

**BROOME COUNTY
DEPARTMENT OF
AUDIT AND CONTROL**

**DEPARTMENT OF SOCIAL SERVICES
DISBURSEMENT CONTROLS AUDIT**

March 2002

Alex J. McLaughlin, Comptroller



Broome County

Department of Audit and Control

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DANIEL A. SCHOFIELD
Chairman of the Legislature

ALEX J. McLAUGHLIN
Comptroller

March 22, 2002

Jeffrey P. Kraham, County Executive:

The Department of Audit and Control has audited the system of controls established by the Department of Social Services to manage disbursements through E-BICS (Electronic Benefits Issuance Control System). The principle objective was to ensure that disbursements are properly authorized and accurately reflected in the Broome County General Ledger System (FAMIS).

The audit was conducted in accordance with generally accepted auditing standards. Such standards require that the Department of Audit and Control plan and perform the audit to adequately assess the accuracy of the financial records and adequacy of the internal controls, and that we examine, on a test basis, sufficient, competent and relevant evidence to afford a reasonable basis for our conclusions.

Based on the results of our examination, except for the instances noted herein, it is our opinion that the Department of Social Services has adequate controls to effectively manage disbursements through BICS.

Sincerely,

Alex J. McLaughlin
Comptroller

cc: Daniel A. Schofield, Chairman of the Legislature
Members of the Legislature
Louis P. Augostini, Clerk of the Legislature
Robert K. Houser, Commissioner of Social Services

AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES

FINDING 1: SYSTEM CONTROLS ARE BEING OVERRIDDEN TO FACILITATE PAYMENT OF STALE DATED INVOICES

During the course of our audit, we noted that several manual checks to vendors for payment were paid six months or more after the dates of the supporting invoices. The Benefits Issuance Control System (BICS) does not allow payments to be made for invoices dated beyond six months. Even though BICS does not allow these payments, DSS uses manual disbursements to circumvent this control.

Broome County policy also prohibits payments for invoices older than six months.

Payment of stale dated invoices increases to an unacceptably high level, the risk of duplicate payments and/or payment for goods and services that were not actually delivered.

RECOMMENDATION:

We recommend that Department of Social Services discontinue its practice of overriding controls and violating County policy as pertains to the payment of stale dated invoices.

MANAGEMENT RESPONSE:

Effective immediately, we will no longer make payment from invoices that are older than six months. In order to make payment for these old invoices, we will request a letter from the vendor stating that the amount is still unpaid and due.

FINDING 2: DEPARTMENTAL PROCEDURES FOR PROCESSING NEW CLIENT APPLICATIONS ARE NOT CLEAR AND NOT CONSISTENTLY ADHERED TO

During the course of our audit, we found that the Department's procedures for processing new client applications are not clear and not consistently adhered to. There is not one consistent form of documentation and process control that we could find applied to all new client applications. Management's plan for and description of the process is not exactly how we observed the process to function.

There should be one single standard form that tracks the progress of each new client application through all phases of the application/approval process. This form should be kept in the client's file. The form should provide process documentation and appropriate sign-off at each phase.

Without improved process controls, it will remain difficult or impossible for management to ensure that all system activity has been approved.

RECOMMENDATION:

We recommend that the Department of Social Services design and implement one new form to be used to document the progress of each new client application (similar to exhibit A). We further recommend that staff be thoroughly trained in the use of the new form and that management take steps to improve the extent to which organizational goals, policies and procedures are communicated and understood.

MANAGEMENT RESPONSE:

The Department of Social Services practice is for Supervisory review for all new applications. In lieu of creating a new form, the Department will have Supervisors initial each transaction under the comments section of the attached WMS Document Transmittal.

Also attached is the Department's policy on supervisory review of the application process. Since any case change requires the use of the WMS Document Transmittal, the Supervisor's initials will indicate their review prior to any changes that are made to the case.

FINDING 3: DEPARTMENTAL PROCEDURES FOR THE AUTHORIZATION AND CONTROL OF MANUAL DISBURSEMENTS ARE NOT BEING CONSISTENTLY ADHERED TO AND ARE, IN SOME CASES, NOT ADEQUATE

During the course of our audit, we observed several instances where procedures designed by the Department of Social Services to control manual disbursements were not being adhered to and are, in some cases, not adequate.

A "Pre-BICS" manual check for anything other than client benefits is only compared to its manual check roll and not the initiating authorization. All other manual checks are only compared to their manual check rolls and not their corresponding authorization.

Department of Social Services procedure for manual checks states that the Accounting Supervisor Grade B or the Accounting Supervisor Grade A verifies the manual check to manual check roll. For benefits the manual check roll is verified to the authorization form.

Failure to adhere strictly to the procedures designed to control manual disbursements raises to an unacceptably high level the risk of errors or fraudulent activity. Manual disbursements are by their very nature more at risk due to the fact that hard coded system controls are sidestepped. It is imperative, given this, that controls that do exist be strictly followed.

RECOMMENDATION:

We recommend that the Department of Social Services take action to ensure that all disbursement process controls are strictly adhered to. We further recommend that all disbursements be compared to the applicable authorizing documentation.

MANAGEMENT RESPONSE:

All "Pre-BICS", both checks and benefits, are currently compared to both the manual check roll and initiating authorization. Effective immediately, we will begin comparing the manual check roll and initiating authorization for ALL other manual checks written.

FINDING 4: BROOME COUNTY DSS ISSUES AN EXCESSIVE NUMBER OF MANUAL CHECKS

During the course of our audit, we surveyed several of Broome County's peer counties with regards to the number and type of manual checks they disburse monthly. Broome County averages fifty-five manual checks a month. Only a few of these checks are for client benefits, the remainder of the disbursements are to vendors. These particular vendors can not be paid through BICS because they have no case number associated with them.

Onondoga County, which is twice as large as our county, only writes about 20-25 manual checks per month. Ulster County, which is slightly smaller than Broome County, writes manual checks rarely, around 2-3 a month.

Manual checks are at greater risk for inaccuracy and there is also more of a potential for fraudulent activity when a computerized system is not being used.

RECOMMENDATIONS:

We recommend that the Department of Social Services revise their policy regarding manual checks in order to limit the number being written every month. All payments made to vendors without case numbers can be paid weekly through the Broome County Accounts Payable System through the use of vouchers.

MANAGEMENT RESPONSE:

Effective January 1, 2002, all manual checks, except for Pre-BICS, will be processed through the Broome County Accounts Payable System through the use of vouchers.

WMS DOCUMENT TRANSMITTAL

(One form per case)

CASE NAME:						CASE NUMBER:
SENT FROM	SENT TO	DATE	DOC. ABBR.	D.E. ACT.	REGISTRY OR AUTH/ACCEPT NUMBER	COMMENTS
1.	DER					<i>* SUP. INITIALS</i>
DER						FATAL ERROR <input type="checkbox"/> PENDING STATUS _____ _____/_____/_____/_____/_____
2.	DER					<i>* SUP. INITIALS</i>
DER						FATAL ERROR <input type="checkbox"/> PENDING STATUS _____ _____/_____/_____/_____/_____
3.	DER					<i>* SUP. INITIALS</i>
DER						FATAL ERROR <input type="checkbox"/> PENDING STATUS _____ _____/_____/_____/_____/_____
4.	DER					
DER						FATAL ERROR <input type="checkbox"/> PENDING STATUS _____ _____/_____/_____/_____/_____
5.	DER					
DER						FATAL ERROR <input type="checkbox"/> PENDING STATUS _____ _____/_____/_____/_____/_____
6.	DER					
DER						FATAL ERROR <input type="checkbox"/> PENDING STATUS _____ _____/_____/_____/_____/_____

DOCUMENT ABBREVIATIONS

- ACF - AUTHORIZATION CHANGE FORM
- ACR - APP-TAD AND CLEARANCE REPORT
- APL - APPLICATION FORM (Includes SSI)
- APTD - APPLICATION TURNAROUND DOCUMENT
- AUTH - AUTHORIZATION
- CCF - CASE CHANGE FORM
- CLR - CLEARANCE REPORT
- CSER - CHILD SUPPORT ENFORCEMENT REFERRAL FORM
- ER - ERROR REPORT
- ET - ERROR TURNAROUND
- MFSD - MA/FS SEPARATE DETERMINATION FORM
- RDEF - RFI DATA ENTRY FORM
- SP - SCREEN PRINT
- TPR - THIRD PARTY RESOURCES FORM
- WDN - WITHDRAWAL NOTICE

D.E. ACTIVITY ABBREVIATIONS

- AD - APPLICATION DENIAL
- APR - AUTHORIZATION PRINT REQUEST
- AR - APPLICATION REGISTER
- ARM - APPLICATION REGISTER MAINTENANCE
- ATP - APP-TAD PRINT
- CA - CANCEL
- CL - CLEARANCE
- CPU - CHANGE OR CORRECT PENDING UNDERCARE
- JCPF - CHANGE OR CORRECT PENDING FDE
- CSE - CHILD SUPPORT ENFORCEMENT REFERRAL ENTRY
- FDE - FULL DATA ENTRY
- RA - REACTIVATION
- RR - RFI RESOLUTION
- SD - MA/FS SEPARATE DETERMINATION ENTRY
- SP - SCREEN PRINT
- SS - SUPERVISORY SIGNAL
- UM - UNDERCARE MAINTENANCE
- WD - WITHDRAW