLAIRE McCASKILL**  
**Missouri State Auditor**

Honorable Matt Blunt, Governor  
and  
Steven E. Renne, Interim Director  
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The Department of Social Services (DSS) Children's Division is responsible for administering the child welfare programs which serve children placed in the state's custody. The Children's Services Integrated Payment System (CSIPS) is used to make payments to authorized vendors who provide services to these children. The Office of Administration, Information Technology Services Division (ITSD) is responsible for providing technical assistance to support DSS information systems and technology resources. Our audit objectives included determining whether DSS and ITSD officials established (1) adequate information security policies and procedures to ensure only authorized access to the system and (2) sufficient internal controls to edit and validate CSIPS payment data and whether implemented controls have been working effectively to ensure the accuracy and integrity of CSIPS payment data.

We found DSS and ITSD have established security policies and procedures for monitoring security activity and protecting CSIPS from unauthorized access. However, we found numerous internal control weaknesses in CSIPS data entry, validation, and payment authorization processes, which increase the risk of inaccurate, improper or unauthorized payments being made to vendors. We also determined procedures for tracking, monitoring, and reviewing payments and overpayments need to be established or improved.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. This report was prepared under the direction of John Blattel. Key contributors to this report were Jeff Thelen, Lori Melton, Frank Verslues and Evans Owala.

A handwritten signature in black ink that reads "Claire McCaskill".

Claire McCaskill  
State Auditor

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# Internal Control and System Weaknesses Increase Risk of Invalid Child Welfare Payments

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Child welfare payments processed by the Children's Services Integrated Payment System (CSIPS) are susceptible to inaccurate, improper or unauthorized amounts being paid to vendors who provide services to children placed in custody of the state. During our review of a limited number of detailed payment records, we identified the Department of Social Services (DSS) overpaid vendors at least \$51,628<sup>1</sup> during fiscal year 2005. This situation has occurred because DSS officials have not implemented sufficient internal controls including transaction processing and payment edits<sup>2</sup> to ensure accurate and proper payments and have not established adequate policies and procedures for tracking, monitoring and reviewing payments and overpayments. DSS officials have identified some of the internal control weaknesses in CSIPS but do not plan to correct them. Instead, officials plan to address the controls when developing a new system to replace CSIPS. However, the new system is not expected to be implemented until at least 2008. DSS and Information Technology Services Division (ITSD) officials have established adequate security controls to protect CSIPS from unauthorized access and are commended for helping to protect the state's information technology resources. However, the missing or inadequate payment edits and key policies and procedures continue to result in numerous internal control and system weaknesses in data entry, validation, and payment authorization processes. Collectively, these weaknesses impair the ability of DSS to ensure the accuracy and integrity of CSIPS payments.

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## Background

CSIPS is used to track and make payments for Missouri's child welfare programs. Additional interconnected systems maintain and provide information to CSIPS for payments of services provided to child welfare clients. These services include, but are not limited to, foster care and adoption reimbursements, counseling, clothing, and day care. In fiscal year 2005, over \$232 million was paid through CSIPS, approximately \$133 million from state funds and \$99 million from federal funds.

CSIPS was implemented in 1985, and underwent major system modifications in 1997 to make the system more efficient by moving most of the payment edits and data validation rules into the online data entry process. There have been no major system modifications since this time. Currently, DSS is developing a new system to replace CSIPS and the other

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<sup>1</sup> This amount consists of \$31,898 for services that should not have been provided at the same time (see page 6), \$14,706 for duplicate payments (see page 9), and \$5,024 for day care overpayments (see page 9).

<sup>2</sup> An edit, also known as a data validity check, is program code that tests the input for correct and reasonable conditions, such as account numbers falling within a range, numeric data being all digits, dates having a valid month, day and year, etc.

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child welfare systems. The new system under development will be comprised of five functional areas. DSS Children's Division (CD) officials stated financial resources, which will replace CSIPS, will be the final functional area developed since CSIPS is currently compliant with federal guidelines and is needed to process payments for the other systems until they are converted. DSS officials estimate the financial resources functional area of the new system will be implemented in 2008.

Effective July 1, 2005, information technology personnel and resources from most executive branch agencies, including DSS, were consolidated and placed under the direction of the state Chief Information Officer in the Office of Administration, ITSD. Under the consolidation, DSS maintains ownership of CSIPS while ITSD provides the technical support to operate the system. This consolidation was completed July 1, 2006, when personnel from the consolidating departments became ITSD employees and agency technology budgets were fully transferred to the division.

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## Scope and Methodology

To determine whether CSIPS is protected from unauthorized access, we reviewed department security policies and procedures and interviewed the department's security officer. We obtained a list of all CSIPS users and their access rights from the DSS security officer to verify which users have access to sensitive transactions to ensure access rights were appropriate. No weaknesses were found in our review of security controls.

To determine whether controls to validate and edit CSIPS payment data are in operation and have been working effectively, we reviewed the CD Child Welfare Manual (welfare manual) and CSIPS Payment Handbook, reviewed case files and other supporting documentation, interviewed ITSD staff who support CSIPS, and interviewed CD local and central office payment specialists.

We obtained a data file of all CSIPS payment information for fiscal year 2005. To ensure completeness of the data, we reconciled the payment totals to the state accounting system and the CSIPS year end financial reports. We analyzed the data for compliance with system edits to ensure existing edits were functioning properly. We also evaluated situations where edits had not been implemented to determine the impact on the processing of payment transactions. We reviewed potential problems to the extent considered necessary to verify whether edits and controls were functioning as intended and the impact of controls and edits not in operation.

To analyze and test transactions, we reviewed case files and supporting documentation. We also spoke with officials and staff familiar with the cases and payments as necessary. In some cases where we identified an

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overpayment had been made, we did not determine the exact amount of the overpayment. Instead, we presented the overpayment as a range from a minimum to a maximum amount. Additional documentation was not always available to determine where the child was actually placed, whether in a foster home or other facility, during the time period payments were made. Determining the placement of the child would have been necessary to determine which vendor performed services. We provided DSS officials with a list of the overpayments and potential overpayments identified in the audit.

Our audit focused on the internal controls and edits directly related to the CSIPS payment system. We did not perform any work on the additional systems used to track and store other child welfare program information.

We based our evaluation on accepted state, federal, national and international standards and best practices related to information technology security controls from the following sources:

- Missouri Adaptive Enterprise Architecture
- National Institute of Standards and Technology
- U.S. Government Accountability Office (GAO)
- ISACA's Control Objectives for Information and related Technology (COBIT)
- International Organization for Standardization/International Electrotechnical Commission

We requested comments on a draft of our report from the Director of the Department of Social Services. We conducted our work between November 2005 and June 2006.

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## Service Dates Are Not Thoroughly Tracked Resulting in Overpayments

Accepted standards encourage the use and sharing of information in a way that maintains integrity and is flexible, functional, timely and resilient to failure. We found the CSIPS payment transaction only tracks the month and year of service, not the exact calendar days of service. ITSD staff confirmed the exact calendar days of service are not recorded or tracked in the system. Consequently, service date information is not flexible or functional enough to allow CD officials to effectively determine exact service dates. DSS officials cannot evaluate if two payments for the same service in the same month are payments for two separate time periods within the month or are duplicate payments. Currently, the only method for ensuring a payment is not a duplicate is to obtain and review the payment source documents. Without using exact service dates on payment transactions, there is an increased risk duplicate children services payments can occur and be undetected by DSS officials.

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Our audit found at least \$31,898 and potentially up to \$37,102 in overpayments for services which should not have been provided at the same time. The welfare manual lists many services that CD payment staff confirmed should not be provided at the same time, such as two different levels of residential treatment. Generally, these types of services should not be provided at the same time and paid for in a single month. However, when a child's placement changes, more than one type of service is appropriate and multiple payments are allowed in that month. Since CSIPS tracks only the month and year of service, payment records show multiple services have been provided and paid for during the same time period.

In fiscal year 2005, we found 2,236 children who potentially received services that should not be provided concurrently. Since multiple services could have been properly provided during the same month, we manually reviewed these payments to identify cases where total units for these services did not exceed 31 days in a month. After eliminating the cases where concurrent services had not been provided, we found 174 potential cases where payments had been made for 2 or more concurrent services. We performed a detailed review of 32 of these cases and identified 15 cases where payments had been made for services that should not be provided at the same time. Processing these transactions resulted in overpayments of at least \$31,898.

The audit also found numerous instances where child service providers were paid twice for the same service during one service month. Although neither of the payments may have exceeded the maximum service units or allowable rate, officials cannot determine whether a duplicate payment has been made without reviewing source documents for each payment. CD officials explained there are situations when a vendor may provide the same service multiple times in a month. For example, a client attending psychiatric therapy sessions may be approved to receive one session a week. If the provider bills twice a month for two weeks each time, the CSIPS payment transactions appear to be duplicates. This issue requires the payment specialist to review the source documents for prior payments to ensure the billing is appropriate. Use of the exact service date instead of just service month would allow officials to more effectively track payments and assure there are no overlapping payments for services that should not be provided at the same time.



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## System Control Weaknesses Allow Inaccurate or Improper Payments

Transaction data entered for processing by users or generated by the system should be subject to a variety of controls to check for accuracy, completeness and validity, according to accepted standards. While there are multiple payment edits applied to CSIPS transactions, weaknesses in the system may allow inaccurate, improper or unauthorized payments. These weaknesses are the result of established data validation and edit controls that are not working effectively and edit controls that have not been included in the system. CD officials said they are aware of some of the weaknesses we identified, but edits necessary to fix them are not a priority because resources are currently being focused on development of the new system.

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## Additional edits needed to ensure accuracy and integrity of payments

CSIPS does not have edits or other controls to require entry of the number of service units provided to a client and the service rate paid to a vendor on all applicable payment records. For example, CSIPS program documentation states service unit and service rate fields are not required on transactions processed for alternative care payments. Based on the payment transactions for fiscal year 2005, alternative care payments comprise approximately 61 percent of all children services payments. Alternative care payments are for services such as maintenance, transportation, respite care, and emergency foster care. In total, 69 alternative care services do not require input of service unit and service rate when entering a payment. Maximum service units and service reimbursement rates for these 69 alternative care services have been established and documented in the welfare manual. Since the system does not require entry of service unit or service rate, edit controls cannot be effective to enforce established rates. Consequently, DSS officials cannot readily ensure payment staff adheres to the established rates.

During analysis and testing, we identified payments made for one child for three consecutive months to a foster parent for monthly reimbursement and to a residential treatment facility for care of the child. CD payment staff confirmed at least one of these payments each month should not have been made since both services should not be provided for a child at the same time. The overpayment of \$3,337<sup>3</sup> to \$7,847, depending on which service was actually provided, could have been identified if service units had been entered for the monthly reimbursement payments. We also found a foster parent who received four alternative care maintenance payments for a child over two consecutive months when only two maintenance payments should have been made. These maintenance payments resulted in an overpayment ranging from \$608<sup>3</sup> to \$1,302, depending on which payment rate was

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<sup>3</sup> This amount is included in the \$31,898 amount of overpayments for services that should not have been provided at the same time (see page 6).

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accurate. If service units are required to be entered on payment transactions, a system edit could be developed to identify when total units exceed the maximum allowed per month and these overpayments could be avoided.

All payments processed by CSIPS for children services require a valid service code. Payment service codes have been established to distinguish payments for similar services. For example, there are eight different service codes for residential treatment, but each represents a different level of service with different qualifications and payment rates. The welfare manual outlines the criteria and maximum contracted rates for the different services and codes. However, no edits are in place to verify if the client meets the criteria to receive the services. For example, there are no edits to verify if an appropriate service code for child care is entered based on the age of the child. A vendor could be overpaid or underpaid \$4.68 to \$14.25 a day,<sup>4</sup> or up to \$327.75 a month per child, if the service code for the wrong age is entered. There are also no edits in CSIPS to verify if the appropriate service rate is used based on the service code entered. Our audit found up to 94 different service rates paid for a single service code which, according to the welfare manual, should have all been paid at the same rate. In addition, we found 739 day care payments exceeding the maximum contracted rate for the service being provided. According to CD officials and the welfare manual, day care payments can, however, exceed the maximum rates with an area director's approval. An edit to ensure the correct service code is used along with the correct usage of service rates based on the service code would provide DSS officials assurance that services are paid using accurate rates.

Welfare manual policy limits clothing purchases to a maximum of \$250 per year, depending on the age of the child. However, there are no active edits in CSIPS enforcing this limit. We identified 1,594 cases with payments for clothing potentially exceeding the maximum allowable limit for the child's age. To evaluate if these payments were inappropriate, we reviewed all clothing payments for 311 of these cases and found 174 cases with clothing payments over the yearly limit. Potential clothing overpayments for these 174 cases totaled \$8,651. According to the welfare manual and CD officials, these payments might have been approved by the area directors to exceed the maximum rates. An edit limiting payments for clothing would provide

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<sup>4</sup> CD policy established different rates dependent on the area of the state where the service was provided. In fiscal year 2005, the day care center weekday metro area rate for an infant's full day of care was \$25.75 and the rate for a school-age child in one metro area was \$11.50, a difference of \$14.25. A similar rate for an infant in a day care center in a rural area of the state was \$14.00 and the rate for a school-age child in the same area was \$9.32, a difference of \$4.68.

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DSS officials with assurance clothing purchases have not exceeded allowable limits and exceptions to the limit have been properly approved.

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Existing edits are ineffective to ensure accurate and proper payments

CSIPS has an edit which checks for duplicate payments using criteria based on vendor, client, service month and year, service code, and amount. However, this edit only compares transactions in the current pending payments file, not transactions in the entire payment history file, according to CSIPS program documentation and an ITSD staff. As a result, only transactions processed for payment during a two week payment cycle are included in the duplicate payments edit. Analyzing payments with the same criteria used by the CSIPS edit on all fiscal year 2005 payments, we identified 6,032 potential duplicate payments. We performed a detailed review of 81 of these transactions and identified 24 duplicate payments resulting in \$14,706 in overpayments.

CSIPS has an edit limiting the maximum number of days child care can be provided for a child to 23 days per month. However, this edit only checks individual payments and does not consider other payments made for the same service month. In effect, there is no limit to the number of days child care can be paid, as long as each single transaction does not exceed 23 days. We identified 159 cases having child care payments made to vendors when the total service units on all applicable payment transactions exceeded 23 days in a month. We performed a detailed review of 89 transactions for 10 of these cases and identified errors in payments for all 10 cases resulting in \$5,024 in overpayments to vendors. Specifically, in one case, a vendor received 5 payments for the care of one child for 44 days in a single service month. None of the payments were for more than 23 days,<sup>5</sup> so no override of the edit was necessary. This weakness resulted in an overpayment ranging from \$208 to \$315, depending on which of the rates paid on the various transactions were accurate. Another vendor received 2 payments for 21 days each, for the care of one child, for a total of 42 days in a single service month, resulting in an overpayment of \$285.

Welfare manual policy allows child care payments for up to 5 absences (including holidays) a month and 11 holidays a fiscal year per child. CSIPS has no additional edits in the system enforcing these limits. As a result, vendors could receive payment for a child with up to 23 absences or holidays in a single month.

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<sup>5</sup> There were 2 payments for regular attendance for 19 and 21 days, payments for 2 holidays, and 1 payment for 2 days of absences.

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In addition to the incomplete edits for the child care service units, we also found weaknesses with the method used to track child care provided on weekends and during the evening on weekdays. These services are tracked separately from weekday child care because they are paid at a higher rate. CSIPS uses the same service code for weekends and evenings which means there is no logic for the system edits to evaluate whether the appropriate number of days has been entered. The maximum number of service units for this service code is controlled by the same edit as weekdays (23 days). While this is the appropriate maximum for evenings in a month, there can only be up to 10 weekend days in a month. As a result, the edit is not effective to control or ensure child care provided on weekends is limited to 10 units a month.

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## No Assurance Payments Are Approved

Management should ensure source documents are properly prepared by authorized personnel who are acting within their authority and that an adequate segregation of duties is in place regarding the origination and approval of source documents, according to accepted standards. ITSD staff said the system does not have the capability to document approval of all payments. Approval and review of payment source documents is done manually before the payment is entered in CSIPS, according to DSS procedures in the CSIPS Payment Handbook. There are no post-payment reviews to ensure the amount approved on the source document equals the amount input on the payment transaction. Without performing a post-payment review or authorizing payment source documents electronically after being input, there is an increased risk inaccurate or improper payments will go undetected or invoices and services will be paid that were never approved.

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## Use of Overrides Not Reviewed

CD officials have not ensured payment staff have been using overrides appropriately because officials have not been properly monitoring the use of overrides on children services payment transactions. Overrides bypass CSIPS data validation and edit controls to allow the processing of a transaction to continue. For example, if a vendor submits a bill for services the vendor is not pre-authorized to provide, the payment specialist has to use an override to bypass the vendor payment edit to allow the payment to be processed. According to accepted standards, management should record information regarding all control exceptions and ensure it leads to analysis of the underlying cause and to corrective action. In addition, management should decide which exceptions should be communicated to the individual responsible for the function and which exceptions should be analyzed further.

We identified transactions with overrides that had not been applied correctly. For example, we found 12 child care payment transactions for 2

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cases that had overrides improperly applied resulting in overpayments of at least \$2,074.<sup>6</sup> After reviewing the supporting documentation for these 2 cases, we determined the payments were made for the number of hours of child care provided rather than the number of days provided. In 2 of these transactions, the payment specialist used an override to process payments for 84 days of child care in a single month. We found each of the payments for over 23 units or days of service had been overridden. According to the welfare manual and CD payment staff, child care payments should always be paid based on the number of days of service.

CD officials said procedures are not in place for monitoring the use of payment override codes because the only users with authority to perform overrides are those who monitor the activity of other users. The CD official responsible for the payment unit told us only two users were suppose to have the authority to perform overrides; however, from our review of CSIPS users and their access rights, we determined 50 users could process override transactions. During fiscal year 2005, almost 100,000 transactions were overridden, totaling over \$22 million. These transactions included six service codes where nearly 100 percent of the records processed required the use of an override to allow the billing to be processed. After presenting CD officials with our analysis of the override codes, they said they would request a report to monitor the use of payment overrides. This report will allow officials to evaluate the use of overrides to ensure the data validation and edit controls are operating as intended. Without properly monitoring the use of overrides on CSIPS payment transactions, there is an increased risk that inappropriate payments can be processed without detection by management.

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## DSS Needs to Establish or Improve Key Policies and Procedures

Documentation of all aspects of computer operations and support is important to ensure continuity and consistency. Formalizing operational practices and procedures with sufficient detail helps to eliminate security lapses and oversights, gives new personnel sufficiently detailed instructions, and provides a quality assurance function to help ensure operations will be performed correctly and efficiently, according to accepted standards.

CD officials have developed policies and procedures for the operation of CSIPS, including the welfare manual and the CSIPS Payment Handbook. However, during our audit we found inadequate policies and procedures for the following functional tasks:

- Tracking overpayments and processing deductions.

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<sup>6</sup> This amount is included in the \$14,706 duplicate payments amount (see page 9).

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- Processing of CSIPS payment transaction errors.
  - Handling and retention of payment source documents.
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## Overpayments are not properly tracked

States have a fundamental responsibility to ensure the proper administration of federal awards. Proper administration includes using sound management practices, maintaining internal controls, safeguarding of funds from improper payments, and ensuring funds are used for intended purposes according to the Government Accountability Office. However, CD officials have not had adequate procedures in place for tracking vendor overpayments to ensure monies are recouped from future vendor payments or are collected from the vendor. In addition, CSIPS does not provide the capability for tracking overpayments.

According to the welfare manual, deduction forms should be submitted to the central office payment unit by children's service workers as overpayments are identified. Deductions cannot be entered in CSIPS until there is a current payment to the vendor to offset the deduction against, so the payment unit maintains a list of the current deductions to be processed. The day before CSIPS checks are created, the payment unit manually compares the list of deductions to the payments to determine which deductions can be entered for processing. The payment unit performs this manual comparison each payment cycle. Overpayments are left on the deduction listing for 90 days; if the deductions cannot be entered after 90 days, the deduction forms are sent back to the children's service worker. The worker then contacts the vendor to obtain re-payment. If the worker is unable to collect the overpayment, the manual states the children's service worker should turn the deduction over to the DSS legal counsel for collection.

The deduction process, as documented in the welfare manual, does not include follow-up procedures; once a deduction is submitted by the children's service worker there are no procedures for the worker to ensure the deduction was processed. Likewise, if the deduction is sent back to the children's service worker, there are no procedures for the payment unit to ensure the monies are collected or if the deduction is turned over to the DSS legal counsel. During our testing, we found five overpayments totaling \$13,017 which had not been processed in CSIPS at the time of fieldwork completion, even though completed deduction forms had been filed with the payment source documents. Only three of these deduction forms had been forwarded to the payment unit. The remaining two overpayments which were expenditures from March 2005 were not identified as overpayments until April 2006. The deduction forms for these overpayments had not been submitted to the payment unit for processing as of June 2006. Without system capability or adequate deduction procedures for tracking

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overpayments and the corresponding deductions, there is an increased risk vendor overpayments will go uncollected without being detected by management.

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**Error handling procedures are needed**

Accepted standards state error handling procedures during data origination should reasonably ensure errors and irregularities are detected, reported and corrected. CD officials have not documented policies and procedures for handling source document errors or for the resubmission of corrected data. There is also no method in place for CD officials to monitor and follow-up on the correction and resubmission of payment errors. As a result, there are no procedures for monitoring the level of transaction errors.

A CD official stated policies and procedures had been in a previous manual which outlined the steps for handling payment transaction errors. However, this official did not know why these procedures had not been carried forward to the current welfare manual. Without having documented error handling policies and procedures in place, CD officials risk not being able to ensure the accuracy, completeness and timeliness of data processed by CSIPS. By monitoring transaction error levels, DSS officials can better evaluate and focus staff training needs.

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**Source document routing and retention policy needed**

According to accepted standards, procedures should be in place to ensure original source documents are retained or are reproducible by the organization for an adequate amount of time to facilitate retrieval or reconstruction of data as well as to satisfy legal requirements. CD officials did not have documented source document handling and retention policies that could be relied on to provide an accurate location of payment source documents. When we brought this problem to their attention, DSS officials formulated and revised policies pertaining to source document retention. However, the new policies address retention only at the local offices; it does not include policies for payments made from central office. Without comprehensive source document handling and retention policies in place, CD does not have assurance that source documents are reproducible to facilitate retrieval or reconstruction of payment data.

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**Conclusions**

Our limited analysis of CSIPS payments found, due to internal control and system weaknesses, DSS overpaid vendors at least \$51,528 during fiscal year 2005. DSS and ITSD officials have not established the internal controls necessary to ensure the accuracy and integrity of CSIPS payments. DSS officials have identified some of the internal control weaknesses in CSIPS and plan to address these controls when developing a new system to replace CSIPS. DSS officials have established adequate security controls to protect CSIPS from unauthorized access. To ensure the accuracy, propriety and integrity of CSIPS payments, DSS officials should establish appropriate

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transaction processing controls and payment edits to correct the internal control weaknesses in data entry, validation, and payment authorization processes. DSS officials should also ensure appropriate controls are included in the design and development of the new system.

In early 2006, DSS officials reported the completion of an investigation of alleged fraud in one of the child welfare programs. The department's Special Investigation Unit found enough evidence of fraudulent payments to refer the case to the federal prosecutor for further review. DSS officials can reduce the risk of fraudulent payments by establishing the proper internal controls and implementing the recommendations made in our audit report.

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## Recommendations

We recommend Department of Social Services officials work with Information Technology Services Division officials as necessary to:

1. Recoup the overpayments identified in this report and investigate the potential overpayments to determine if amounts need to be recouped.
2. Include the capability to document exact service dates instead of only the service month and year for children services payment transactions in CSIPS and/or include this functionality in the design and development of the new system.
3. Establish procedures to ensure all payment data is checked for accuracy, propriety and completeness by proper data validation and edit controls before and during processing. Specifically, DSS should review the following edits to consider adding them to CSIPS and/or to the design and development of the new system:
  - Require service units and service rates on all payment transactions with the appropriate minimum and maximum units and rates.
  - Place data validation rules on service codes to ensure payment data is compliant with the service code restrictions and to ensure the appropriate rate is used.
  - Limit the payments for clothing to ensure compliance with the Child Welfare Manual.
  - Revise the duplicate payment edit to review the entire payment history instead of just the pending payment file.
  - Revise the child care edit to review payment history to ensure only 23 days are allowed in a month.
  - Establish edits limiting absences and holidays for child care payments.
  - Differentiate between weekend and evening child care payments and establish appropriate edits limiting the days allowed.



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4. Establish procedures for reviewing payments to ensure the amount input agrees to the amount approved. DSS should consider adding a workflow requirement to apply electronic signatures to authorize or approve source documents before the system will allow payments to process and/or include this functionality in the design and development of the new system.
  5. Develop policies and procedures for monitoring override transaction usage to ensure payments are being properly processed.
  6. Develop procedures for tracking child service overpayments to ensure monies are recouped from future vendor payments or are repaid by the vendor. DSS and ITSD officials should evaluate the cost of modifying the current child welfare payment system or including specifications in the future system to adequately track vendor overpayments and deductions with automated procedures.
  7. Establish documented policies and procedures for handling source document errors and the resubmission of corrected data. In addition, develop error logs so officials can monitor and follow-up on the correction and resubmission of payment transaction errors.
  8. Revise the source documentation retention policy to include how documents are retained and stored for all CSIPS payments.

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## Agency Comments

1. *The Children's Division moved forward immediately to recoup overpayments identified in the report. In addition, Children's Division Management is working with the Children's Division Payment Unit to identify additional overpayments and plans to initiate a process to recoup such overpayments upon identification.*
2. *The Children's Division will include this functionality in the design and development of the new payment system.*
3.
  - *The Children's Division will include this functionality in the design and development of the new payment system for applicable payment transactions.*
  - *The Children's Division will include this functionality in the design and development of the new payment system.*
  - *Children's Division Management will review the need for including an edit in the current system and future system which will limit the payments for clothing.*

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- *Children's Division staff will work with ITSD to explore the potential of revising this edit in the current system. The Children's Division will include this functionality in the design and development of the new payment system.*
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4. *The current system does include edits to ensure the amount input agrees or is less than the amount approved, when the payment is first authorized in the SEAS system and then payment through a CS-65a invoice. The Children's Division will include a workflow in the design and development of the new payment system which has electronic signatures for authorizing and approving payments.*
  5. *DSS has moved forward to limit override capability to a smaller number of agency personnel. In addition, Children's Division staff will work with ITSD to develop procedures for obtaining and monitoring override transaction usage.*
  6. *The Children's Division will include this functionality in the design and development of the new payment system.*
  7. *Children's Division Payment Unit staff will establish policies and procedures for handling source document errors and the resubmission of corrected data. This will be documented in the CSIPS Payment Handbook. Children's Division Payment Unit staff are currently logging errors and following-up with local payment specialists on the correction and resubmission of payments.*
  8. *Children's Division officials will revise the source documentation retention policy to include how documentation should be retained and stored for payments made by Central Office staff.*