EXHIBIT 1
DATE Jan. 10. 05
HB

LEGISLATIVE AUDIT DIVISION

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May 28, 2003

TO: Legislative Audit Committee Members

FROM: Tori Hunthausen, Deputy Legislative Auditor, Information Systems (IS) Audits

RE: IS Support Work on Systems Administered by the Department of Health and Human Services (03DP-05)

INTRODUCTION

In support of the financial-compliance audit of the Department of Health and Human Services, we conducted a limited scope information systems audit focusing on select system processes in the following information systems administered by the department:

EBT – Electronic Benefit Transfer system
TEAMS – The Economic Assistance Management System
CAS – Cost Allocation System
SEARCHS – The System for Enforcement and Recovery of Child Support
CAPS – Child and Adult Protective Services system
AWACS – Agency-Wide Accounting and Client System – Contract Sub-System

Included in the audit scope were objectives to establish the existence and confirm the operation of specific controls over select processes, and to determine the status of prior SEARCHS audit recommendations. We conducted the audit work according to generally accepted government auditing standards. We will not formally report the internal control weaknesses we identified; however, these details have been communicated to agency management. A restricted distribution of an internal memorandum has been provided to LAD staff communicating existence and operation of controls.

CONCLUSION

Overall, we conclude the applications named above operate in a controlled environment for the selected processes tested.

BACKGROUND

EBT – Electronic Benefit Transfer system

The USDA Food and Nutrition mandated that all states implement an Electronic Benefits Transfer (EBT) system for disbursement of Food Stamp benefits by October 2002. Traditional Food Stamps were replaced with the Montana Access card, Montana's EBT system in October 2002. To date, over 700 Montana retailers are connected to Montana's EBT system.

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TEAMS – The Economic Assistance Management System

TEAMS is a federally certified system that automates the eligibility determination and benefit issuance for Temporary Assistance for Needy Families (TANF) cash assistance program. TANF cash assistance eligible families may also receive Medicaid, and are categorically eligible for Food Stamps issued through the Montana Access card Electronic Benefits Transfer (EBT) system.

CAS – Cost Allocation System

The large volume of health and human service programs that DPHHS operates are paid with both state and federal dollars. Initially, costs are recorded on the state's primary accounting systems (SABHRS) as they are incurred and are classified as either direct or indirect operating costs.

Direct costs benefit one DPHHS program or grant, are easily identified and point to a project or grant. Indirect costs benefit more than one DPHHS program, grant or indirect cost function. Indirect costs do not have a one-to-one relationship with projects or grants and need to be distributed to programs/grants that use the resource. CAS operates to extract and then accumulate costs into pools, to run the step-down allocations to distribute costs to programs/grants and produce financial information for the completion of federal and state reports.

SEARCHS – The System for Enforcement and Recovery of Child Support

SEARCHS was implemented in 1993 to meet a federal requirement that all states have a certified automated child support system. SEARCHS manages the collection of child support payments for Montana children, by providing an automated method for establishing, enforcing, and modifying support orders, locating absent parents, establishing paternity, generating documents, calculating guidelines, determining hardships, establishing automatic income withholding, generating federal reports of caseload data, and performing general case management functions.

CAPS – Child and Adult Protective Services

CAPS provides an online statewide child welfare management information system supporting protective services; foster care and adoption; services to the aged; and juvenile corrections for the DPHHS. CAPS contain both client and services provider records. The system automates case management, provider licensing, financial accounting, payments for services, provider training, contract management and reporting for operation and management of programs.

AWACS – Agency-Wide Accounting and Client System. Contract Sub-System

AWACS was developed to respond to the continuous demand for fast, efficient and accurate generation of payments and related client service accounting for the many divergent programs of DPHHS. The Contract Subsystem is used to enter the contracts with providers of goods and services and to make payment to these providers. Basic contract data, such as duration of contract, responsibility centers under which payments can be made, and total amount of the contract, are maintained in the system. Users can pay advances and expenditures, post expenditures against advances, and make corrections to expenditures and advances.

AUDIT SCOPE AND METHODOLOGY

Our scope and methodology included reviewing programming code to provide assurance over logical processing within the systems, and whether processing is controlled to allow only valid data. Our objectives were to determine if the application systems' primary processing functions provide data processing results in compliance with state and federal regulations. We did not identify significant

findings in any of the applications, in relation to the limited scope of our review. Our testing methodology included the following:

EBT – We gained an understanding of the program and reviewed EBT package code to ensure functions and procedures exist to maintain TANF and Food Stamp benefit accounts and accounts are managed according to program requirements. We obtained the certification by the USDA Food and Nutrition Services for processing electronic benefits and transactions in compliance with federal program requirements.

TEAMS – The TEAMS database has tables that contain eligibility requirements for the TANF cash assistance program and Food Stamp program, and the data in these tables are used in the eligibility determination process and for the benefit calculation process. We obtained an extract of the tables containing objects for the TANF program for comparison to the applicable administrative rule, State plan, and policy manual criteria for consistency. We reviewed the processing code to calculate benefit limits and amounts granted.

CAS – To confirm that the CAS architecture is consistent with the department's public assistance cost allocation plan and the DPHHS Cost Allocation Manual, we read the database instructions and compared code to department documentation to ensure the instructions selected the intended transactions from the described sources. We accessed the CAS 'tree' structure, allocation group and step definitions, and SABHRS chartfields to confirm CAS is directing amounts to the intended records, fields, and accounts.

SEARCHS – Since an information systems audit was performed in 2001, our primary objective was to update prior audit coverage over key controls and program criteria embedded in the system, specifically testing to identify significant changes that have occurred since that audit, and to determine the effect of change on the SEARCHS control environment. No significant changes were identified. The previous audit report contained 15 individual recommendations. To date, the department has implemented 12, partially implemented 2 and has not implemented 1 recommendation, removing contractor programmer access to production programs and data. Since the last audit the department has established a Security Plan, and management has made the determination programmers must have access to perform their duties required under contract.

CAPS – Using the training slice of the production database, we entered fictitious clients/providers/services to verify selected edits and data validations function as intended. For each edit tested, there was an expected result, and an intent to defeat the system edit.

We verified payment edits and online eligibility edits for Titles IV-E and IV-A funding sources, by evaluating against the federal program compliance supplements. We reviewed the eligibility determination processing code which provides detailed edits and processing logic intended to ensure only appropriate funding sources are applied. We tried to input eligibility codes for fictitious clients using two different security access levels. We obtained the processing code and reviewed the file layout to determine client eligibility edits. We determined that eligibility codes with a source code of TEAMS (the data was exchanged from the TEAMS system) could not be manually added, deleted, modified.

We also determined the source of information used to generate the CAPS report that is used to reconcile transactions between the system and SABHRS.

AWACS Contract Subsystem – Each contract is defined by parameters within the AWACS contract subsystem that determine the duration of the contract and the total amount due the provider. We performed dual testing to ensure the system controls exist and are operating to prevent payments in excess of the total contract balance and prevent payments made outside the contract dates. We reviewed processing code and confirmed the code by obtaining data queries. The query results identified instances where a user with access to make a change amendment, inadvertently caused original information to be overwritten. Manual changes were made to correct the errors.

Incorporated into each of the systems' audit work was identification of data exchange between systems and the completeness of data transmission from one system to another.

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Montana State Legislature

Exhibit Number: 1.

The following exhibit is a booklet that exceeds the 5-page limit therefore it cannot be scanned. The booklets' cover has been scanned to help you when requesting information. The exhibit is on file at the Montana Historical Society and can be viewed there.

Montana Historical Society Archives, 225 N. Roberts, Helena, MT 59620-1201; phone (406) 444-4774. For minutes in paper format, please contact the Montana State Law Library, Justice Building, 215 N. Sanders, Helena, MT 59620; (406) 444-3660. Tapes and exhibits are also available at the Historical Society (tapes are retained for five years). Scanning done by: Susie Hamilton

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Legislative Audit Division

State of Montana

Report to the Legislature

November 2003

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2003

Department of Public Health and Human Services

The department has improved its overall financial control structure since the last audit. This report contains 16 recommendations related to specific compliance concerns in the department programs. Issues addressed in this report include:

- **$724,004 in questioned costs on federal grants that did not meet earmarked expenditure requirements.**
- **$268,563 deficiency in state expenditures required by a federal grant agreement.**
- **Improvement of monitoring controls for federal grants.**
- **Reporting revenue receivables.**

Direct comments/inquiries to:
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