

REGION REVIEW AUDIT PROGRAM

This audit program should be used as a guide to answer the objectives for each section. Before doing the testwork, the auditor should gain an understanding of the agency/region/department. The auditor should know all locations where the agency/region: collects cash, disperses petty cash funds, stores inventory, performs decentralized purchasing and receiving functions, performs decentralized time tracking or hiring activities, performs decentralized authorizing/payment of expenditures, and enters into contracts. The steps in the audit program may not be adequate to answer the objectives. If so, additional testwork may need to be performed not contained in the audit program. The auditor must use judgement to determine what test work needs to be done based on the risk that objectives are not being met. If the risk is low, all steps in the audit program may not need to be performed. If risk is high, and initial testwork indicate that there may be major problems, the auditor may need to expand the scope of the review. The auditor should document in the workpapers the reasons why the risk is high or low and the reasons why additional steps were performed or why steps in the audit program were not performed. To assess this risk the audit must determine what, if any, review/monitoring the region has performed in each section. Can their work be relied on? If no work was done by the region to monitor, that is a reportable condition. Also, consider the risk in each section from a political and fiscal perspective. For example, the risk of minor noncompliance with petty cash fund policy presents little political or fiscal risk.

I. Mainframe/LAN SECURITY

Objective: Are there adequate internal controls to ensure the security of the Mainframe/LAN? Also, do the appropriate people have access? Do employees have appropriate access for their specific job? Do workers who have terminated employment still have access to the LAN/Mainframe?

A. Access Verification (document the following):

Obtain a copy of the most recent Mainframe/LAN Access List by user ID and location from the Office of Technology (OT). Also, obtain a current list of employees from the payroll system (Labor Distribution Finet download) and compare against the Mainframe Access List to ensure the list is complete. If it is not complete interview the TSS (technical support specialist) for the cause and resolution and document. Pull a random sample (see www.random.org/nform.html). of 3-5 mainframe access forms and verify proper authorization.

In addition, develop a list of all employees who have left the region, have terminated employment (check payroll report), and have changed responsibilities (check with the TSS) within the region requiring the access form to be changed.

Give OT Security manager (Jerry Smith) list of employees who were terminated and employees who have left the region, and have him verify the changes have been made. Also, have the OT Security manager check that the employees who have changed responsibilities have the appropriate access. Attach verified/signed list to the workpapers.

II. USSDS SYSTEM

Objective: Are there adequate internal controls to ensure claims are paid appropriately through the USSDS system?

- A. Review the provider payment system for the following: (***USSDS Payments Manual***) Download a USSDS check register for the audit period. Examine 10-20 provider payment documents judgmentally selected from the USSDS check register (if possible, 5-10 Form 1929/520, 5-10 Form 1032 and 2-5 Form 295s and test the following:

Objective: Do we have documentation from the providers stating the service has been provided?

- 1) Each billing page is signed by the provider certifying that services were provided. (***USSDS manual, p. 5, 7 & 8***)

Objective: Have caseworkers authorized and reviewed the billing?

- 2) Each billing page is signed by the caseworker indicating the billing has been reviewed and payment is authorized. (We prefer to see each line item initialed; but current policy allows each page to be signed.) (***USSDS manual, p. 5, 7 & 8***) The caseworker should sign the billing (there is an exception in the DCFS Ogden office where senior assistant case workers are allowed to sign the billing, also see ***USSDS manual, p. 11***).

Objective: Is there documentation of who entered the billing into the USSDS system?

- 3) Each billing page is dated and initialed by the terminal operator when entered into the USSDS system. (***USSDS manual, p. 6, 8, 9 & 14***)

Objective: Are there claims paid for clients not on the system? Are all claims to legitimate providers?

- B. Obtain a workload list or develop one for the audit period by location and division from the SAFE database or the RWL3 report. Judgmentally select 5 clients per location from the workload list, obtain the folders and review documentation to

determine if:

- 1) A case folder exists.
- 2) A 1057, 930 or substitute form Primary Person/Case Information intake document exists. This document establishes the client on the system.

Objective: Are there procedures in place to properly pay USSDS claims and are there an appropriate separation of duties?

C. Review provider payment balancing procedures with staff to insure they are properly followed. Follow one batch through the system and document that:

- 1) Payroll forms (1929/520, 295s and 1032) are authorized, entered in the system by the terminal operator and balanced by separate persons. (*USSDS manual, p. 20, 23*) When necessary, arrangements should be in place for backup persons to assist in these responsibilities when regular personnel are unavailable. (Not always possible in the smaller regions).
- 2) After a payroll is entered on the system, the PP04 screen is printed and compared to the source documents to insure all entries were entered correctly. Both individual line items and total paid to a provider should be compared. (*USSDS manual, p. 20, 23*)
- 3) Completed stack documents should be in numerical order by provider number. (*USSDS Manual, p. 6 & 20*)
- 4) If all line items are not entered, a copy of the form should be placed in a suspense file. The original form is included with the documents that are sent to the Bureau of Finance, with a solid line drawn through each unpaid line. When the additional line items are paid they are highlighted on the copy, the original is pulled in the Bureau of Finance and matched with the billing copy. (*USSDS manual, p. 5, 6, & 7*)
- 5) The batch of source documents and PP04s are sent to Bureau of Finance. (*USSDS manual, p. 6, & 7*)
- 6) Were line items changed in the payroll document appropriate? (the appropriate service code, the appropriate number of days billed, etc.)

Objective: Are proper procedures in place when Over-the-Counter checks are used?

D. Review procedures for Over-the-Counter Checks issued by the Region office by obtaining the Over-the-Counter-Check Log of issuances and pull a minimum

sample of 10% from the log to determine the following: (*USSDS Procedures 03-001.03*)

- 1) Does a completed and signed form 296, Over the Counter Check Issuance Request exist for each issuance?
- 2) Does the 296 form contain the authorizing worker=s signature?
- 3) Does the 296 form contain the provider or client signature?
- 4) Does the 296 form contain the signatures of two persons, independent of the worker requesting the check and the Business Office worker typing the check?
- 5) Does the 296 form contain the initials and date of the terminal operator entering the check into USSDS?
- 6) Are all over the counter checks accounted for numerically? Obtain the ERF Check inventory from Kim or Thai in Finance and determine the check numbers that were issued to the location. Determine which checks were returned to Finance, which checks were issued, and which ones were unissued. (accounting for all checks).
- 7) Are all over the counter checks kept in a secure containment? (Locked in a vault or safe) (*USSDS Procedures 03-001.03*)

Objective: Are there any checks generated from USSDS that go to the worker?

- E. Interview the terminal operator to determine that caseworkers or other workers do not receive checks generated by the USSDS.

III. SAFE.

Objective: Is SAFE access restricted to employees who have submitted a properly completed SAFE Access Request Form, and is their access to SAFE necessary for the performance of their duties? Are there internal controls in effect to ensure SAFE access is terminated promptly when employees leave the Department or their duties no longer require access to SAFE?

A. Obtain a list of employees with SAFE access from Kathy Tollett of DCFS.

1. Draw a representative sample (approximately five to ten) of employees with SAFE access and check to see if they have submitted a properly completed and approved SAFE Access Request Form.

2. Contact the supervisors of all employees sampled to verify that SAFE access is necessary for the performance of their duties.
3. Develop a list of all employees who have left the region, have terminated employment (check payroll report), and have changed responsibilities (check with the TSS) within the region requiring the SAFE access form to be changed. Verify that SAFE access has been terminated or changed appropriately.

IV. CASH RECEIPTING / ACCOUNTS RECEIVABLE (NOT RELATED TO TRUST ACCOUNTS)

Objective: Are sufficient internal controls in place to ensure that cash is safeguarded and the handling of incoming cash is accounted for properly?

Objective: What are all the possible ways cash could be receipted?

- A. From Finet records (Finet revenue downloads) and from interviews (ASM's and person responsible for receiving cash), determine what revenue the Region receives. (Note: if cash is being received through other bank or petty cash accounts, the revenue will not go through Finet). Determine if any of this revenue is received in cash/checks.
- B. Determine if cash/checks have been received through nontraditional methods (separate checking account, etc.). Get a list of all banking accounts of the region (through interviews with ASM or others) (petty cash and trust funds will be reviewed in other sections). Determine if cash is being receipted through these other bank accounts.
- C. Determine the adequacy of the cash receipting and accounts receivable procedures by completing the following through interview with staff: *Logging, cash receipting and transmitting controls should be an ongoing priority of management. (DHS Finance Policy I-12-01.00 and Best Practice)*

Objective: Is there documentation for all incoming receipts?

- 1) Determine that the following procedures are followed:
 - a) 1. Pre-numbered receipts are issued for all cash and checks. ***(Receipts Cash Receipts Transaction ProcessingFIACCT 07-01.10) (DHS Finance Policy I-12-01.00 and Best Practice)***

or

2. Sequentially numbered receipts are issued through the Receipt Writer Program.
 - b) Determine that when pre-numbered cash receipt books are received, they are inventoried, disbursed and accounted for by a business office worker. Receipt book should be used in sequential order. Used cash receipt books should be kept in the business office for a minimum of three years. ***(DHS Document Retention Schedule)***
 - c) The receipt number is recorded under dual control on the mail log, or there are two signatures on the mail log documenting that both were present when the mail was opened.
 - d) The log is signed by the person who picked up the checks from the mail room.
 - e) Cash is never transmitted in the mail after initial receipt. ***(Best Practice)***
 - f) All checks received are restrictively endorsed when received. ***(Best Practice)***
 - g) Identify employees with access to the safe that know the safe combination. Safe combinations should be changed when personnel with knowledge of the combinations are terminated or transferred to a position where knowledge of the safe combination is not needed. ***(Best Practice)***
 - h) Determine if cash receipts are deposited on a daily basis. ***(FIACCT 07-01.10) State law requires that cash receipts be deposited within three days of receipt. Exceptions to this policy must be requested in writing to Don Moss, Director, Bureau of Finance.***
 - i) The same person preparing the cash receipt should not post to accounts or perform reconciliations. Also any person posting payments to accounts should not perform reconciliations. *This is not always possible in offices with 1 or 2 person staff.*
- 2) Determine if the region has accounts receivable. This might include receivables from MH or DSPD fees, leased space, copies, etc. Document what receivables exist, how receivables are billed and collected and note weaknesses. Determine if receipts are written for all payments and if they all fell under the cash receipts test work performed above. (If not, perform steps a, b, and c below; otherwise, perform steps a and b only): ***(Best Practice)***
 - a) Obtain a listing of accounts receivable as of fiscal year end and determine if the detail client account balances tie to a general

- ledger control account.
- b) Judgmentally select ten accounts receivable balances and determine that they represent actual receivables by tracing to documentation for the service.
- c) Judgmentally select eight payments from the log or cash receipt books and (1) trace payments to a deposit slip, and (2) trace to the posting in the clients account ledger.

V. PETTY CASH

Objective: Are internal controls in place to adequately account for and safeguard petty cash funds? Are petty cash funds being used appropriately?

A. Obtain a list of all petty cash funds by division/region/location at the time of field work from the Bureau of Finance (BOF). Determine the amount and location of petty cash funds in the region and perform the following:

- 1) Evaluate and document procedures for safekeeping. *"Petty cash must be secured in a locked container. This container must be stored in a locked drawer or safe. The petty cash container and funds must only be accessible by authorized personnel.*
- 2) Count all funds in the presence of an authorized individual using the standard form for petty cash and perform the following:
 - a) List currency and coins counted by denomination.
 - b) List other items including checks, and vouchers. *(Petty cash fund should not contain other than cash or payment vouchers. **Best Practice**)*
 - c) Examine vouchers for date, amount, payee, authorization, signature, account charged, and documentation. Identify large or unusual amounts for possible follow up. Food, travel, loans and utility bills cannot be paid for with petty cash funds. DCFS has been issued a waiver for purchase of food on an emergency basis only. **(FIACCT 05-023.01)**
 - d) List all unusual items such as post dated checks or vouchers prepared in pencil and discuss with the appropriate person.
 - e) Have the custodian sign a receipt at the conclusion of the count showing that all items have been returned and that information is correct.
 - f) Review documentation to determine if the petty cash fund is

reconciled at least monthly.

- g) Review documentation to see if the region office submits a Petty Cash Reimbursement Request (FI-53) at least quarterly, unless the total reimbursement request is less than \$20.
- h) Have consecutive quarterly petty cash reimbursements of at least 75% of the total fund amount been made? If the answer is ANo,≡ they should consider reducing the amount of the petty cash fund.
- i) Are the petty cash fund policies and procedures paraphrased below properly implemented at this location?
When an employee requests a reimbursement, the custodian fills out a form FI52, has the requesting employee sign it, and attaches the receipt. The custodian then signs the FI52 and gives cash or check to the worker. If the office uses checks, the custodian usually writes checks to the vendors. Petty cash funds are limited to small incidental items less than \$50.00 that are not available through state purchasing contracts or Central Stores. Petty cash funds are not used to purchase food or beverages, pay employee travel or wages, cash personal checks, make loans or pay utility bills. (FIACCT 05-39.01 B) [DCFS has been issued a waiver for the purchase of food on an emergency basis only.]

Rev 8/01 MS

DEPARTMENT OF HUMAN SERVICES Monthly Petty Cash Fund Reconciliation

Date	
Fund Custodian Name	
Custodian Number	
Office Location	
Shares (credit union account only)	
Cash Box (see cash box contents below)	
Adjusted Bank Balance @ ___ / ___ / ___ (schedule A)	
Receipts/Vouchers paid out (schedule B)	
Fund Reimbursement Requests in Process:(schedule C)	
Fund Reimbursement Checks (undeposited, schedule D)	
Total Fund Amount at Reconciliation	
Fund Authorized Amount	
<i>Difference (see explanation below)</i>	

Cash Box Contents	
Coins:	
Pennies	
Nickles	
Dimes	
Quarters	
Half dollars	
Other coins (identify)	
Currency:	
Ones	
Fives	
Tens	
Twenties	
Fifties	
Other currency (identify)	
Total Cash Box	
Comments: (explanation of fund differences)	
Performed by:	
Signature:	Date:
Supervisor Signature:	Date:

3. Interview the supervisor of the petty cash custodian and review their files to determine if petty cash funds are spent appropriately and if the Petty Cash Custodian is being properly supervised as follows:
 - a) Has the supervisor of the petty cash custodian performed and retained documentation of a separate unscheduled reconciliation of the fund at this location at least quarterly?
 - 1) Determine if bank accounts are reconciled monthly. Obtain a copy of the bank reconciliations in the region office for the period being audited to determine that:
 - i) The reconciliation is accurate and complete.
 - ii) Any unlocated differences or outstanding items were resolved rather than carried forward.
 - b) Has the supervisor approved reimbursements for purchases made

by the petty cash custodian? (The supervisor is responsible to sign the Form FI52 in place of the petty cash custodian's signature.)

- c) Review expenditures reimbursed from the petty cash fund to determine their appropriateness.

VI. TRUST FUNDS

A. General

*Objective: What is the risk that trust funds have not been properly reviewed?
Can we rely on reviews done by others?*

Obtain the most current version of the Division Audit tool "Trust Fund 721 Independent Verification".

1. *Determine if, per policy, the Division has performed this review once during each half of the calendar year.*
2. *Review the 721's performed in the last year to determine the problems found in these reviews. Reviewing this work may help the auditor determine the risks in this area. If the work done by these reviewers cannot be relied on, we may need to expand the scope of our review.*

Objective: Are trust fund checks, hardware and software safeguarded?

Determine through interview and/or observation the following:

3. Was trust account check stock stored in a secured and locked location accessible only to the trust account custodian or the custodian's back-up. ***(Human Services Client Trust Fund - Fund 721, III Fund Disbursements – 03.004.00.II.)***
4. Is access to the trust account system restricted to the trust custodian by use of a password, and is that password kept confidential?
5. Are written checks held in a secured location until they are given to the payee?
6. Do adequate backup procedures exist in the event the trust custodian is absent? Identify the backup person and interview them to determine if they have the ability to do the job.

Objective: Does the trust fund account have adequate oversight?

Determine through interview and/or observation the following:

7. Is the custodian's supervisor aware of his or her responsibility to sign the monthly reconciliation and ensure its accuracy? (if the reconciliation zeroes out, if the client alpha report total agrees with the balance in the account, and if there are no old outstanding items that have been left out then they have insured its accuracy)
8. Are caseworkers using the computer system to review account balances, and are they receiving information that they need to fulfill their responsibilities? Determine through discussion with the custodian whether caseworkers are provided updated statements of trust fund activity and balances at least quarterly. (*Best Practice*)
9. Select two clients from the Client Alpha Report attached to the monthly reconciliation chosen for review. Determine the caseworker(s) responsible for the sampled clients. Review with the caseworker(s) the sampled client's transaction history via the Trust System. Does the information appear to be properly posted and reasonable?
10. Are the caseworkers aware of their custodial responsibilities, including responsibility for obtaining supervisory approval for checks exceeding \$500, and their responsibility for authorizing each expenditure on the form 298? (**03.004.00.II**)

Objective: Are any Medicaid client accounts in violation of Medicaid asset limits?

Determine through interview and/or observation the following:

11. Check the client alpha list to see if any clients receiving Medicaid or SSI assistance have balances (combined checking and savings) greater than \$2000. If greater than \$2000, the client may be ineligible for assistance programs and/or the excess may need to be properly distributed by the case worker or other assigned staff. If balances are over \$2,000, check the client's eligibility category and cumulative daily balances during the period reviewed to determine if an asset limit violation has occurred. The exact time a client's balance exceeded \$2,000, or dropped below \$2,000, is integral to a proper determination of whether an asset limit violation actually occurred. The excess funds may be used to meet the needs of the individual, or forwarded to the DHS Division responsible for the individual's care to offset division expenditures on behalf of the individual. (*Medicaid or SSI limits*) In some cases (i.e. when a client receives a lump sum and notified that it is a "dedicated fund"), the client has six months to spend the money before it goes over the asset limit.

Objective: Are reports submitted to Finance in a timely manner?

Determine through interview and/or observation the following:

12. Are the Monthly Reconciliation Report and the copy of the monthly Client Alpha Listing submitted to the Bureau of Finance by the 15th day of each month? If not, determine what action has been taken to expedite the delivery of those reports to Finance in a more timely manner.

Objective: Is custodian familiar with Department and Division policies and procedures pertaining to the management of client trust accounts?

Determine through interview and/or observation the following:

13. Does the custodian know how to locate Department/Division trust fund policies and procedures on the Internet?

Objective: Are trust fund reports for VA or Social Security Administration properly completed?

Determine through interview and/or observation the following:

14. Are trust fund reports, such as VA or Social Security Administration reports, being properly completed and signed by the caseworker? Is a copy of the report placed in the client's file? In client casefiles selected for review, check to see that these reports, if applicable, are properly completed, signed, and kept in the client's folder.

Objective: Have outstanding or uncleared items in the reconciliation been resolved?

Determine through interview and/or observation the following:

15. Review five uncleared transactions. Determine if there are any old items which have not yet cleared which should be discussed with the custodian regarding timely resolution. Have the five sampled transactions been subsequently cleared on a later bank statement? Identify the cause for the uncleared checks and what steps have been taken or need to be taken to clear the checks.
16. If the answer to the above question is no, is there adequate supporting documentation to justify the uncleared items?

Objective: Is the system data updated daily for the caseworker's review?

Determine through interview and/or observation the following:

17. Do caseworkers have access to current trust account data on each day?

Objective: In cases of property management, do the client files contain a power of attorney allowing the Department to act as an agent?

Determine through interview and/or observation the following:

18. Is the Department managing property for the client, and if so, does the client's file contain a power of attorney authorizing the Department to act as the client's agent?

Objective: Do cases requiring the disposition of assets contain adequate documentation (i.e., property appraisals, costs and fees related to disposition, etc.)?

Determine through interview and/or observation the following:

19. Does the client's case require the disposition of assets, and if so, does the client file contain documentation of the value of property liquidated and associated costs and fees of disposition?

Objective: Are proper procedures being followed in the distribution of assets for deceased clients?

Determine through interview and/or observation the following:

20. If applicable for any former clients, examine documentation related to the disposition of their assets by the Department after their passing to determine if their liquidation was conducted according to Department policy.

Objective: Have client savings accounts managed by the Department been opened appropriately?

Determine through interview and/or observation the following:

21. Determine if any trust account clients have savings accounts, and if so, verify that the accounts have been opened under the client's name and social security number and the Department of Human Services.

B. Separation of Duties

Objective: Does the same person who authorizes payments also have access to the funds?

Determine through interview and/or observation the following:

1. Does any caseworker who authorizes payments on the Form 298 have the capability of entering the computerized trust accounting system (to make payments). (*Internal Controls Adequate Separation of Duties - Best practice*)
2. Obtain a copy of the bank account signature card. Is any caseworker authorized to approve a Form 298 also authorized to sign checks? (**DHS 721 Trust Accounting System Procedures 03.004.00**)

Objective: Does the same person who authorizes payments also reconcile the account?

Determine through interview and/or observation the following:

3. Do any employees besides the trust account custodian and trust account custodian’s supervisor reconcile the trust accounts and the bank statement?

C. Reconciliation

Objective: Does the bank statement reconcile to the individual accounts and to the book balance? Is this being done monthly?

1. Perform a reconciliation of the trust fund and bank statements as follows:

BUREAU OF INTERNAL REVIEW AND AUDIT FORM – 11/02 ms

RECONCILIATION OF DHS TRUST ACCOUNT BALANCES

ON ____/____/____

OFFICE TRUST FUNDS

FIRST SECURITY BANK ACCOUNT # _____

(Bank account where region office funds are deposited)

- BANK BALANCE ____/____/____ (Ending Balance on Region Office Bank Statement for Period Ending)	
- TRANSFERS FROM #610017733 Account (Total amt listed on Bank Statement as “zero balance account transfers from”)	(_____)
- O/S CHECKS PER RECONCILIATION SUMMARY/DETAIL REPORT (Uncleared Transactions: Checks & Pmts on Reconciliation Sum/Det Report)	(_____)
- DEPOSITS IN TRANSIT PER RECONCILIATION REPORT (Uncleared Transactions: Deposits & Credits on Reconciliation Sum/Det Report)	
- TRANSFERS TO #610017733 Account (Total Electronic Debits/Bank Debits listed on Bank Statement as “Zero Balance Account Transfers To”)	
- NEW DEPOSITS PER RECONCILIATION SUMMARY/DETAIL RPT (New Transactions: Deposits and Credits on Reconciliation Sum/Det Rep)	

- O/S NEW CHECKS (New Transactions: Checks & Pmts on Reconciliation Sum/Det Report)	(_____)
- BEGINNING BOOK BALANCE (Beginning Balance on Reconciliation Summary/Detail Report)	
- OTHER ADJUSTMENT? (_____) i.e. stop payment reversal	
- OTHER ADJUSTMENT? (_____)	
ADJUSTED BANK BALANCE ____/____/____	
BOOK BALANCE @ ____/____/____ (“Ending Balance” on Reconciliation Summary/Detail Report)	
CLIENT ALPHA REPORT BALANCE ____/____/____ (Total on Client Alpha Report)	
- FINANCE CLIENT TRUST FUND SPREADSHEET ____/____/____ (“Clrd Bal.” On Client Trust Fund Spreadsheet (obtain from Mary/Finance)	
- O/S CHECKS PER RECONCILIATION SUMMARY/DETAIL REPORT (Uncleared Transactions: Checks and Pmts on Reconciliation Sum/Det Rep)	(_____)
- DEPOSITS IN TRANSIT PER RECONCILIATION REPORT (Uncleared Transactions: Deposits & Credits on Reconciliation Sum/Det Rep)	
- DEPOSITS IN TRANSIT PER RECONCILIATION SUM/DET REP (New Transactions: Deposits & Other Credits on Reconciliation Sum/Det Rep)	
- O/S NEW CHECKS ISSUED (New Transactions: Checks & Pmts on Reconciliation Sum/Det Rep)	(_____)
- OTHER ADJUSTMENT? (_____) i.e. stop payment reversal	
- OTHER ADJUSTMENT? (_____)	
ADJUSTED CASH MANAGEMENT BAL / /	

To account for all trust account checks for the period, perform the following steps:

1. List the number of the last check issued in the prior monthly reconciliation report.
 2. Develop a complete list of sequential checks issued in current month (i.e., #3400-3485) all checks in this sequence must be accounted for in the checks issued on the monthly rec rep.
 3. Review the unissued checks in the custodian’s drawer to determine that the next unissued check # sequentially follows the last checks issued # in the current month.
- Any exceptions to the above should be identified and found to be void or unissued. If there are check #s issued out of sequence for the period or unissued checks out of sequence this is a finding and should be corrected immediately.

Obtain a listing of all client trust fund balances (Client Alpha Report) and the monthly reconciliation report for the month being reconciled and perform the following:

- a) Balance the detail client balances to the account balance on the monthly reconciliation report.
- b) Has the monthly Reconciliation Report been completed and signed by the Trust Custodian and the Custodian's supervisor?
- c) Trace the account balance on the monthly reconciliation report to the Wells Fargo Bank Statement (State trust accounts) (1) and bank reconciliation spread sheet prepared by the Bureau of Finance (2). (1) and (2) must be obtained from Finance prior to

field work.

D. Deposits

Objective: Have deposits been appropriately posted and accounted for?

1. Judgmentally select 5 Trust Fund receipts from the mail log/receipt writer program and perform the following tests:
 - a) trace to the client ledger to ensure the proper client account was posted. (**Internal Controls/not policy - Best practice**)
 - b) trace to the deposits on the monthly reconciliation report.
 - c) trace to the deposit slip.
 - d) For routine receipts, i.e. SSI, review the client account for the prior three months to determine the client is getting routine credits to his/her account.
 - e) If a three-part cash receipt is voided, are all 3 copies attached to the receipt book? (**Internal Control - Best practice**)
 - (1) If copies are missing document business office worker's account of the disposition of the copies.

Determine through interview and/or observation the following:

2. At the time of receipt are checks endorsed promptly “for deposit only” to the bank where trust account monies are on deposit?
3. Are check/cash receipts properly safeguarded until deposit and so procedures exist to ensure timely deposit? (within three business days of receipt) (**03.004.00.I**)
4. Is the receipt log or other appropriate recording method used to properly account for initial receipts?
5. Do adequate procedures exist (and are they being performed) for routine, timely independent reconciliation of the initial accounting record of receipts to the validated deposit information from the bank?
6. Are direct deposits handled appropriately? (Proper forms are used and are authorized by the custodial caseworker, custodian, and the custodian’s supervisor. The direct deposits are being reconciled to the Trust Fund bank statement. If applicable, observe that the above is occurring in the cases sampled for review, or select other cases.)

7. Select at least 15 receipt items recorded in the Trust Funds initial system for capturing Trust Fund receipts. (The initial system may be a log created at the time when mail is opened, or the posting of the receipt information into the Trust System if an initial log is not created. The judgment of the reviewer is required in order to assess the adequacy of the receipting system.)
 - a) Were the sampled receipts properly deposited with the bank? (This should be verified by determining that the sampled receipt was included in the receipt total deposited and that the total agrees to a Bank Statement or validated deposit slip.)
 - b) Were the sampled receipts properly posted to the Trust System and to the correct client account?

Objective: Have deposits been receipted in a timely manner?

8. Determine the following through discussion with the custodian:
 - (a.) By the end of each day all checks are receipted.
 - (b.) Checks received from clients that are not approved by the regional office for the Protective Payee Status are not receipted, but are returned to the issuer or client with a memo explaining the reason for the return.
 - (c.) Receipts are deposited within three business days of the receipt date according to State Policy. (***DHS Human Services Client Trust Fund - Fund 721, II Receipting***)

Objective: Are receipts safeguarded until deposited?

9. Do procedures exist for timely, proper posting of Trust Fund transactions? (receipts, disbursements, interest postings, etc.) (Receipts are to be posted preferably within one day of deposit **03.004.00.I**)

Objective: Are receipts for cost of care checks made out to DHS?

10. Judgmentally select several disbursements issued to the Department of Human Services:
 - (a.) The file contains an original DHS receipt in the amount of the disbursement.
 - (b.) The receipt adequately describes the purpose of the payment.
 - (c.) If the receipt is a payment on account, trace to the subsidiary ledger for proper posting.

E. Withdrawals

Objective: Have client disbursements been properly authorized?

1. Obtain copies of signature cards and judgmentally select a sample of cancelled checks. Review for necessary number of signatures and proper endorsement by authorized parties. Each account has a minimum of four signatures on the signature card. Checks require two signatures on each check. **(Human Services Client Trust Fund - Fund 721, III Fund Disbursements)**
2. Select one of the check signers from the authorized list and inquire if they verify that the checks they sign are reasonable and supported with adequate documentation. **(03.004.00.II)**
3. Is the authorized check signer list updated, and is the number of signers limited as reasonable, but adequate for back-up?

Objective: Have client disbursements been appropriately paid?

Determine through interview and/or observation the following:

4. Obtain the Trust Account check register and determine the universe of cash disbursements during the audit period, by documenting the beginning and ending check numbers from the check register, for the audit period. Judgmentally select a sample of disbursements from the checking account based on exceptionally high dollar amounts, items that look suspicious, or are of an unusual nature, and perform the following tests: **(DHS Human Services Client Trust Fund - Fund 721, III Fund Disbursements)**
 - (a.) Examine supporting documentation by reviewing the Form 298, receipts, bills, etc.
 - (b.) Is it approved by the worker?
 - (c.) Are 298 forms exceeding \$500 approved by the supervisor?
 - (d.) Does the expense appear to benefit the client only?
 - (e.) Examine the check to ensure it was endorsed properly. Disbursements must not be endorsed to the worker. Canceled checks should be stored sequentially.
 - (f.) If void, examine the void check to determine if it was defaced properly, and that all copies were retained.
5. Obtain the sampled client's files. Is supporting documentation adequately maintained and appear reasonable based on the transaction history review?

Objective: Are cost of care reimbursements to DHS appropriate and are they timely?

Determine through interview and/or observation the following:

6. Determine if the foster care expenses for trust account clients are reimbursed to DHS on a timely basis as follows and if the reimbursement is for the appropriate amount. Obtain client statements for the audit period for 3-5 foster care clients with trust fund accounts. Choose a sample that has the highest likelihood of being over-reimbursed (for example DFB service code).
 - a) Locate the client number for each client sampled (perform a client name search on the USSDS CP01 Screen if necessary).
 - b) Obtain a list of DCFS paid client expenses that are reimbursable to DCFS. (DCFS should have a listing of service codes that are reimbursable as cost of care.) Certain service codes are partially paid by Medicaid. The Medicaid eligible costs should not be included in the costs that are reimbursable to DCFS (since they have already been paid by Medicaid).
 - c) Run a USSDS PP07 report or other USSDS report for each client to identify expenditures paid on behalf of the client.
 - d) Compare reimbursable costs (see b above) to the Social Security payments (less \$35) to determine the amount of cost of care that DCFS should have been reimbursed. Was the reimbursement that was actually paid correct? (compare calculated amount to the amount that actually got reimbursed).
 - e) Was the reimbursement timely?
 - g) Was the reimbursement withheld for reasonable cause?

Below are examples of how to calculate monthly cost of care.

TRUST FUND 721 INDEPENDENT VERIFICATION Rev 4/04 ms

TEST OF COC REIMBURSEMENTS **CLIENT:** JOE SMITH

LOCATI CEDAR CITY
ON:

PERIOD TESTED: JUL, 03-DEC, 03

MONTH OCCURRED	BY SERVICE PERIOD	BY BENEFIT MONTH ONLY
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- A. Select 5 case files from each location and test for the following compliance with R33-3-217 (2), Part 2 "The agency files contain adequate documentation of ...the reasons for selecting a particular contractor to provide the service to each client." Examine the OH21 report to locate the documentation. If it is not in the OH21 report, examine the case records (activity logs on SAFE) to determine if it is in other places.

(Rule R33-3-217 Multiple Award Contracts for Human Service Provider Services states (The text in brackets represents clarification added by BIRA and is not part of Rule 33-3-217):

AThe Chief Procurement Officer, head of a purchasing agency or designee may elect to award multiple contracts for Human Service Provider Services through a competitive sealed proposal process by first determining the appropriate fee to be paid to providers and then contracting with all providers meeting the criteria established in the RFP. However, this specialized system of contracting for human service provider services may only be used when:

- (1) ...and the reasons for selecting a particular contractor to provide the service to each client; [Referred to as 'contractor selection' in this report;]***

IX. CONFLICT OF INTEREST

Objective: Are there Conflict of Interest situations that are potentially harmful to the State? Are the declarations updated annually?

- A. Interview the HR person and two to three supervisors to determine if any employees are involved in outside interests that create a conflict of interest or the appearance of a conflict of interest:
1. Select a representative number of Conflict-of-Interest Declaration forms and review for the following:
 - a) The Declaration form was submitted on a proper and timely basis.
 - b) The Declaration form was approved or denied.
 - c) The approval or denial conforms to current Department and State policy.
 2. Are any employees acting as providers? What is the name of the employee and the nature of the service provided? Is it approved by the Director? Document who was asked (Name & Title) and what was found. ***(DHS Policy 02-02, Conflict of Interest)***

IX. FIXED ASSETS

Objective: Are internal controls in place to appropriately account for fixed assets?

Objective: Are the items on the fixed asset listing correct and are any items missing?

A. Obtain or develop a list of fixed assets from FINET that are located in the region offices. Determine if the agency maintains an inventory control list on FINET Fixed Assets of all fixed assets that cost \$5,000 or more. (**FIACCT 09-16.00**). Determine if the region office does an annual physical inventory of all fixed assets (**FIACCT 09-16.02**).

1. Select a sample of equipment items in the fixed asset list which are high risk for employee theft. For each sample item, determine that the item has been properly tagged and that the tag number and serial number (or other descriptive features of the sample item) agree to the listing (**FIACCT 09-16.00**).
2. Select an additional sample of equipment items to trace back into the fixed asset listing to determine the listing is complete.

Objective: Have fixed asset items been properly disposed of and properly reported/recorded when lost or stolen?

B. Determine if the region office is properly accounting for fixed assets when they are lost, stolen, destroyed, scrapped, or sold. When a fixed asset is no longer needed by an agency, the asset must be sent to Surplus Property for sale or disposal. Any fixed asset that is lost or stolen must be reported to the Director of Finance before the items can be removed from FINET fixed assets. Also, when an asset is lost or stolen the Criminal Justice Division of the Attorney General's Office must be notified immediately by phone. (**FIACCT 09-10.00 and 09-10.01**)

1. If surplused fixed assets exist for the period being audited, determine the following:
 - a) An IAT exists that posts revenue (credit) to the selling agency less the transaction fee.
 - b) An IAT exists that charges (debit) the buying agency for the asset.
2. Scan fixed asset deletions for the year for reasonableness. Trace a sample of deletions to supporting documentation.

C. Determine if the Region office accounts for items less than \$5,000 with a useful life of more than one year (these items are not required to be listed on the fixed asset component system; however, per **FIACCT 09-00.00**, each agency is encouraged to track pilferable items). If the region office accounts for these

items, physically select several pilferable non-capitalized fixed assets and agree it to their listing.

1. Determine if the Region office practices for personal uses of certain types of equipment (other than cellular phones) are appropriate and if costs incurred by the entity for personal use are reimbursed.

X. PAYROLL

Objective: Are employees on the payroll system legitimate?

- A. Obtain a listing of employees from the payroll system (Finet downloads) and compare to a current listing of employees from the Region phone directory or other source. All the employees getting paid should be also on the Region phone directory or list.

Objective: Are overtime policies being followed? Is there excessive overtime?

- B. Review all overtime paid (and comp time earned) for each individual during the audit period. Follow-up on those individuals with overtime payments or comp time earned that appear to be excessive. Determine if policies and procedures of overtime authorization have been followed (**DHS Policy 02-15, Overtime and Excess Hours**).

1. Have all FLSA Non-exempt employees completed and signed an “Overtime Compensation Election/Agreement” form?
2. Is overtime approved by the employee’s immediate supervisors and is there a supporting signed timesheet?
3. Does any employee work hours for the State without compensation? Ask several supervisors if they are aware of employees who have worked hours but have not recorded this on the timesheets.

Objective: Are on-call policies being followed? Does there appear to be excessive on-call paid?

- C. Review all on-call paid for each individual during the audit period. Follow-up on those individuals with on-call payments that appear to be excessive. Determine if policies and procedures of on-call have been followed (**DHS Policy 02-06, On-call Policy**).

1. Is there a completed signed up-front agreement?
2. Are they being compensated at the required rate? The compensation is at the rate of 1 hour for every 12 hours the employee is “on-call”?
3. Are on-call hours appropriately recorded and paid?

Objective: Is the appropriate paperwork being done when an employee is hired, leaves State employment, or other changes occur?

- D.
1. When an employee is hired are insurance forms, retirement enrollments, upfront overtime and on-call agreements, etc., submitted timely?
 2. Is workers comp properly filed and is the sick leave buyback calculated correctly?

Objective: Is the Department Incentive Awards Policy being followed?

- E. Obtain payroll information (it can be downloaded from FINET) that lists each employee’s administrative leave, cash incentive awards taken, etc. Also, determine if each office has a way to track what incentive awards are awarded, not just used. From this information, take a sample of those employees who are most likely not following the policy and review their leave records. **(DHS policy 02-08 Department Incentive Awards Program)**
1. Supervisors may award up to 16 hours of administrative leave a year. Division and Office Directors may award up to 40 hours of annual leave a year. These awards must be documented in the employees leave record.
 2. See the policy for other cash and non-cash awards.

Objective: Is the Department Educational Assistance Policy being followed?

- F. Obtain payroll information (it can be downloaded from FINET) that lists each employee’s educational assistance paid by the Department. Take a sample of those receiving educational assistance, and review their educational assistance file. **(DHS policy 02-11 Educational Assistance)**
1. All educational assistance reimbursements shall be processed through the State payroll system form FI48 utilizing object code 6282.
 2. At the discretion of agency management, an employee approved for education assistance shall be granted a reimbursement of up to but not exceeding \$2,500 per calendar quarter, admin leave up to \$2,500, or a combination of both not to exceed \$2,500 per calendar quarter.

3. An employee receiving educational assistance shall remain a State employee for at least 12 months after coursework is completed. Employees terminating their employment before the 12 months shall repay the State on a pro-rated percentage basis.
4. See the policy for other requirements.

XI. DISBURSEMENTS/PURCHASING

- A. Perform a scan of detailed expenditures (using downloads of USSDS and FINET) and object codes (FINET) to discover unusual expenditures. Also, do a comparative analysis of expenditures from one period to another for each expenditure code or function. Analyze significant fluctuations (up or down) and amounts that appear unusual in relation to the entities operations. This analysis should be done for both detailed expenditures for FINET and USSDS. (Note: USSDS totals post into FINET, however, the detail does not carry forward into FINET). Next, select a sample of expenditures and review documentation for the attributes listed below. The sample should be large enough to answer the objectives.

Objective: Is there a separation of duties of those who authorize payments and those who enter payments?

1. Proper separation of duties

The DHS Bureau of Finance Director has verbally required all purchases to have two persons involved, i.e., one to enter the payment and one to authorize it on FINET. Requests for exceptions to this requirement must be made in writing to the Director of Finance who keeps a file of approved exceptions (see purchasing permanent file for list). Are two persons involved in the purchasing process?

Objective: Is the office following state policy concerning purchases?

2. Properly approved

Review the purchasing permanent file. DHS has been delegated the authority to make certain purchases without the State Division of Purchasing approval. Where these exceptions exist, DHS is not required to follow state purchasing policy. Note that the exceptions are given to individuals, not DHS as a whole.

- a. Are goods greater than \$2,000 approved by Purchasing unless one of the exceptions in **FIACCT 04-02.00F** and **04-05.00A** applies.

- b. When there is a sole source purchase, even when between \$501 and \$2,000 do you obtain approval from State Purchasing? **(FIACCT 04-04.00)**
- c. Are construction projects costing less than \$100,000 routed through State Purchasing? **(FIACCT 04-09.00)**
- d. Are construction projects costing more than \$100,000 approved by DFCM? **(FIACCT 04-09.00)**
- e. Is State Finance approval obtained for installment/lease purchases for periods greater than one year? **(FIACCT 04-02.00)**
- f. Is State Finance approval obtained for Agency-specific price agreements over \$2,000 (total annual cost) and related amendments that do not require purchasing approval, unless specifically exempted from Finance approval? **(FIACCT 04-02.00)**
- g. Is State Finance approval obtained for employee reimbursements of \$2,000 or more? **(FIACCT 05-04)**
- h. Is State Finance approval obtained for purchases of standard vehicles? Is Information Technology Services approval obtained for telecommunications equipment costing over \$1,000? Is Archives approval obtained for all micrographic equipment costing over \$1,000? Is Admin Services Motor Vehicle Committee approval obtained for purchases of special accessories on vehicles? Is Division of General Services approval obtained for purchases of copy machines or equipment for mailing, copying or printing? **(FIACCT 04-15.00)**
- i. Is there approval from the Travel office when hotel accomodation/conference room expenditures cost more than \$500? Is approval obtained from State Purchasing when these expenditures cost more than \$20,000? **(FIACCT 05-08.05 and 04-11.00)**

Objectives: Are purchases properly documented?.

3. Properly documented

Documentation includes the following: ***(DHS Internal Control Procedures for Maintenance of FINET and Federal Financial Records 03-002.00, I,3)***

- a) Original invoice and other original information showing exactly what items were purchased.
- b) Unit cost of each item.

- c) Services performed.
- d) Date services were performed.
- e) Goods and services received are acknowledged, including inspection for adequacy (including goods or services delivered to third parties)? **(FIACCT 04-13.00)**
- f) Verify that the sampled purchases were from a State contracted provider and document same.

Objective: Are expenditures paid appropriately?

4. Competitively purchased

- a) Do other state agencies produce/distribute the item needing to be purchased? If so, the agencies who produce/distribute the item should be the sole source of supply. **(FIACCT 04-01.00)** Did the purchasing agency use these state vendors? Examples include Division of Surplus Property, Division of General Services (Central Stores), Division of Correctional Industries, and Division of Services for the Visually Handicapped.
- b) Some state contracts have price agreements that must be used by all State agencies. **(FIACCT 04-02.00)** Did the purchasing agency use these state contracts?
- c) Telephone quotes are required from \$500 - \$2,000 and bids are required over \$2,000 in accordance with State Division of Finance policy **FIACCT 04-03.00, 04.00, and 05.00**. (Note: Purchases cannot be artificially divided to avoid these requirements, per section **R33-3-3** of the Utah Admin Code.) Justification for sole source purchase must be documented in accordance with **FIACCT 04-04.01**.
- d) Purchases > \$2,000 must be handled by Div. Of **Purchasing (FIACCT 04-05.00)** unless obtained a purchasing authority delegation (DGR), per **FIACCT 04-14**. Ensure DGR requirements are met [i.e. 1) DGR's are not exempt from bidding requirements, 2) amendments to contracts made under DGR must be within original scope of contract, and 3) purchases made under DGR are the type of purchases specified in DGR].

5. Net of applicable credits

- a) Vendor discounts offered are taken. **(FIACCT 05-07.00)**
- b) State sales and use taxes are not paid. **(FIACCT 05-15.00 and Utah Code Section 59-12-104)**

6. Received

- a) Goods/services were documented as received by a receiving report, signature, or other means.
7. Proper and in Compliance
- a) Expenditure complied with State laws, regulations, policies, and contract provisions and was reasonable based on supporting documentation (e.g. meets a prudent-man rule for State expenditures).
 - b) Telephone expense reimbursements to employees. (**FIACCT 05-03.02**)
 - c) Professional dues or license fees are not allowed unless approved by the Department Director (**FIACCT 05-08.00**)
 - d) State funds should not be used for holiday items (except for non-religious decorations during December up to \$50.00 and holiday decorations for certain state resident facilities) or flowers for funerals.
 - e) State-sponsored training, conventions, retreats, etc. where a majority of attendees are state employees must be held in Utah (**FIACCT 04-11.01**)
 - f) Cost related to retreats must comply with **FIACCT 04-11.03**.
 - g) Travel advances are limited to 90% of estimated expenses (**FIACCT 10-02.01**)
 - h) Travel expenditures comply with travel rules (**FIACCT Section 10**).
 - i) Per diem meal reimbursements must comply with **FIACCT 10-02.03**.
 - j) Food costs (see **SAO AIMS S-17 and FIACCT 05-03.10**).
 - k) Trust, agency, and other restricted funds must comply with applicable law(s), regulations, or contract provisions.
 - l) If auditing DCFS, review subsidized adoptions supplemental payments and determine if parents are buying services and if so are they appropriate?
8. Void of conflicts of interest
9. Proper cutoff
10. Properly classified
- a) Account and object code used was reasonable.

11. Properly recorded
 - a) Expenditure agrees with accounting system
12. Paid to proper payee
 - a) Endorsement on original check or warrant appears proper
13. Properly paid
 - a) Critical data elements (e.g. number, date, payee, and amount) on the actual check register entry agree to the cancelled check, voucher, and supporting documentation

XII. CELLULAR PHONES

Objective: Are personal cell phones being reimbursed appropriately? Are all cell phone expenditures charged to the State being used for business purposes?

- A. Obtain the region office cellular phone records for the audit period and determine the following:
 1. The region office has a list of all Cellular Phones charged to the office. (***DHS Policy, Section VI-Communications and Technologies, Policy #2-Cellular Phones, Paragraph C.***)
 - a) The cellular phone list contains the names of the individuals who have the physical responsibility for the phone.
 2. The region office has a procedure for reimbursement of personal calls cellular phones. (***DHS Policy, Section VI-Communications and technologies, Policy #2-Cellular Phones, Paragraph D.***)
 - a) Personal call reimbursements are documented and paid on a timely basis.
 - b) Personal call payments are receipted and deposited.
 - c) The number of personal call payments appear to be reasonable given the normal pattern for the type of staff who use the phones.
 3. Total Cell phone bills are reasonable given the number of staff who use the phones and the reasons the phones are in use.

XIII. PURCHASING CARDS/CHARGE CARDS

Objective: Are internal controls in place to adequately account for items purchased on the Purchasing/Charge card(s)?

A. Obtain a list of purchasing card holders for the audit period from the BOF.

1. **Obtain the Purchasing Card Log** and determine the following: (*State Purchasing Card Policies and Procedures Manual*)

Objective: Are P card purchases appropriate?

- a) Card purchases were not made for services, capital equipment, travel, entertainment or any product of service normally considered to be inappropriate use of State funds.
- b) The purchases are appropriate for each card holder. For example, a cardholder who works in a group home may need to purchase food. The type of food purchased should be appropriate for what would be expected in that group home (purchases should be based on menus or nutritional requirements).
- c) Verify items over \$1,000 have not been made (*State Purchasing Card Policies and Procedures Manual*).

Objective: Have P Card purchases been authorized?

- d) Verify a supervisor or other delegated individual has approved the P card purchases.

Objective: When using the P card, have procurement rules been followed?

- e) For items between \$500 and \$1,000, verify that procurement rules have been followed. (See Section XI Disbursements/Purchasing.)

Objective: Is there adequate documentation supporting the P card purchases?

2. **Obtain the Purchasing Card Monthly Statement** and determine the following:
 - a) An itemized receipt exists for each transaction.
 - b) The monthly statement is reconciled to the Purchasing Card Log and receipts for the period being audited.
3. Determine if the approved Log and receipts are forwarded to the

individual responsible for processing the Purchasing Card transactions on FINET no later than the 22nd of each month.

- B. Determine if there are any other charge cards by interviews and through reviewing the detailed Finet transactions (possible charge cards are with Smiths, Albertson's, Harmans, etc.). Review transactions paid from Finet for vendors Krogers (Smiths Charge card), Fred Meyer (Smiths?), American Stores (Albertson's charge card), Harmans, etc. Determine the number and type of charge cards, and who has access to each card.

Objective: Is there adequate documentation supporting the charge card purchases?

1. Verify that the employees who pay for these cards match receipts with the monthly bills.

Objective: Have charge card purchases been authorized?

2. Verify that these purchases have been approved by a supervisor or other delegated employee.

Objective: Are the charge cards held in a secure location?

3. Verify that the charge cards are in a secure location. These cards should be kept in a locked area. The card should be checked in and out to the person who uses the card.