

Legislative Audit Division

State of Montana



Report to the Legislature

November 1997

EDP Audit

Child and Adult Protective Services System (CAPS)

Department of Public Health and Human Services

This report provides information regarding general and application controls over CAPS. It includes recommendations for improving controls within the data processing environment. The recommendations address:

- ▶ **Completeness and accuracy of data entered into CAPS.**
- ▶ **Improving overall reliability of processing results.**
- ▶ **System development and maintenance procedures.**
- ▶ **Processing service transactions according to client eligibility.**
- ▶ **Correcting processing errors.**
- ▶ **Charging services to the correct state or federal funds.**

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EDP AUDITS

Electronic Data Processing (EDP) audits conducted by the Legislative Audit Division are designed to assess controls in an EDP environment. EDP controls provide assurance over the accuracy, reliability, and integrity of the information processed and reported. From the audit work, a determination is made as to whether controls exist and are operating as designed. In performing the audit work, the audit staff uses audit standards set forth by the United States General Accounting Office.

Members of the EDP audit staff hold degrees in disciplines appropriate to the audit process.

EDP audits are performed as stand-alone audits of EDP controls or in conjunction with financial-compliance and/or performance audits conducted by the office. These audits are done under the oversight of the Legislative Audit Committee which is a bicameral and bipartisan standing committee of the Montana Legislature. The committee consists of six members of the Senate and six members of the House of Representatives.

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November 1997

The Legislative Audit Committee
of the Montana State Legislature:

This report is our EDP audit of general and application controls applicable to the department's Child and Adult Protective Services System (CAPS) at the Department of Public Health and Human Services. This report contains recommendations for improving controls within the CAPS data processing environment. Written responses to our audit recommendations are included in the back of the audit report.

We thank the Department of Public Health and Human Services for its cooperation and assistance throughout the audit.

Respectfully submitted,

"Signature on File"

Scott A. Seecat
Legislative Auditor

Legislative Audit Division

EDP Audit

Child and Adult Protective Services System (CAPS)

Department of Public Health and Human Services

Members of the audit staff involved in this audit were Alan Lloyd, Rich McRae and Lon Whitaker.

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Introduction

CAPS is an online statewide child and adult welfare management system that supports protective services, foster care and adoption, services to the aged, and services to juvenile corrections. CAPS automates case management, provider licensing, financial accounting, payments for services, provider training, contract management, and reporting functions.

General Controls

This audit reviewed general controls as implemented by the department over CAPS. We evaluated the department's organization, data operating procedures, system development activity, and physical and electronic access security as related to CAPS.

We conclude overall general controls provide controlled application processing for CAPS. However, audit issues address ongoing system development, physical security controls over client case notes, and electronic access controls. Audit issues are summarized below and discussed further in Chapter II.

Development Concerns

Based on review of the development contract, final contractor report, discussions with users, and review of supporting documentation we identified areas the department should address to ensure future system enhancements and modifications meet user expectations. Listed below are some of the concerns we identified.

- ▶ The department did not provide an adequate level of effort by acceptance testers which delayed development activities and increased the potential for premature implementation.
- ▶ Department users have not completed acceptance testing. As a result, costs for required programming changes, to be identified by user acceptance testing, pass from the development contract to the facilities management contract.
- ▶ The department did not respond to the contractor's request for decisions or additional information within requested time frames. Delays in department response caused delay in programming.

Report Summary

- ▶ Youth courts do not enter sufficient information to determine when clients were placed under care, how long, or when released.
- ▶ Client files do not include sufficient case note documentation to support the overall nature of each case.
- ▶ System reports produced during development did not assist employees to reconcile CAPS transactions to SBAS. Youth courts receive a monthly caseload report but do not use the report because the information is incomplete for management review.

On future development, maintenance, or enhancement activities, the department should establish priority for user acceptance testing to ensure system design and processing results satisfy user expectations.

Access Assignment Procedures

The department grants access to CAPS in two stages performed by different department employees who coordinate the overall process. The security officer assigns access to the CAPS main menu through ACF2 security software. Next, a CAPS employee grants specific privileges through CAPS security software and, depending on authorization given, a user may view or process transactions online.

Existing procedures allow users to have CAPS access although it may no longer be needed. We found instances where changes to employee access were either not requested upon change in user job duties or not completed at the time of our review. Given the large number of CAPS users, the department should either consolidate the access security assignment process or establish procedures to periodically review and adjust access according to job duties.

Application Controls

The audit reviewed a representative sample of the 407,376 transactions for child protective service clients and associated service providers recorded on CAPS as of March 1997. We evaluated department procedures for processing client protective service transactions by reviewing data entry controls, application processing functions, and controls over system output.

Due to data input, funding source, and system output reliability issues, we concluded application controls are not adequate. Audit issues address completeness and accuracy of data entry, processing errors, and usefulness of system output for management information and reporting purposes. Audit issues are summarize below and discussed further in Chapter III.

Correction and Resubmission of Data Entry Errors

During overnight processing, transactions are subjected to edits which verify client eligibility, claim accuracy, and completeness. Transactions which do not pass the edits must be corrected and resubmitted for processing before CAPS will authorize payment to the service provider.

Industry guidelines suggest management implement procedures to identify and correct processing errors. Although CAPS produces a report of suspended transactions, we found the department has not corrected the transactions. The department could not provide an estimate of the total suspended transactions, which range from one to twelve months old. Because the errors have not been corrected, CAPS does not report all service provider payment transaction activity.

Case Notes Not Included Online

CAPS provides the ability to record case notes about clients or service providers but we found the case note function is not used by department caseworkers and juvenile corrections employees. Seventeen of nineteen client files did not include case notes in CAPS. Only one of eighteen provider files included case notes.

Typical caseworker documentation includes notes from interviews with clients and providers, annual recertification visits, and investigative reports. We found documentation in hard copy case files which users could have included in CAPS. Interviews with employees indicate caseworkers typically store notes on their desktop computer hard drive and place a copy in the file, instead of copying the information into CAPS. If stored electronically in CAPS, case notes would be physically secure and recoverable, and could help improve case file management and reduce unnecessary paperwork.

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Funding Source Code Assignments

CAPS will allow caseworkers to select the federal foster care funding source if a client meets federal requirements for the Title IV-E grant. However, caseworkers can still authorize services to be paid with General Fund moneys. We found three of 45 transactions, ranging in amounts from \$30 to \$200 were charged to the General Fund instead of federal grant sources. Based on review of all transactions processed for the three clients we found the general fund was overcharged between \$735 to \$4,322 for services that could have been paid by federal grant sources. Several of the errors occurred during the initial implementation of CAPS, when users were not as familiar with eligibility and payment procedures.

Section 17-2-108, MCA, requires agencies to apply expenditures against non-General Fund money whenever possible before using General Fund appropriations. In order to comply with state law, the department must establish procedures to ensure services are charged to the appropriate federal grant.

System Generated Adjustments

Due to changes in client eligibility, central office employees adjust previously processed transactions through CAPS. Adjustments include changing services charged from one funding source to another, based on new client information input to CAPS by the caseworker.

Industry guidelines suggest management ensure computer applications have an adequate audit trail of transactions. The audit found cases where CAPS automatically reversed central office adjustments although the adjustments appeared reasonable given online supporting documentation. Original eligibility records at the time of adjustment had been updated since initial input to CAPS and are no longer available.

In another example, CAPS automatically adjusted services to the federal IV-A Emergency Assistance grant, although the client was not eligible. The department determined processing errors in CAPS caused incorrect funding source selections. Until the department corrects the programming logic and resubjects transactions to eligibility processing, we question the accuracy of funding sources processed through CAPS in accordance with actual client eligibility.

Reports for Reconciling CAPS to SBAS

CAPS interfaces and updates SBAS with financial activity such as service provider payments and subsequent accounting adjustments. The department has attempted to reconcile activity between the two systems but original CAPS reports did not include enough detail for comparison. Since development of new reports the department is attempting to complete the reconciliation. However, the new reports are bringing additional processing errors to the department's attention. Because of the additional errors, new report problems, and an undetermined number of adjustments which still need to be entered into CAPS, the department is unable to estimate when the reconciliation will be completed.

Federal program regulations require all federal charges be supported by the accounting records. Without a complete reconciliation and due to other errors identified in this report, we question the reliability, completeness, and accuracy of CAPS financial activity reported to SBAS.

Department of Corrections and Youth Court Issues

The Department of Corrections and youth court employees began using CAPS in September 1996. DOC administers payments processed through CAPS by youth courts at judicial district locations. Youth courts authorize services including: psychiatric care, alcohol and drug treatment, mental health clinical services, and various counseling services.

CAPS is designed to provide management information about youths, such as how many are involved in the youth court system, when they entered the system, and current status. CAPS online data is limited to service provider payments and related accounting information, although separate hard copy files support the transactions reviewed and nature of each case. Youth courts could use CAPS to record case history, case notes, and other background information, and to facilitate record storage and transfer between judicial districts.

DOC expressed concern with accounting procedures related to CAPS. The department bills DOC for the costs of services authorized by youth courts based on transactions processed through CAPS. DOC employees are unable to reconcile monthly bills for the services youth courts have authorized through CAPS. Because

Report Summary

they are unable to reconcile the monthly billings, DOC employees question the reliability and accuracy of CAPS transaction processing results.

Chapter I - Introduction and Background

Introduction

This is an audit of the Child and Adult Protective Services System (CAPS) at the Department of Public Health and Human Services (DPHHS). We reviewed data controls over input, processing, and output in addition to general controls within the mainframe processing environment. This audit provides assistance to the Legislative Audit Division's financial-compliance audit staff in their biennial audit of the DPHHS.

System Background

CAPS is an information system designed to support the social services programs administered by the department's Child & Family Services Division. CAPS processes information for child and adult protective services, services to the aged, and services to juvenile corrections. CAPS was developed under contract in order to meet federal requirements for a Statewide Automated Child Welfare Information System and the Adoption and Foster Care Analysis and Reporting System. In addition, the department requires automated access to workload/caseload management information and statistics. CAPS is designed to increase productivity, improve staffing utilization, reduce manual functions and processes, and improve case management by employees responsible for child welfare services and adoption and foster care activities.

Organization of Report

The report is organized into three chapters. Chapter I provides an introduction, background information, and audit objectives. Chapter II discusses the review of general controls applicable to the data processing environment. Chapter III includes the review of application controls and audit issues pertaining to CAPS data processing functions.

General and Application Controls

EDP controls provide assurance over the accuracy, reliability, and integrity of the information processed. General controls apply to the environment in which applications process data. Application controls are specific to a given application or set of programs that accomplish a specific function.

An application must operate within the general control environment in order for reliance to be placed on overall processing results. Centralized general controls over applications which process data at

Chapter I - Introduction and Background

the Department of Administration's mainframe computer center are evaluated during the annual audit "Information Processing Facility and Central Applications."

Audit Objectives

The objectives of this audit were to evaluate, conclude, and report on the:

1. General controls specific to the CAPS data processing environment, including organization, procedural, system development, physical security, and electronic access controls. The audit reviewed the department's implementation of general controls residing outside the Department of Administration's data center.
2. Application controls over data processed by CAPS. The audit evaluated data input controls; primary processing functions including case management and fiscal reporting; and the reliability of selected system output, both online and hard copy reports. Compliance with department policy, state law, and federal regulations were also evaluated.

Audit Scope and Methodology

The audit was conducted in accordance with government audit standards. We compared the department's general and application controls against criteria established by the American Institute of Certified Public Accountants (AICPA), the United States General Accounting Office (GAO), and the electronic data processing (EDP) industry.

This audit evaluated general controls implemented by the department over CAPS as outlined below.

Organizational - CAPS user training and help desk services were reviewed to ensure users are knowledgeable and receive problem resolution support necessary in conducting daily processing operations. Also included was the department's microcomputer support procedures which ensure connection to CAPS is maintained statewide.

Procedural - scheduled production processing procedures were reviewed to ensure controlled processing results are completed accurately, on schedule, and according to user authorization. Ad hoc report distribution procedures were also evaluated to ensure reports are delivered as requested.

Chapter I - Introduction and Background

System Development - original development procedures and results were evaluated. The review included an evaluation of department procedures for system design, user involvement, testing procedures, department acceptance, and ongoing maintenance and enhancements. Overall, the audit evaluated the development of CAPS in accordance with department expectations.

Physical Security - the audit reviewed backup procedures for CAPS data stored outside the application and evaluated the department's ability to recover department operations for CAPS in coordination with the Department of Administration's disaster recovery plan.

Electronic Access - the audit reviewed user access controls over CAPS. The department controls access to production programs and data using Access Control Facility (ACF2) software. In addition, software programs within CAPS authorize user privileges to system screens and online data processing activities.

The audit reviewed the department's application controls over CAPS. We evaluated policies and procedures in relation to input, processing, and output controls. For example, we reviewed data entry and processing of service provider payments by testing input edits and evaluating processing results. We analyzed CAPS processing decisions over client eligibility determination for accuracy and reliability. We also traced transactions through CAPS and evaluated the results reported both online and in hard copy format. Finally, we reviewed supporting documentation to determine if controls over data are effective and adequate to ensure the accuracy of data during processing phases.

We communicated audit issues to the department through interim audit communications. Less significant findings were communicated to department management and are not included in this report.

Compliance

The audit reviewed application processing for compliance with department policy, state law, and federal regulations. For example, we reviewed CAPS processing activities to ensure only eligible clients receive services by authorized providers according to federal program regulations. The audit also evaluated data processing results for compliance with department policy and state law. Based on CAPS processing results, we found instances where the

Chapter I - Introduction and Background

department is not in compliance with department policy, state law, or federal regulations over emergency assistance and foster care.

Chapter II - General Controls

Introduction

This audit reviewed general controls as implemented by the department over CAPS. We evaluated the department's organization, data operating procedures, system development activity, and physical and electronic access security as related to CAPS. This chapter discusses the review and provides recommendations where general controls can be improved.

General Controls Conclusion

We conclude overall general controls provide controlled application processing for CAPS. However, we determined the department should improve its process for ongoing system development of CAPS. Physical security controls over client case notes should be improved by establishing procedures to store all case notes electronically within CAPS. Additionally, electronic access controls should limit access to users responsible for processing transactions according to job duties. These issues are discussed below.

System Development Overview

The department hired a private contractor for original development and subsequent on-site maintenance of CAPS. We reviewed the system development contract, development schedule, and the procedures followed to implement CAPS into full operating production. Development occurred through several stages as outlined below.

Project Initiation - Began November 1, 1993 and included development of a project plan, definition of management tools and procedures, and identification of contractor and department staff.

General System Design (GSD) - Completed in March 1994, user groups conducted workshops to address decisions on system functions, screen layouts, report definitions, and documents to be generated by the system.

Detailed System Design - Completed in December 1994, included addressing general system design issues, and developing physical database design. Specifications were completed for all components defined in the approved GSD.

Programming - Began November 1994 and completed September 1996.

Chapter II - General Controls

Testing - Coincided with programming phase, beginning in November 1994 and completed with user acceptance testing in August 1995. However, the audit determined the department has not completed user acceptance testing for all elements of the original system design.

Implementation - Pilot implementation began in September 1995 with user training provided to Family Resource Specialists statewide. Following training, the Family Resource Specialists began converting provider and license information to CAPS. Caseworkers from Lewis and Clark, Broadwater, Meagher, and Jefferson counties received training in January 1996 and then began converting client and case management data to CAPS. Statewide implementation began in March 1996 and concluded the following July with juvenile probation and juvenile corrections staff training and caseload conversion to CAPS.

System development controls address original development activities and ongoing maintenance or enhancements. The controls ensure design, maintenance, or enhancement results agree with department expectations and provide reliable processing results.

The audit reviewed department and contractor procedures over system development. Overall, the procedures ensured system development progressed according to original design. The contractor provided all required deliverables and each deliverable was approved by authorized department personnel. The following section summarizes several development issues over CAPS and addresses how the department can improve future processing and development results.

Development Concerns

Several of the issues included in this report resulted because the department did not assign sufficient employee resources to development efforts or establish clear levels of responsibility. Summarized below are issues identified based on review of the development contract, final contractor report, discussions with users, and review of supporting documentation.

- ▶ The department did not provide an adequate level of effort by acceptance testers which delayed development activities and increased the potential for premature implementation. Several

Chapter II - General Controls

processing errors identified in this report may have resulted due to insufficient acceptance testing.

- ▶ The original development contract cost \$1,494,872 and was completed in February 1997. The facilities management contract, for ongoing maintenance and enhancement of CAPS, is effective March 1996 through February 1999 at a total cost of \$2,871,309. System reports, trust account tracking, and a System for the Enforcement and Recovery of Child Support (SEARCHS) interface were developed according to the original development contract. However, department users have not completed acceptance testing. As a result, costs for required programming changes, to be identified by user acceptance testing, pass to the facilities management contract. The department could not provide an estimate of programming costs that could have been covered by the original development contract. On future development projects, the department should ensure user acceptance testing is completed prior to final acceptance.
- ▶ The department did not respond to the contractor's request for decisions or additional information within requested time frames. Delays in department response caused delay in programming.
- ▶ The reorganization of the Department of Family Services into DPHHS caused delayed decisions on development issues due to unclear lines of responsibility. Several change requests significantly altered the financial functionality from that which the department approved in the original general system design.
- ▶ Youth courts and department caseworkers expressed frustration over data entry procedures. The audit found a user must access 17 separate screens to enter client information into CAPS.
- ▶ The department has not established system-wide standards over minimum data entry requirements. For example, youth courts do not enter sufficient information to determine when clients were placed under care, how long, or when released.
- ▶ Client files do not include sufficient case note documentation to support the overall nature of each case. Caseworkers store investigative notes in hard copy files or on local computer hard drives. If stored on CAPS as originally intended, the information would be physically secure, reduce unnecessary paperwork, and available for online reference.

Chapter II - General Controls

- ▶ Some system reports are not useful. Reports produced during system development did not allow employees to reconcile CAPS transactions to the Statewide Budgeting and Accounting System (SBAS). Youth courts receive a monthly caseload report but do not use the report because the information is incomplete for management review.

These and other issues identified in this report could have been prevented during system development. With the exception of user acceptance testing discussed above, the department followed a controlled development methodology for CAPS. On future development, maintenance, or enhancement activities, the department should establish priority for user acceptance testing to ensure system design and processing results satisfy user expectations.

Recommendation #1

We recommend the department establish priority for user acceptance testing procedures to ensure development results meet user expectations.

Electronic Access Controls

The audit sampled user access privileges for 54 of over 900 individuals with access to CAPS. Users include employees within the department, the Department of Corrections, and youth courts.

Access Assignment Procedures

The department grants access to CAPS in two stages performed by different department employees who coordinate the overall process. The security officer assigns access to the CAPS main menu through ACF2 security software. Next, a CAPS employee grants specific privileges through CAPS security software and, depending on authorization given, a user may view or process transactions online.

The audit concluded department procedures for assigning access to the CAPS main menu are effective and supported by properly authorized request forms. However, the request forms remain filed with the security officer and do not specifically support actual privileges granted to the CAPS system beyond the main menu.

Existing procedures can allow users to have CAPS access although it may no longer be needed.

- ▶ Three of the fifty-four employees no longer needed access granted due to change in job function. Unnecessary access could allow the employees to approve payment transactions, or view and change information in client files not assigned to the employees.
- ▶ Two other system users do not require the access granted under the existing security classifications. These employees could enter clients and approve services paid on their behalf, although such access is necessary only on limited occasions.

Industry guidelines suggest management restrict access to application data based on user job duties. Existing department procedures facilitate prompt access assignment upon initial user request. However, subsequent changes to access privileges were either not requested upon change in user job duties or not completed at the time of our review. Given the large number of CAPS users, the department should either consolidate the access security assignment process or establish procedures to periodically review and adjust access according to job duties.

Recommendation #2

We recommend the department restrict user access to CAPS according to job duties.

Programmer Access to Production Programs and Data

The audit reviewed ACF2 security controls over CAPS production programs and data. The department controls access to CAPS database programs through security rules which allow or disallow user access. Production data sets include programs which produce reports through batch processes, or electronic files of client transactions stored online. All programmers assigned to the CAPS development project have unlogged write access to production programs and data.

Industry standards suggest management limit access to production programs and data to individuals who need it to perform their jobs.

Chapter II - General Controls

Once development is complete and database programs and files are recorded in the production environment, programming staff do not require write access. Unlogged write access allows programmers to make unauthorized changes to database transaction files and programs. For example, programmers could view or change confidential child custody, adoption, foster care, adult protective services or other data included in the CAPS system.

Recommendation #3

We recommend the department restrict access to CAPS production programs and data according to programmer job functions.

Chapter III - Application Controls

Introduction

CAPS is an online statewide child and adult welfare management system that supports protective services, foster care and adoption, services to the aged, and services to juvenile corrections. CAPS automates case management, provider licensing, financial accounting, payments for services, provider training, contract management, and reporting functions.

CAPS processes transactions online and through overnight batch processes at the Department of Administration's mainframe computer center. Users connect to CAPS through personal computers located within regional and county offices. CAPS is used by over 900 employees at the Department of Public Health & Human Services and Department of Corrections (DOC). CAPS is designed to provide the following benefits:

- ▶ Automate the payment approval process and warrant issuance to service providers.
- ▶ Support the intake of information related to alleged incidents of abuse and neglect, and subsequent departmental investigation and actions, and track all contacts made with individuals associated with the case and all court actions.
- ▶ Maintain client information such as relationships, addresses, aliases, educational background, medical history, special needs, and financial resources.
- ▶ Maintain provider information such as services, rates, key personnel, training and licensing requirements, and a placement history for each provider facility.

Application Controls Conclusion

Due to data input, funding source, and system output reliability issues, we concluded application controls are not adequate. Audit issues address completeness and accuracy of data entry, processing errors, and usefulness of system output for management information and reporting purposes. As discussed in Chapter II, we conclude several of these issues may have been avoided during system development.

Chapter III - Application Controls

The audit reviewed a representative sample of the 407,376 transactions for child protective service clients and associated service providers recorded on CAPS as of March 1997. We evaluated department procedures for processing client protective service transactions by reviewing data entry controls, application processing functions, and controls over system output. The following sections discuss the review and recommendations where the department could improve input, processing and output controls over CAPS.

Accuracy of Data Entry

The audit compared client information maintained in hard copy files to online CAPS data for accuracy and completeness. Eight of forty-five client files reviewed included incorrect birth dates and/or social security numbers. Also the files were missing hard copy documentation such as copies of birth certificates and social security cards, although required by department policy.

The missing information or data entry errors could cause incorrect eligibility determination. For example, federal regulations do not allow foster care services to clients over the age of 18 except in certain circumstances. Incorrect birth dates in CAPS could allow services to clients who do not meet the eligibility requirements.

The issues identified may have occurred during system implementation when client files were converted to CAPS. During this process, caseworkers were responsible to ensure information from the client database was converted completely and accurately.

The department has not established uniform intake procedures statewide. Some regional offices have eligibility specialists responsible for data input and eligibility determination, but in other offices, the caseworkers enter the information in addition to regular duties. Uniform intake procedures would help ensure completeness and accuracy of data entry, and proper eligibility for services.

Recommendation #4

We recommend the department establish uniform intake procedures to ensure completeness and accuracy of data entry and eligibility determination.

Correction and Resubmission of Data Entry Errors

Caseworkers and probation officers process payments to service providers daily through CAPS. During overnight processing, the transactions submitted that day are subjected to edits which verify client eligibility, claim accuracy, and completeness. Transactions which do not pass the edits must be corrected and resubmitted for processing before CAPS will authorize payment to the service provider.

Industry guidelines suggest management implement procedures to identify and correct processing errors. Although CAPS produces a report of suspended transactions, we found the department has not corrected the transactions. The department could not provide an estimate of the total suspended transactions, which range from one to twelve months old.

Several reasons identified during the audit include:

- ▶ Personnel could not correct suspended transactions due to the volume of errors following system implementation.
- ▶ Due to the volume of errors, central office does not have sufficient personnel resources to review and correct the processing errors.
- ▶ The error report provided to regional offices is not sorted by region and does not report all processing errors for each suspended transaction.

In order to pay service providers, the department bypassed CAPS and issued warrants directly through the Statewide Budgeting & Accounting System (SBAS). Because the errors have not been corrected, CAPS does not report all service provider payment transaction activity.

Chapter III - Application Controls

Recommendation #5

We recommend the department:

- A. Establish priority through personnel assignment to review and correct CAPS processing errors.**
- B. Redesign the error exception report to facilitate regional office review and correction of data processing errors.**
- C. Update CAPS to include all service provider payment activity.**

Services Requiring Justification

The department authorizes transportation services to foster care clients for family visitation or other necessary travel. Department policy requires justification for transportation services which cost more than \$87.80. CAPS is designed for caseworkers to include a text explanation for services paid that exceed the standard rates.

The audit reviewed all special transportation services processed through CAPS between July 1996 and March 1997 that exceeded \$87.80. Thirty-six individual transactions ranging in amount between \$88 to \$2,142 were processed through CAPS, but none included supporting justification.

The department has not defined the extent of special justification necessary for such services. At a minimum, the justification should include caseworker explanation for authorizing such travel. Without justification, unnecessary services could be processed through CAPS, and client history information is incomplete.

Recommendation #6

We recommend the department define minimum required case note justification and follow established procedures to include the justification in CAPS for special transportation services.

Chapter III - Application Controls

Case Notes Not Included On-Line

CAPS provides the ability to record case notes about clients or service providers. Although CAPS is designed to facilitate case management, the audit found the case note function is not used by department caseworkers and juvenile corrections employees. Seventeen of nineteen client files did not include case notes in CAPS. Only one of eighteen provider files included case notes.

The department does not have policies in place over case note management. Typical caseworker documentation includes notes from interviews with clients and providers, annual recertification visits, and investigative reports. We found documentation in hard copy case files which users could have included in CAPS. Interviews with employees indicate caseworkers typically store notes on their desktop computer hard drive and place a copy in the file, instead of copying the information into CAPS. As a result, caseworkers must review both online data and the hard copy file in order to evaluate client or provider history and resolve questions.

The department should identify the original intent behind case note development within CAPS and establish policies for uniform application. In addition to improving case file management and reducing unnecessary paperwork, case notes stored electronically within CAPS are backed up regularly and secured from unauthorized access.

Recommendation #7

We recommend the department establish policies to ensure consistent case note management within CAPS.

Approval for Services

CAPS is designed to ensure payments for client services are entered and approved by authorized individuals. Depending on the service entered for payment, CAPS requires supervisor, regional administrator and/or central office approval. The audit found transactions entered and approved by caseworkers, although supervisor and/or regional administrator approval is required. Based on our findings, the authorization controls, as designed in CAPS, were not operating following system implementation.

Chapter III - Application Controls

Industry guidelines suggest employees should not have individual access privileges to perpetrate and conceal errors or irregularities. Without authorization controls, users could enter fictitious clients or process payments to fictitious service providers.

Following system implementation, the department experienced difficulty processing transactions through CAPS. In order to process the transactions, the department temporarily suspended CAPS authorization controls. Suspending the parameters allowed caseworkers to bypass authorization controls. The department indicated the controls are now in place to disallow transaction processing by the same employee.

Recommendation #8

We recommend the department maintain authorization controls as designed and implemented in CAPS.

Eligibility Determination

CAPS assists caseworkers in determining client eligibility for services and facilitates the accounting and service provider payment process. Caseworkers enter specific client information into CAPS and create a list of services to provide for the client. Depending on client eligibility, the services may be payable through federal program grants such as Title IV-A Emergency Assistance or Title IV-E Foster Care.

This audit reviewed payments to service providers for eligibility according to federal regulations. For example, we verified clients were eligible to receive services and that the services were provided by authorized service providers. We also verified services were properly accounted for and charged against the appropriate federal grant or state funds. Audit findings address improper eligibility determination, lack of an audit trail for client eligibility status at various points in time, and unsupported system generated adjustments.

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Funding Source Code Assignments

CAPS assists caseworkers in choosing the appropriate federal grant depending on client eligibility. For example, CAPS will allow caseworkers to select the federal foster care funding source if a client meets federal requirements for the Title IV-E grant. However, caseworkers can still authorize services to be paid with General Fund moneys. Caseworkers processed several transactions through CAPS to the General Fund, although clients met federal grant eligibility requirements.

The audit reviewed 45 transactions processed through CAPS to determine if caseworkers select the appropriate funding source for services they authorize. Three of forty-five transactions, ranging in amounts from \$30 to \$200 were charged to the General Fund instead of federal grant sources. Based on further review of all transactions processed for the three clients we found:

Client A - \$4,322 in service charges could have been paid by federal Title IV-E Foster Care. The CAPS audit trail no longer identifies the client's eligibility status at the time the transactions were processed. Current eligibility information in CAPS supports the client was foster care eligible.

Client B - \$735 services eligible for federal Title IV-A Emergency Assistance. The caseworker incorrectly authorized payment from the General Fund.

Client C - \$1,681 services eligible for federal Title IV-A Emergency Assistance, and \$1,695 services eligible for federal Title IV-E Foster Care. The caseworker incorrectly authorized payment from the General Fund.

In addition to the sampled transactions, we found 11 client files with services incorrectly charged to the General Fund. Caseworkers requested central office employees to adjust these services to appropriate funding sources, but two of the files still needed adjustment at the time of our review.

Section 17-2-108, MCA, requires agencies to apply expenditures against non-General Fund money whenever possible before using General Fund appropriations. In order to comply with state law, the

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department must establish procedures to ensure services are charged to the appropriate federal grant.

Several of the errors occurred during the initial implementation of CAPS, when users were not as familiar with eligibility and payment procedures. As a result, caseworkers charged services to the General Fund in error.

Based on these findings the department should improve caseworker procedures to ensure correct funding source selection. Also, transactions previously processed through CAPS need to be evaluated to ensure funding sources charged are accurate.

Due to the complexity of decisions required for funding source selection, the department did not design CAPS to automatically select funding sources. Because caseworkers make the decision, the department should ensure CAPS users understand funding source selection procedures and related department policies. Caseworkers we interviewed noted refresher training would improve their understanding of CAPS.

Some regional offices have eligibility specialists with specific responsibility to evaluate client eligibility and establish client services. At other offices, caseworkers perform these functions. Youth court office procedures are shared between administrative personnel and probation officers. Consistent procedures statewide could reduce eligibility errors and unnecessary adjustments.

Recommendation #9

We recommend the department:

- A. Review and correct CAPS transaction funding sources according to client eligibility.**
- B. Establish consistent procedures among statewide CAPS users to ensure proper funding source selection according to client eligibility.**
- C. Provide additional training to CAPS users over CAPS operations and department policies and procedures.**

System Generated Adjustments

Due to changes in client eligibility, central office employees adjust previously processed transactions through CAPS. Adjustments include changing services charged from one funding source to another. For example, services originally paid by the general fund may be eligible for federal foster care funding, based on new client information input to CAPS by the caseworker. Central office employees review online case information and adjust prior payment transactions accordingly.

Industry guidelines suggest management ensure computer applications have an adequate audit trail of transactions. The audit found cases where CAPS automatically reversed central office adjustments although the adjustments appeared reasonable given online supporting documentation. The department could not verify the validity of the system generated adjustments processed through CAPS because original eligibility records at the time of adjustment had been updated since initial input and are no longer available.

In another example, CAPS automatically adjusted services to the federal IV-A Emergency Assistance grant, although the client was not eligible. The department determined processing errors in CAPS caused incorrect funding source selections. For example, processing errors included:

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- ▶ CAPS eligibility determination functions reviewed the wrong time period and, therefore, found the client ineligible for federal foster care funding.
- ▶ CAPS warrant processing edits incorrectly determined the client eligible for emergency assistance based on eligibility decisions on a completely different client.

Incorrect processing decisions may explain why system generated adjustments are not supported by CAPS online client information. Lack of a complete audit trail impairs caseworker ability to review client eligibility history or support adjustment transactions.

CAPS applies the same eligibility determination and warrant processing edits to all transactions. Therefore, until the department corrects the programming logic and resubjects transactions to eligibility processing, we question the accuracy of funding sources processed through CAPS in accordance with actual client eligibility. Based on the specific transaction identified above, we question the allowability of \$356 charged to the federal IV-A grant “Family Support Payments to States-Assistance Payments” (CFDA #93.560).

Recommendation #10

We recommend the department:

- A. Establish a complete audit trail for CAPS which includes client eligibility history.**
- B. Correct CAPS program logic to ensure accurate funding sources are processed.**
- C. Review and correct system generated adjustments to ensure funding sources are processed through CAPS in accordance with actual client eligibility.**

Reports for Reconciling CAPS to SBAS

CAPS interfaces and updates SBAS through a nightly batch update process. Information updated to SBAS includes financial activity reported through CAPS such as service provider payments and subsequent accounting adjustments.

The department has attempted to reconcile activity between the two systems but original CAPS reports did not include enough detail for comparison. Since development of new reports following our audit, the department is attempting to complete the reconciliation. However, the new reports are bringing additional processing errors to the department's attention. Because of the additional errors and an undetermined number of adjustments which still need to be entered into CAPS, the department is unable to estimate when the reconciliation will be completed.

Previous financial-compliance audits have recommended a complete reconciliation of foster care transactions. If original development design had specified detailed reports, perhaps the department would be better prepared to reconcile CAPS activity. Recently developed reports will enable personnel to reconcile CAPS and SBAS.

Federal program regulations require all federal charges be supported by the accounting records. Without a complete reconciliation, we question the reliability, completeness, and accuracy of CAPS financial activity reported to SBAS. Other issues in this report address improper federal grant charges due to funding source selection procedures. Resolving funding source issues and completing the reconciliation to SBAS will enable the department to verify the overall reliability of information reported by CAPS.

Recommendation #11

We recommend the department reconcile CAPS to SBAS to ensure financial information reported on the state's accounting records is complete and accurate.

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Department of Corrections and Youth Court Issues

The Department of Corrections and youth court employees began using CAPS in September 1996. DOC administers payments processed through CAPS by youth courts at judicial district locations. Youth courts authorize services including: psychiatric care, alcohol and drug treatment, mental health clinical services, and various counseling services.

We reviewed youth court transactions processed through CAPS and visited the youth court offices that processed the transactions. Probation officers and administrative personnel we interviewed all noted they use CAPS only to process payments to providers. They do not use CAPS to maintain case documentation or obtain management information.

CAPS is designed to provide management information about youths, such as how many are involved in the youth court system, when they entered the system, and current status. CAPS online data is limited to service provider payments and related accounting information, although separate hard copy files support the transactions reviewed and nature of each case. Youth courts could use CAPS to record case history, case notes, and other background information, and to facilitate record storage and transfer between judicial districts.

Youth court employees expressed various concerns about CAPS during our audit. In addition to separate history files, employees enter duplicate information into the Juvenile Probation Information System which provides criminal history information about the youths. Probation officers noted the additional time required to enter data in CAPS reduces time available for youth probation job functions.

DOC expressed concern with accounting procedures related to CAPS. The department bills DOC for the costs of services authorized by youth courts based on transactions processed through CAPS. DOC employees are unable to reconcile monthly bills for the services youth courts have authorized through CAPS. Because they are unable to reconcile the monthly billings, DOC employees question the reliability and accuracy of CAPS transaction processing results.

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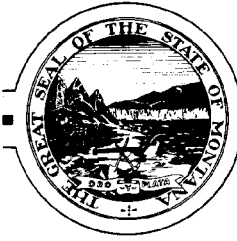
CAPS could benefit management activities and provide useful case management information if youth courts would take advantage of the system. Periodic training to refresh user awareness of system operations and benefits is necessary. Unless accounting concerns are resolved and system benefits are identified, the DOC and youth courts will not use CAPS other than to pay service providers.

Recommendation #12

We recommend the department work with DOC and youth courts to resolve CAPS accounting issues and improve management information.

Agency Response

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES



MARC RACICOT
GOVERNOR

LAURIE EKANGER
DIRECTOR

STATE OF MONTANA

October 15, 1997

OCT 17 1997

Scott A. Seacat
Legislative Auditor
PO Box 201705
Helena, MT 59620-1705

Dear Mr. Seacat:

Attached are the Department of Public Health and Human Services responses to the recommendations made in the EDP audit of the Child and Adult Protective Services System (CAPS).

We appreciate the effort that has gone into your examination of the functioning of CAPS. Your recommendations will be of value to us in maintaining the on-going integrity of the system.

Please contact me if you have questions.

Sincerely,

A handwritten signature in cursive script that reads "Mike Billings".

Michael G. Billings, Administrator
Operations & Technology Division

Recommendation #1

Concur. On future development, maintenance, and enhancement activities, the department will establish priority for user acceptance testing in order to ensure development results meet user expectations.

Recommendation #2

Concur. The department will review the current CAPS security plan to ensure user access is granted according to job duties. It is anticipated that this review will be completed by January 1998. To ensure that access continues to accurately reflect job assignments, the department's position control report will be reviewed bi-weekly for staff changes. Access for non-agency users is reviewed every six months.

Recommendation #3

Concur. Access to production files should be restricted to only those individuals requiring access to perform their jobs. Currently, BDM utilizes a single user number that is only activated between the hours of 5:00 a.m. to 7:00 a.m. and 12:00 p.m. to 1:00 p.m. to restrict changing of the information in the database. Programmers must obtain the password for this user number and log the reason for its use in a notebook. Access to production (daily or monthly transaction files) for data changes is restricted to this same user number.

Recommendation #4

Concur. The Child and Family Services Division (CFSD) will review existing practices and the feasibility of standardizing such practices. Recommendations for change will be submitted to management for consideration by April 1, 1998 with management action and implementation to occur by June 30, 1998.

Recommendation #5

- A. Concur. The backlog of error reports noted during the audit was largely due to the volume of exceptions and the increased workload created by and during the conversion process. CFSD central office staff are now current on the review and correction of processing errors. All errors have been researched and the required steps to correct the processing errors have been initiated. Processing error reports are now being reviewed and acted on by central office staff on a daily basis.
- B. Concur. The CFSD will submit the recommended change in the error exception report to the system change control committee for prioritization.
- C. Concur. In some circumstances where items on the error report could not be

corrected quickly, the department paid providers through SBAS rather than CAPS. Additionally, during the first few months of system usage the department experienced some processing problems not related to the error reports, which necessitated the department paying providers through SBAS rather than CAPS.

In order to enter the service provider payment transaction activity into CAPS without generating another warrant (i.e. double payment) a system change is necessary. This change was reviewed and prioritized by the system change control committee on September 12, 1996. Because of the magnitude of work involved to handle a relatively small number of payments, design alternatives are being considered. Consequently, it is not possible to estimate a completion date at this time.

Recommendation #6

Concur. Practices and procedures for authorization of special transportation services will be reviewed with management and supervisory staff. Additionally, this item will be referred to the appropriate CFSD policy standing committee for review, drafting and adoption of policy on the requirement for and content of the special justification text screen. The anticipated date of completion for this task is June 30, 1998.

Recommendation #7

Concur. CFSD recognizes the need to update policy to reflect the automated case management environment. Policy development standing committees are in the process of being appointed. Development of policy which incorporates and sets standards for CAPS usage will be a priority for these standing committees. The anticipated date of completion for this task is June 30, 1998.

Recommendation #8

Concur. The department agrees to maintain authorization controls as designed and implemented in CAPS.

Recommendation #9

A. Concur. Review and correction of CAPS funding source transactions have been an ongoing activity since system implementation. Each of the five DPHHS protective services regions has a financial specialist responsible for review and maximization of federal funds for the clients in their region. These individuals receive and review monthly transaction reports prepared by CAPS. This process resulted in a number of funding source adjustments being made. CFSD staff believes all past CAPS funding

source transactions have been manually reviewed and corrected as of this date. Review and correction of funding source usage is an ongoing CFSD activity. The department will also request that the Department of Corrections (DOC) implement similar practices for review and correction of funding source transactions related to probation and parole clients as these are not under the purview of DPHHS.

- B. Concur. The CFSD will review existing practices and the feasibility of standardizing practices for offices with similar numbers and skill levels of staff assigned to them. DPHHS will request that DOC implement these same practices statewide.
- C. Concur. CFSD provides training for staff on a regular basis. Training in funding source selection and usage is done on an ongoing basis. The recommendation for additional policy training in the selection and usage of funding sources will be forwarded to the CFSD training committee for action. The CFSD is in the process of recruitment of a CAPS liaison for the Division. The primary focus of this position is to draw together all system users and assess and plan for cross divisional and cross departmental issues, such as policy and training issues. We believe this position will assist us in recognizing and addressing unmet user needs.

DOC staff will be invited to attend DPHHS sponsored training related to funding source issues. DPHHS also encourages the DOC to hold training specific to their clients and needs.

The Operations and Technology Division (OTD) regularly provides training in CAPS system usage. New CAPS users and those seeking refresher training are encouraged to attend within the constraints of their travel and administrative cost budgets.

Recommendation #10

- A. Concur. A system change to provide an historical audit trail of all client eligibility records has been requested. The implementation date cannot be estimated until this request is prioritized by the CAPS change control committee.
- B. Concur. The program logic has been corrected.
- C. Concur. The adjustments have been reviewed and corrected either by the system or manually.

Recommendation #11

Concur. The department has received the reports needed to complete a reconciliation of CAPS to SBAS and anticipates completing the reconciliation by October 31, 1997.

Recommendation #12

Concur. The department will continue to work with the DOC and youth courts to address their concerns and issues relating to the accuracy and reliability of the CAPS transaction amounts. The anticipated completion of the reconciliation of CAPS to SBAS should assist in resolving these issues.

The department is committed to supporting the CAPS changes requested by the DOC. CAPS is currently being modified to include Juvenile Probation Information System (JPIS) data elements. When this project is completed in March 1998, probation staff will no longer use JPIS as CAPS will contain all of the information they require.