

Department of Human
Services

BISMARCK, NORTH DAKOTA

Audit Report

For the Biennium Ended
June 30, 2017

Office of the State Auditor
Division of State Audit

Report Highlights

The report identifies 21 deficiencies within the context of the objectives of the audit. These deficiencies include 10 recommendations made in the prior audit that were not implemented.

Program Operations: Operations surrounding early childhood services licensing, foster care licensing, and child protective services were reviewed. Some deficiencies are highlighted below.

Early Child Care Licensing

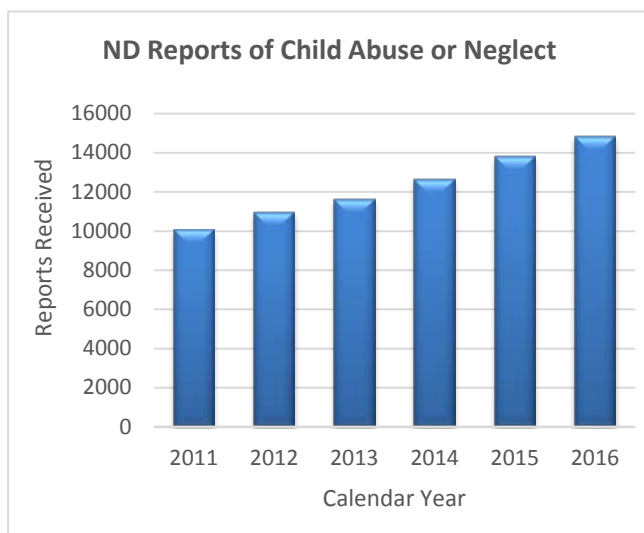
- Some child care providers were licensed or remained licensed after incidents of child abuse or neglect had occurred.
- Child care providers operating under memorandum of understanding agreements (MOU) were not properly monitored. These MOUs are issued for circumstances that rise above the severity of a correction order.
- Necessary background checks were not completed for all child care providers, household members, staff, and emergency designees.
- Child care providers were at times licensed without receiving proper evidence of licensing requirements.

Family Foster Care Licensing

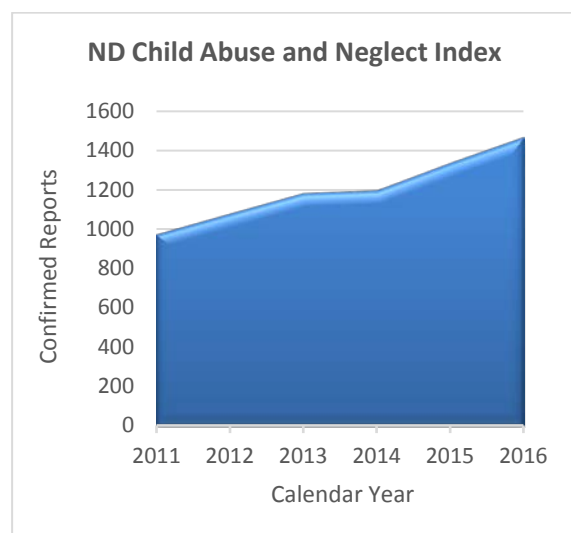
- Annual background check requirements did not include searches of the sex offender registry, North Dakota courts or Minnesota courts records.
- Family foster care providers operating under memorandum of understanding agreements (MOU) were not properly monitored. These MOUs are issued in instances of non-compliance with licensing requirements.

Child Protective Services

- Timeliness of face-to-face contact with suspected victims was not always ensured for their immediate safety and determination of whether child abuse or neglect occurred.
- Several individuals having made confirmed child abuse or neglect actions within the last 10 years were not properly listed in the Child Abuse and Neglect Index. This Index is used for background check searches for individuals applying for employment in positions to work with children.
- Circumstances for when members of the child's household, teachers, or babysitters are responsible for a child's welfare have not been defined. Lack of defined circumstances resulted in inconsistent decisions to determine whether child abuse or neglect occurred and identify individuals on the Child Abuse and Neglect Index.



Source: FRAME (case management system)



Source: ND Child Abuse and Neglect Index

Report Highlights

Internal Control: We evaluated and tested high risk areas including: early childhood services licensing, foster care licensing, child protective services, expenditures (including correcting entries and purchase card transactions), compliance with legislative intent, drug rebate analysis and management system (DRAMS), and the child welfare case management system (FRAME) including the child abuse and neglect index. We identified deficiencies in internal control explained in the operations section of this report as well as the following areas.

- Procedures do not ensure benefit payments are not made to or for the benefit of deceased or incarcerated individuals.
- Procedures surrounding the implementation of DRAMS in November 2015 were not properly designed. The following conditions were identified:
 - Completeness of claims data electronically loaded into DRAMS was not verified.
 - Adjustments to DRAMS data were not reviewed or approved.
 - Interest was not properly calculated on overdue drug rebate balances.
 - Access privileges were granted beyond the demonstrated need to add, view, or modify data.
 - Incorrect receivables balances were calculated on the DRAMS reports.

Legislative Intent: We evaluated and tested high risk areas including: appropriation laws, proper use of special funds and compliance with state procurement requirements.

- We concluded there was compliance with legislative intent except within areas explained in the operations section of this report.

Financial: Revenues and expenditures decreased approximately \$24.7 million and \$4.1 million, respectively, between state fiscal years 2016 and 2017.

- Revenue from the federal government decreased approximately \$14 million mainly due to a 5% reduction in federal reimbursement for medical assistance expansion which was subsequently paid with state general funds. Medical assistance coverage was expanded January 1, 2014 pursuant to the Affordable Care Act.
- Revenue from local governments decreased approximately \$5.8 million due to the financial responsibility for certain county social service program costs assumed by the Department of Human Services. [Senate Bill 2206 of the 2015 Session Laws]
- IT contractual services expenditures decreased \$6.8 million subsequent to the payment for services to implement the Medicaid management information system (MMIS) in October 2015 and the eligibility system (SPACES) in February 2016.

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

January 24, 2018

The Honorable Doug Burgum, Governor
Members of the North Dakota Legislative Assembly
Mr. Christopher Jones, Executive Director, Department of Human Services.

We are pleased to submit this audit of the Department of Human Services for the biennium ended June 30, 2017. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The in-charge auditor for this audit was Allison Bader. Lindsey Ressler, Holly Robak, Heidi Morman, Ryan Bear, CISA, Rob Sipes, CISA, CPA, and Krista Lambrecht, CPA, were the staff auditors. Paul Welk, CPA, was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to Mr. Jones and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

Executive Summary

Introduction

The North Dakota Department of Human Services is headed by an executive director appointed by the Governor. The Department is organized into three major divisions: Field Services; Program and Policy Management; and Managerial Support. The Department employs approximately 2,200 employees across North Dakota with a large percentage working at the Human Service Centers, State Hospital, and the Life Skills and Transition Center.

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies. Those items and the Office of the State Auditor's responses are noted below.

Responses to LAFRC Audit Questions

1. What type of opinion was issued on the financial statements?

Financial statements were not prepared by the Department of Human Services in accordance with generally accepted accounting principles, so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Other than the following findings, the Department of Human Services was in compliance with significant statutes, laws, rules, and regulations under which it was created and is functioning.

- Child Care Providers Licensed After Confirmed Child Abuse and Neglect (page 17)
- Improper Procedures for Memorandum of Understanding Agreements (page 18)
- Improper Background Checks for Child Care Licensing (page 19)
- Child Care Providers Not Meeting Licensing Requirements (page 20)
- Lack of Issuance, Tracking, and Resolve of Correction Orders (page 21)
- Inadequate Verification of Child Records (page 22)
- Lack of Unannounced Child Care Program Inspections (page 23)
- Incomplete Background Checks (page 28)
- Untimely Response to Reports of Child Abuse or Neglect (page 33)
- Inaccurate Child Abuse and Neglect Index (page 35)
- Inconsistent Analysis of Child Abuse or Neglect (page 36)
- Lack of Identification of Non-Subject Parents (page 37)
- Improper Retention and Use of Child Abuse and Neglect Records (page 38)

3. Was internal control adequate and functioning effectively?

Other than the following findings, we determined internal control was adequate.

- Inadequate Controls for the Drug Rebate System (page 10)
- Improvements to Restrict Payments to Deceased or Incarcerated Individuals (page 11)
- Ineffective Monitoring Procedures for Child Care Licensing (page 24)

- Lack of Policy for Foster Care Memorandum of Understanding Agreements (page 29)
- Lack of Data Integrity of Child Abuse and Neglect Information (page 39)
- Inconsistently Monitoring Child Protection Services (page 40)

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

There were no findings of a lack of efficiency in financial operations and management of the Department of Human Services, although in our operational work, we did note the following area for child care provider inspection and complaint information to be made available more efficiently to the public. In addition, we noted improvements to increase assurance that the needs of foster children are met.

- Lack of Online Child Care Provider Records (page 25)
- Lack of Evaluation of Financial Stability for Family Foster Care Providers (page 30)

5. Has action been taken on findings and recommendations included in prior audit reports?

Except “improvements to restrict payments to deceased and incarcerated individuals” and 10 findings related to Early Childhood Services Licensing as shown on pages 42-44, the Department of Human Services has implemented the recommendations included in the prior audit report.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.

Yes, a management letter was issued and is included on page 45 of this report, along with management's response.

LAFRC Audit Communications

7. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

There were no significant changes in accounting policies, management conflicts of interest, contingent liabilities, or significant unusual transactions identified.

8. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.

The Department of Human Services' financial statements do not include any significant accounting estimates.

9. Identify any significant audit adjustments.

Significant audit adjustments were not necessary.

10. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

None.

11. *Identify any serious difficulties encountered in performing the audit.*

None.

12. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

13. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

14. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

- ConnectND Finance
- ConnectND Human Resource Management System (HRMS)
- MMIS (Medicaid Management Information System)
- DRAMS (Drug Rebate Analysis and Management System)
- NDVerify
- VISION
- TECS (Technical Eligibility Computer System)
- LIHEAP (Low Income Home Energy Assistance Program)
- Child Care Assistance
- CCWIPS (Comprehensive Child Welfare Information Payment System)
- FRAME
- ROAP (Regional Office Automated Program)
- AWARE
- SPACES (Self-Service Portal and Consolidated Eligibility System)
- FACSES (Fully Automated Child Support Enforcement System)
- AIMS (Advanced Institutional Management Software)
- Contract Management System

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of the Department of Human Services for the biennium ended June 30, 2017, were to provide reliable audited financial statements and to answer the following questions:

1. What are the highest risk areas of the Department of Human Services' operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the Department of Human Services and are they in compliance with these laws?
3. Are there areas of the Department of Human Services' operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the Department of Human Services is for the biennium ended June 30, 2017. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Department of Human Services has its central office in the Capitol, eight regional human service centers, eight regional child support enforcement units, the State Hospital in Jamestown, ND, and the Life Skills and Transition Center in Grafton, ND. Financial transactions through ConnectND and the Human Resources Management System (HRMS) for all locations were included in the audit scope. Expenditures and related internal controls of the Child Care Assistance, Medicaid, Temporary Assistance for Needy Families (TANF), Child Support, Aging, Substance Abuse Prevention and Treatment (SAPT), Supplemental Nutrition Assistance (SNAP), Foster Care, and Early Intervention Programs were tested as major programs in the single audit of the state of North Dakota issued March 28, 2017, with appropriate recommendations therein and were excluded from the audit scope.

Audit Methodology

To meet the objectives outlined above, we:

- Prepared financial statements from the legal balances on the state's accounting system tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report.
- Performed detailed analytical procedures including computer-assisted auditing techniques. These procedures were used to identify high-risk transactions and potential problem areas for additional testing.
- Tested internal control and compliance with laws and regulations which included selecting representative samples to determine if controls were operating effectively and to determine if laws were being followed consistently. Non-statistical sampling was used

and the results were projected to the population. Where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the sample, and to improve efficiency by gaining greater control on the composition of the sample.

- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system. Significant evidence was obtained from ConnectND.
- Observed Department of Human Services' processes and procedures.
- Surveyed employees of the Department of Human Services for evaluation of employees' response to the following:
 - Actual, suspected, or allegations of fraud.
 - Non-compliance with laws or regulations.
 - Inappropriate or unusual financial corrections or accounting adjustments.
 - Management's communication of the importance of ethical behavior and appropriate business practices.
 - Management's oversight over financial reporting, operational compliance, and internal control procedures.
 - Timely corrective action by management of internal control deficiencies.
 - Reporting lines, authorities, and responsibilities assigned to knowledgeable individuals.
 - Individuals held accountable for internal control responsibilities.
 - Process for information on fraud, waste, or abuse to be submitted in an anonymous or confidential manner.
 - Contingency plans with proper knowledge and assignment of responsibilities to allow for uninterrupted services to the public.

In aggregate, there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Revenues and Other Sources:</u>		
Revenue from Federal Government	\$1,040,012,175	\$1,054,391,294
Patient Care and Treatment Fees	20,733,280	32,898,390
Child Support Collections	4,499,808	5,021,392
Revenue from Local Governments	4,336,514	10,160,758
Concessions and Miscellaneous Sales	452,966	429,166
Pharmacy and Adaptive Equipment Services	397,859	417,733
Lease and Rental for Rooms, Buildings, Land	368,336	355,140
Other Revenues	1,167,580	1,742,844
Transfers In	9,427,948	759,966
Total Revenues and Other Sources	<u>\$1,081,396,466</u>	<u>\$1,106,176,683</u>
<u>Expenditures and Other Uses:</u>		
Grants	\$2,613,421,681	\$2,618,824,344
Salaries and Benefits	167,119,793	166,273,056
IT Contractual Services	65,425,020	72,260,318
Operating Fees and Services	55,556,498	53,255,927
IT Data Processing and Communications	25,176,812	25,092,731
Lease/Rental of Building, Land, Equipment	5,417,661	5,295,715
Extraordinary Repairs	2,902,298	171,431
Professional Fees and Services	2,782,918	2,213,098
Supplies	2,008,113	1,836,825
Travel	1,959,403	2,384,494
Postage and Printing	1,820,992	1,668,386
Medical, Dental, and Optical	1,519,469	1,355,421
Utilities	1,371,383	1,298,663
Repairs	658,441	733,743
Equipment Over \$5,000	593,146	82,964
Professional Development	445,965	606,938
Equipment Under \$5,000	366,074	1,250,222
Other Expenditures	1,844,590	1,200,742
Transfers Out	6,143,391	4,832,840
Total Expenditures and Other Uses	<u>\$2,956,533,648</u>	<u>\$2,960,637,858</u>

Statement of Appropriations

For the Biennium Ended June 30, 2017

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Salaries and Benefits	\$ 85,918,617	\$ 3,600,493	\$ 89,519,110	\$ 85,462,231	\$ 4,056,879
Operating Expenses	194,926,809	15,755,847	210,682,656	195,388,155	15,294,501
Capital Assets	36,000	30,000	66,000	28,991	37,009
MMIS Carryover	60,001,729	109,443,235	169,444,964	107,349,606	62,095,358
Grants	424,728,209	17,589,068	442,317,277	400,582,890	41,734,387
HSC/Institutions	340,540,532	5,692,796	346,233,328	321,226,603	25,006,725
Grants-Medical	2,384,560,568	(3,989,809)	2,380,570,759	2,337,047,868	43,522,891
Totals	<u>\$3,490,712,464</u>	<u>\$148,121,630</u>	<u>\$3,638,834,094</u>	<u>\$3,447,086,344</u>	<u>\$191,747,750</u>
Expenditures by Source:					
General Fund	\$1,244,943,547	\$ 62,203,780	\$1,307,147,327	\$1,268,207,771	\$ 38,939,556
Other Funds	2,245,768,917	85,917,850	2,331,686,767	2,178,878,573	152,808,194
Totals	<u>\$3,490,712,464</u>	<u>\$148,121,630</u>	<u>\$3,638,834,094</u>	<u>\$3,447,086,344</u>	<u>\$191,747,750</u>

The Department of Human Services is authorized by Senate Bill 2012 of the 2015 Session Laws, section 3 to transfer appropriation authority between lines and subdivisions.

Expenditures without Appropriations of Specific Amounts:

Conference fund has a continuing appropriation authorized by OMB Policy 211 (\$64,462 of expenditures for this biennium).

Child Support Disbursement Unit fund has a continuing appropriation authorized by NDCC section 14-09-25(5) (\$263,502,537 of expenditures for this biennium).

Internal Control

In our audit for the biennium ended June 30, 2017, we identified the following areas of the Department of Human Services' internal control as being the highest risk:

Internal Controls Subjected to Testing:

Central Office:

- Controls surrounding the processing of expenditures including correcting entries and state purchase card transactions.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.
- Controls surrounding the Drug Rebate Analysis and Management System (DRAMS).
- Controls surrounding access to the Child Care Assistance System.
- Controls surrounding the FRAME system (child welfare case management) including the Child Abuse and Neglect Index.

State Hospital:

- Controls surrounding patient admissions and discharge.
- Controls surrounding patient billings, write-offs, and reconciliation of collections.
- Controls to safeguard inventories including physical access and inventory records.

Program Operations:

- Controls to ensure economic assistance eligibility procedures restrict benefits for deceased or incarcerated individuals.
- Controls to ensure proper licensing of early childhood services including:
 - Required application items for child care provider licenses are received.
 - Background checks are documented.
 - Records required to be maintained by child care providers are verified by the county licensor.
 - Unannounced annual inspection of child care provider facilities and operations is documented.
 - Tracking and monitoring of child care provider compliant investigations, corrective orders, sanctions, revocations, suspensions, and denials.
 - Child care provider licensing inspection includes proper health and safety standards.
 - Providers allowed to operate under memorandum of understanding agreements are identified and additional inspection procedures performed.
 - Quality assurance procedures are performed.
- Controls to ensure proper licensing of foster care providers including:
 - Required application items for foster care licenses are received.
 - Background checks are documented.
- Controls surrounding child protective services including:
 - Severity of child abuse or neglect report is properly classified.
 - Decisions of confirmed child abuse or neglect are automatically uploaded from the case management system to the child abuse and neglect index.
 - Case management system designed to maintain data integrity of child abuse and neglect information.
 - Child abuse or neglect decisions under appeal are identified and tracked.
 - Requests to complete a child abuse or neglect assessment are properly approved.

- Quality assurance procedures are performed.
- Controls surrounding the qualified service provider program including:
 - Claims are paid accurately, timely, and with proper approval.
 - Internal audit reviews submitted claims were for allowable services.
 - Complaints had timely follow-up action and resolution.

The criteria used to evaluate internal control is published in the publication *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book, GAO-14-704G). Agency management must establish and maintain effective internal control in accordance with policy of the Office of Management and Budget (OMB Policy 216) and, for programs receiving Federal funds, the Code of Federal Regulation as set forth by the Federal Government (2 CFR 200.303).

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk. We concluded that internal control was not adequate noting certain matters involving internal control and its operation that we consider to be significant deficiencies.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect: misstatements in financial or performance information, violations of laws and regulations or impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we identified the following significant deficiencies in internal control. In addition, significant deficiencies in internal control are identified in Findings 17-10 and 17-13. We also noted other matters involving internal control that we have reported to management of Department of Human Services in a management letter dated January 24, 2018.

Inadequate Controls for the Drug Rebate System (Finding 17-1)

Condition:

Internal controls surrounding the Drug Rebate and Analysis Management System (DRAMS) are inadequate. The DRAMS system is used to calculate drug rebates and interest due from drug manufacturers for the Medicaid drug rebate program. The following conditions were identified.

- Completeness of claims data electronically loaded into DRAMS was not verified.
- Adjustments to DRAMS data were not reviewed or approved.
- Interest was not properly calculated on overdue drug rebate balances.
- Access privileges were granted beyond the demonstrated need to add, view, or modify data.
- Incorrect receivables balances were calculated on the DRAMS reports.

Criteria:

"Standards for Internal Control in the Federal Government" (Green Book) requires that management design control activities over the information technology infrastructure to support the completeness, accuracy, and validity of information processing by information technology. (GAO-14-704G para 11.09).

Cause:

The Department of Human Services failed to develop adequate procedures with the implementation of the drug rebate system in November 2015.

Effect or Potential Effect:

Increased potential for fraud and/or error to occur and be undetected.

Recommendation:

We recommend the Department of Human Services strengthen controls surrounding the Drug Rebate and Analysis Management System (DRAMS) to include:

- Develop procedures to ensure all claims are electronically loaded into DRAMS.
- Implement a process to review and approve adjustments to DRAMS data.
- Ensure interest is properly calculated for overdue drug rebate balances.
- Ensure system access is granted based on a demonstrated need to add, view, or modify data.
- Ensure receivables balances are properly calculated.

Department of Human Services Response:

The Department currently has two Medicaid Management Information System (MMIS) Change Requests (CR's) being worked on in response to the most recent CMS OIG Drug Rebate audit. Once the system changes resulting from these CR's are complete, the Department will begin using two available reports within DRAMS which will allow the Department to see if any claims from MMIS that should have been invoiced did not get invoiced. If any are identified, appropriate investigation will occur and system changes will be implemented through the CR process if necessary. In addition, existing reports within DRAMS will be used to review all unit adjustments that are made and procedures will be developed to ensure interest is properly calculated, appropriate system access is granted and receivable balances are properly calculated. The Department is evaluating options for ensuring that all Medicaid Expansion pharmacy claims are reported by the contracted health plan.

Improvements to Restrict Payments for Deceased or Incarcerated Individuals (Finding 17-2)**Condition:**

The Department of Human Services does not have proper procedures to ensure benefit payments are not made to or for the benefit of deceased or incarcerated individuals. Sources available to identify deceased or incarcerated individuals include the Social Security Administration (SSA) Death Match and Prisoner Verification Files, as well as, death and incarceration records available through the NDVerify system. Information on NDVerify is available from the ND Vital Records Office and ND Department of Corrections and Rehabilitation. The following weaknesses were noted:

- All individuals applying for benefit programs are not verified with the SSA Prisoner Verification files. ND Verify receives death records but does not receive national incarceration records through the SSA automated interface. Programs without verification include the Low-Income Home Energy and Assistance Program (LIHEAP), Temporary Assistance for Needy Families (TANF), Child Care Assistance (CCAP), and Medicaid.

- Procedures to search for applicants in NDVerify are manual for each individual. Procedures to determine eligibility do not ensure the manual search is performed and eligibility restricted.

Criteria:

DHS Policies and federal requirements for program eligibility restrict payment to incarcerated as follows:

- DHS Policy 400-19-45-20(1) for TANF states that an individual who is admitted to a public institution for a full calendar month is ineligible for TANF benefits.
- Federal compliance requirements of 42 CFR 435.1009 state for Medicaid that Federal Financial Participation (FFP) is not available for services provided to inmates of public institutions.
- DHS Policy 400-25-55-05 details the allowable activities for the Child Care Assistance Program and states that a caretaker must be participating in an allowable activity to be eligible for assistance. These activities include work, job search, and education or training.
- According to "Standards for Internal Control in the Federal Government" (Green Book), automated control activities tend to be more reliable because they are less susceptible to human error and are typically more efficient (GAO-17-704G para 10.06).
- The Green Book also requires that management document in policies and procedures the internal control responsibilities of the organization (GAO-14-704G para 12.02).

Cause:

DHS does not have documented policies and procedures for eligibility workers to use when determining various program eligibility. The process to verify eligibility from individual program eligibility systems to NDVerify has not been automated. There are otherwise no verification procedures to ensure manual searches to NDVerify are performed.

Effect or Potential Effect:

Benefit payments may be made to ineligible recipients including household members that are deceased or incarcerated.

Recommendation:

We recommend the Department of Human Services ensure payments are not made to or for the benefit deceased or incarcerated individuals to include:

- Verify individuals receiving and applying for benefits to the Social Security Administration Prisoner Verification files for all programs.
- Implement an automated process to verify eligibility using NDVerify. Until an automated process is implemented, we recommend the Department establish documented procedures to ensure the manual search of NDVerify is performed and eligibility restricted.

Department of Human Services Response:

The SSA prisoner and death match will be automatically conducted for all programs in SPACES with release 2 which is scheduled to roll out in May 2018. Quality Control has been conducting matches on all sampled cases for SNAP and Health Care Coverage since June 2016, with no errors in eligibility identified. Quality Assurance has been conducting matches on all sampled cases for CCAP, LIHEAP, SNAP and TANF since September 2017, with no errors in eligibility identified.

Compliance with Legislative Intent

In our audit for the biennium ended June 30, 2017, we identified and tested Department of Human Services' compliance with legislative intent for the following areas we determined to be significant and of higher risk of noncompliance:

- Compliance with appropriation laws (2015 Session Laws):
 - \$14,012,167 appropriated from the general fund and \$46,860,102 appropriated from federal funds or other income for defraying expenses of modernization of the eligibility systems (chapter 59, section 1).
 - \$160,000 appropriated from the general fund for providing assistive technology services (chapter 60, section 1).
 - \$150,000 appropriated from the Grants line for providing grants for services to provide leisure, recreational, and educational programs for individuals with intellectual or developmental in Northeast and Southeast Human Service regions (chapter 46, section 7).
 - \$75,000 appropriated from the general fund for a grant to a statewide family-controlled parent-to-parent support organization meeting requirements of chapter 46, section 19, and used for providing services to children with emotional, behavioral, or mental health needs.
 - \$75,000 appropriated from the general fund for a grant to a statewide family-to family health information and education organization which provides parent-to-parent support for families located in a county with a population of less than 6,000 individuals, meets requirements of chapter 46, section 20, and used for family-related information and education services
 - \$1,900,000 of the human services grant program awarded in the first year of the biennium and \$2,000,000 awarded during the second year of the biennium to assist certain counties meeting the requirements of NDCC 50-06-20.1 for emergency expenditures.
- Compliance with adopting rules governing payments to licensed community paramedics, advanced emergency medical technicians, and emergency medical technicians for health-related services provided to recipients of medical assistance in accordance with NDCC 50-24.1-38
- Compliance with adopting rules defining which professionals may provide clinical supervision and review within the Residential Treatment Centers for children in accordance with NDCC 25-03.2-10.
- Compliance to not expand the program of all-inclusive care for the elderly during the biennium beginning July 1, 2015, and ending June 30, 2017, into a community that is not operating a program site on August 1, 2015 (chapter 46, section 8).
- Proper use of the following legally restricted funds:
 - Employment of People with Disabilities Fund (NDCC 39-01-15(5))
 - Compulsive Gambling Prevention Fund (NDCC 50-06-22)
 - North Dakota Health Care Trust Fund (NDCC 50-30-02)
 - Community Health Trust Fund (NDCC 54-27-25)
 - Children's Trust Fund (NDCC 50-27-02)
 - Child Support Disbursement Unit Fund (NDCC 14-09-25)
- Proper authorization of expenditures without appropriations of specific amounts:
 - Statewide Conference Fund (OMB Policy 211)
 - Child Support Disbursement Unit Fund (NDCC 50-06-14)

- Proper authorization of other funds:
 - Provider Assessment Fund (NDCC 57-63-13)
 - Human Services Department Fund (NDCC 50-06-14)
 - Insurance Recoveries Property Fund (NDCC 54-44.1-09.1)
- Compliance with OMB's Purchasing Procedures Manual.
- Compliance with credit to appropriations in accordance with OMB Policy 214.
- Adequate blanket bond coverage of employees (NDCC 26.1-21-08).
- Compliance with payroll-related laws including statutory salaries for applicable appointed positions.
- Proper use of the State Treasurer (State Constitution, article X, section 12).
- Compliance with appropriations and related transfers (2015 North Dakota Session Laws chapter 46 (Appropriation) and 2017 North Dakota Session Laws chapters 11 and 108 (Emergency Measures)).
- Compliance with adjustments to appropriations (2015 North Dakota Session Laws, chapters 46, 47, and 49; 2016 North Dakota Special Session Laws chapter 552; Capital Construction Carryover Appropriation).
- Proper use of outside bank accounts, petty cash funds, and proper authority for investments outside the Bank of North Dakota.
- Proper use of the Bank of North Dakota as depository for credit card revenue in accordance with NDCC 54-06-08.2.
- Compliance with fixed asset requirements including record-keeping in accordance with NDCC 54-27-21.

The criteria used to evaluate legislative intent are the laws as published in the *North Dakota Century Code* and the *North Dakota Session Laws*.

Government Auditing Standards requires auditors to report all instances of fraud and illegal acts unless they are inconsequential within the context of the audit objectives. Further, auditors are required to report significant violations of provisions of contracts or grant agreements and significant abuse that has occurred or is likely to have occurred.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above. However, our review of operations surrounding Early Childhood Services Licensing, Family Foster Care Licensing, and Child Protective Services identified instances of noncompliance with North Dakota Century Code, Administrative Code, and policies of the Department. These findings of noncompliance are 17-3 through 17-9, 17-12, and 17-15 through 17-19. We also noted certain inconsequential instances of noncompliance that we have reported to management of the Department of Human Services in a management letter dated January 24, 2018.

Operations

Our audit of the Department of Human Services included a review of operations surrounding Early Childhood Services Licensing, Foster Care Licensing, and Child Protective Services.

Early Childhood Services Licensing

Background

The Department of Human Services is authorized by North Dakota Century Code (NDCC) chapter 50-11.1 to license the operation of early childhood programs. An early childhood program is defined as any program licensed under this same chapter where early childhood services are provided for at least two hours a day for three or more days a week. Licensed providers offer child care in family, group, center, preschool, and school-age program facilities. Early childhood services regulation is structured into three levels: county licensors, regional supervisors (5), and Early Childhood Services Administrator.

The county licensors, located in the county social services offices, act as the authorized agent for the Department in performing licensing procedures in each county. The county licensor receives all application documents, performs the licensing study including an on-site inspection, determines compliance with health and safety standards, and makes a recommendation to the regional supervisor for the issuance of licenses. The county licensor determines the license effective date as the date that all required application documents are received by the county. The county licensor submits licensing documents to the regional supervisor for review. The county licensor also performs unannounced on-site inspections of the providers' operations and facilities.

The five regional supervisors, located at the regional human service centers, are responsible for monitoring the activities of the county licensors. The regional supervisor reviews licenses for proper support, approves and issues the licenses, and maintains records. The regional supervisor is also responsible for completing background check searches of North Dakota court records, sex offender registry, and child abuse/neglect registry on directors, supervisors, providers, household members, and staff members annually unless a full fingerprint background check is completed by the Criminal Background Check Unit of the Department.

The Early Childhood Services Administrator, located in the Department's central office, is responsible for monitoring the performance of the regional supervisors and all activities of the state regulatory system of early childhood services. The Administrator establishes and monitors policies and standards, provides support to the county and regional offices, and reviews revocations, denials, and memorandums of understanding to early childhood providers.

Our audit of the Department of Human Services' child care licensing operations was designed and conducted to answer the following objectives:

- Does the Department of Human Services have a consistent, complete, and timely child care provider licensing application process?
- Does the Department of Human Services properly identify license effective dates?
- Do licensing procedures identify that denials, revocations, and suspensions of providers have been cleared and sanctions paid before a current license is approved and effective date determined?
- Do inspections of child care provider activities and facilities include required health and safety standards of ND Administrative Code?

- Are unannounced inspections of child care provider activities and facilities performed on an annual basis?
- Do monitoring procedures ensure provider licenses are restricted to useable square footage of facilities in accordance with the fire marshal inspections and state law?
- Are monitoring procedures performed by regional supervisors and the Early Childhood Administrator properly documented and follow risk-based sampling methods to ensure compliance with licensing requirements?
- Has the Department of Human Services developed policies and procedures for communication and tracking of provider license limitations including complaint investigations, correction orders, sanctions, revocations, suspensions, denials, and memorandum of understandings?
- Does the Department of Human Services perform verifications to prevent individuals with confirmed child abuse and neglect determinations or sexual offender registration from providing child care?
- Does the Department of Human Services provide sufficient explanation for the cause of memorandums of understanding and perform additional monitoring procedures?
- Is North Dakota one of the growing number of states that have launched online daycare record systems?

As of May 1, 2017, there were 1,540 licensed providers in the state to provide child care to over 39,000 children. Our selection of licensed child care providers was designed to include at least one provider from each county. In response to prior audit findings, the Department revised their policies. Due to these revisions and time for implementation, we selected child care providers licensed by the Department after January 1, 2017.

Child Care Providers Licensed After Confirmed Child Abuse and Neglect (Finding 17-3)

Condition:

The Department of Human Services licensed child care providers determined to have confirmed child abuse or neglect. Instances were identified in which providers were licensed or remained licensed after completion of a child protective services investigation confirming child abuse or neglect had occurred. The decision to license or allow a provider to continue operating was not supported by a determination from the Department of the providers' ability to provide care free of abuse and neglect. After issuing the license, child abuse and neglect incidents occurred including being under the influence of drugs and alcohol while providing child care, excessive corporal punishment, and emotional abuse.

Criteria:

ND Administrative Code (NDAC) states "if a services-required determination under North Dakota Century Code chapter 50-25.1 or a similar finding in another jurisdiction which requires proof of substantially similar elements exists, indicating that any child has been abused or neglected by the applicant, provider, emergency designee, staff member, or household member, the applicant or provider shall furnish information satisfactory to the department, from which the department can determine the applicant's, provider's, or staff member's ability to provide care that is free of abuse and neglect. The department shall furnish the determination of current ability to the applicant or provider and to the regional director of the human service center or the director's designee for consideration and action on the application or license" (NDAC 75-03-08-28, NDAC 75-03-09-28, NDAC 75-03-10-28, NDAC 75-03-11-22, or NDAC 75-03-11.1-22).

Cause:

The Department has not properly designed procedures to carry out the purpose of licensing early childhood services to safeguard the health, safety, and development of children. There is an improper balance between ensuring safe quality of child care and supporting child care providers to become licensed and continue operating without meeting minimum requirements.

Effect or Potential Effect:

There are increased risks to the health and safety of children when licenses are issued to providers with confirmed child abuse and neglect determinations.

Operational Improvement:

We recommend the Department of Human Services perform an assessment of whether a child care provider having confirmed child abuse or neglect has the ability to provide care free of abuse and neglect when issuing a license or allowing a provider to operate.

Department of Human Services Response:

The Department acknowledges the responsibility of monitoring providers to ensure health and safety of children. The Department will ensure assessments are done prior to issuing a license when a child care provider has been confirmed of child abuse or neglect. The child care licensing process, including the overall structure of county administered and State supervised, will be one area the Department reviews during the study as stated in Section 8.1 of SB 2206. [2017 Legislative Session]

Improper Procedures for Memorandum of Understanding Agreements (Finding 17-4)**Condition:**

The Department of Human Services was not tracking or monitoring child care providers operating under memorandum of understanding (MOU) agreements. The Department allows providers to continue operating under MOU agreements which have been issued for circumstances that rise above the severity of a correction order. While state law identifies the use of correction orders and requires re-inspection, there are no state laws or administrative rules that govern the practices of MOU agreements. The Department was unable to identify the total number of providers operating under MOUs within the state, the circumstances under which they were issued, or that additional monitoring procedures are being performed to ensure compliance with the MOU.

Criteria:

DHS Policy 620-01-80-10 states a memorandum of understanding is an agreement between the child care providers and the Department. MOUs may be used to support restricted licenses, to enter into agreement on a method of correction of violations, or for other assurances. MOUs must be approved by the central office prior to issuance and upon removal. The Department's policy requires an additional monitoring visit of the provider. A provider operating under an MOU must have written "Under a MOU" on the face of the license. Additional requirements are stated in DHS policy.

Cause:

The Department does not have centralized tracking and monitoring procedures for memorandum of understanding agreements.

Effect or Potential Effect:

There are increased risks to the health and safety of children when child care providers have not complied with licensing standards.

Operational Improvement:

We recommend the Department of Human Services develop a central tracking process and perform additional monitoring of child care providers to ensure compliance with memorandum of understanding agreements.

Department of Human Services Response:

The Department has created a spreadsheet in which the regional supervisors can record the issuance of MOUs. This spreadsheet will also be used to keep track of the monitoring done in regard to ensuring compliance with the MOUs. The child care licensing process, including the overall structure of county administered and State supervised, will be one area the Department reviews during the study as stated in Section 8.1 of SB 2206. [2017 Legislative Session]

Improper Background Checks for Child Care Licensing (Finding 17-5)**Condition:**

The Department of Human Services did not complete all necessary background checks on child care providers, household members, staff, and emergency designees. Of the 79 providers tested, 34 did not have proper background check procedures including either a fingerprint background check within the last 5 years or annual background check searches by the regional supervisors, or both, for all individuals of the licensed child care program.

Criteria:

The federal Child Care Development Block Grant Act requires a criminal background check to be completed every 5 years.

In accordance with NDCC section 50-11.1-04, the applicant for a license and the staff members, and, if the application is for a program that will be located in a private residence, every individual living in that residence must be investigated in accordance with the rules adopted by the Department to determine whether any of them has a criminal record or has had a finding of services required for child abuse or neglect filed against them.

The Department's Policy 620-01-40 states "the fingerprint background check shall be completed for all provider's staff members, emergency designees, and household members over the age of eighteen upon hire and every five years after." In addition, regional child care licensing offices are responsible for completing North Dakota court searches, sex offender registry checks, and Child Abuse/Neglect Index checks on directors, supervisors, providers, emergency designees, and household members annually unless a fingerprint background check has been completed.

Cause:

The Department has not properly developed procedures to ensure background checks are performed.

Effect or Potential Effect:

Child care providers are operating child care facilities without proper background check procedures being performed which may jeopardize the safety of children. In addition, the Department is not in compliance with federal funding requirements of the Child Care Development Block Grant Act.

Operational Improvement:

We recommend the Department of Human Services complete the criminal background check by the Criminal Background Check Unit or annual background checks by the regional supervisors before licensing child care providers.

Department of Human Services Response:

The Department initiates and tracks completed background checks for potential providers. It is a coordinated effort between 4 parties: DHS Criminal Background Check Unit, Regional Early Childhood Services supervisors, authorized agent county child care licensors, and the provider. The Department will review current policies in regard to the completion of background checks and look for ways to strengthen the process. The child care licensing process, including the overall structure of county administered and State supervised, will be one area the Department reviews during the study as stated in Section 8.1 of SB 2206. [2017 Legislative Session]

Child Care Providers Not Meeting Licensing Requirements (Finding 17-6)**Condition**

The Department of Human Services issued licenses to child care providers without receiving proper evidence of licensing requirements. Of 79 providers tested, 32 had one or more of the following missing or incomplete items: application, fire inspection, documented correction of fire inspection deficiencies, indoor and outdoor square footage measurements, child care evacuation plan, water temperature test, payment of fiscal sanctions, or liability insurance.

Criteria:

The issuance of a license to operate a child care [facility] is evidence of compliance with the standards contained in North Dakota Administrative Code (NDAC) chapter 75-03 and North Dakota Century Code (NDCC) chapter 50-11.1 at the time of licensure.

Child care provider licensing application documents are required as identified in NDCC section 50-11.1, NDAC 75-03-08...11.1, and DHS Policy 620-01-35.

Cause:

The review procedures performed by the regional supervisors are inadequate to ensure licensing applications consistently include all required documentation.

Effect or Potential Effect:

Child care providers are improperly licensed and operating without complying with licensing requirements potentially jeopardizing the health and safety of children.

Operational Improvement:

We recommend the Department of Human Services properly license child care providers only upon evidence that the Department has verified compliance with requirements as defined in state laws, rules, and policies.

Department of Human Services Response:

The Department recognizes its role in monitoring homes and facilities for the health and safety of children. Education, information and support for the Department's authorized agent, the county childcare licenser, is consistently ongoing. This continued training will help ensure child care providers are properly licensed. The child care licensing process, including the overall structure of county administered and State supervised, will be one area the Department reviews during the study as stated in Section 8.1 of SB 2206. [2017 Legislative Session]

Lack of Issuance, Tracking, and Resolution of Correction Orders (Finding 17-7)**Condition:**

The Department of Human Services did not properly issue and monitor correction orders or perform re-inspections of child care provider operations and premises. The following issues were noted:

- 26 of 583 correction orders on the Department's tracking list during fiscal years 2016 and 2017 did not identify a date the orders were determined to be corrected.
- 14 of 79 providers did not have correction orders issued for failing to meet one or more licensing requirement and re-inspection was not performed.

Criteria:

ND Century Code (NDCC) section 50-11.1-07.2 requires that the Department issue a correction order whenever it is determined upon inspection that a program or premises is not in compliance with this chapter or rules adopted under this chapter. NDCC section 50-11.1-07.3 requires the Department shall re-inspect an early childhood program issued a correction order under NDCC section 50-11.1-07.2, at the end of the period allowed for correction.

Cause:

The Department's procedures for issuing correction orders and tracking that correction orders are resolved are ineffective.

Effect or Potential Effect:

Child care providers are operating without proper follow-up of correction orders jeopardizing the health and safety of children.

Operational Improvement:

We recommend the Department improve procedures to ensure child care correction orders are issued, tracked and resolved.

Department of Human Services Response:

The Department recognizes its role in monitoring homes and facilities for the health and safety of children. Education, information and support for the department's authorized agent, the county childcare licensor, specifically for how and when to issue a correction order, including a way to properly track and ensure resolution, has been identified and will continue to be addressed. The child care licensing process, including the overall structure of county administered and State supervised, will be one area the Department reviews during the study as stated in Section 8.1 of SB 2206. [2017 Legislative Session]

Inadequate Verification of Child Records (Finding 17-8)**Condition:**

The Department of Human Services did not ensure that child care providers have the required records for enrolled children. Required records include the child information list, written statement authorizing medical care, authorization to release forms, immunization records, and statement of health for each child enrolled with the provider. Of 79 licenses tested, 20 providers were missing one or more of the child records. In an additional 18 provider licensing files, we were unable to identify the records that were inspected by the county licensor, if any. In completing the licensing study during the application process, the county licensor is required to perform inspection of these records.

Criteria:

ND Century Code (NDCC) section 50-11.1-07 requires a licensee to maintain records as the Department prescribes regarding each child, and shall report to the Department or the Department's authorized agent, when requested, upon forms furnished by the Department, facts the Department may require with reference to each child.

Cause:

Regional supervisor's approval of child care licenses does not include verification that county licensors reviewed required child care records and ensured missing documentation was obtained.

Effect or Potential Effect:

Children could be at risk due to unidentified health concerns. In addition, children could be placed into unsafe conditions from unauthorized release from the child care.

Operational Improvement:

We recommend the Department of Human Services develop procedures to verify required child care records are maintained by the child care provider.

Department of Human Services Response:

The Department will provide county child care licensors and regional supervisors with proper tools and information to help ensure the proper child care records are maintained by the child care provider and are verified when licensing decisions are made. The child care licensing process, including the overall structure of county administered and State supervised, will be one area the Department reviews during the study as stated in Section 8.1 of SB 2206. [2017 Legislative Session]

Lack of Unannounced Child Care Program Inspections (Finding 17-9)

Condition:

The Department of Human Services did not properly ensure unannounced inspections of child care provider operations and facilities were performed. Of the 79 provider licenses tested, the following instances were noted:

- Eleven providers did not have unannounced inspections during the license period.
- Sixteen additional providers had incomplete documentation of the unannounced inspection requirements for all health and safety standards.

Criteria:

The Child Care Development Block Grant Act of 2014 requires an annual unannounced inspection of each child care provider and facility in the state for compliance with all child care licensing standards, which shall include an inspection for compliance with health, safety, and fire standards.

Cause:

The Department's policies and review procedures are ineffective to ensure unannounced visits are performed by county licensors.

Effect or Potential Effect:

Child care providers were operating child care facilities without proper monitoring of health and safety conditions. In addition, the Department was not in compliance with federal funding requirements of the Child Care Development Block Grant Act.

Operational Improvement:

We recommend the Department of Human Services ensure unannounced inspections of child care provider operations and facilities are performed in accordance with the Child Care Development Block Grant Act.

Department of Human Services Response:

The Department's authorized agents, the county childcare licensors, are responsible for performing unannounced inspections of child care providers and facilities. Regional supervisors can prompt licensors for the visits but hold no supervisory component of the licensor's job duties. The Department will remind the county licensors that unannounced inspections need to be performed and properly documented annually. The child care licensing process, including the

overall structure of county administered and State supervised, will be one area the Department reviews during the study as stated in Section 8.1 of SB 2206. [2017 Legislative Session]

Ineffective Monitoring Procedures for Child Care Licensing (Finding 17-10)

Condition:

The Department of Human Services was not performing monitoring procedures to ensure compliance with child care licensing requirements. The Department eliminated the monitoring policy for procedures to be completed by the central office even though regional supervisors inconsistently enforce child care licensing requirements. Monitoring procedures are necessary to ensure consistency and accountability of regional supervisor responsibilities.

Criteria:

"Standards for Internal Control in the Federal Government" (Green Book) requires management to enforce accountability of individuals performing their internal control responsibilities. Accountability is driven by the tone at the top and supported by the commitment to integrity and ethical values, organizational structure, and expectations of competence, which influence the control culture of the entity. Accountability of performance of internal control responsibility supports day-to-day decision making, attitudes, and behaviors. (GAO-14-704G para 10.03)

"Standards for Internal Control in the Federal Government" (Green Book) requires ongoing monitoring be built into the entity's operations, performed continually, and responsive to change. (GAO-14-704G para 16.04)

Cause:

The Department did not evaluate the necessity of critical policies after numerous findings during the prior audit.

Effect or Potential Effect:

Child care providers were found to be operating without complying with licensing requirements and proper monitoring of health and safety conditions jeopardizing the health and safety of children.

Operational Improvement:

We recommend the Department of Human Services develop monitoring procedures to ensure compliance child care licensing requirements.

Department of Human Services Response:

The Department updated various policies and state forms to help ensure work performed is properly documented and North Dakota Administrative Code and Department policies are being followed. The Governor's Budget for the 17-19 biennium appropriated the Department funding to develop an online child care licensing system. This system will streamline the process and allow the Department more oversight and monitoring of child care licensing. The child care licensing process, including the overall structure of county administered and State supervised, will be one

area the Department reviews during the study as stated in Section 8.1 of SB 2206. [2017 Legislative Session]

Lack of Online Child Care Provider Records (Finding 17-11)

Condition:

The Department of Human Services is not currently making child care provider information that would be useful to parents available on the internet. While parents may request child care provider information from the Department of Human Services or county social services offices, neither inspection nor complaint reports are available on the internet. Availability of complaint and licensing inspection reports is limited to specific providers as requested by the parent. Parents may request a listing of all providers by location and receive this via postal mail or email methods. The parent must then narrow the selection of providers to request further information based simply on the providers' name and address, rather than potentially the number and type of inspection violations or complaint reports.

Criteria:

The Child Care Development Block Grant (CCDBG) Act of 2014 requires website information be available 24 hours a day and include any provider-specific information about compliance with licensing and safety requirements.

The Timeline of Effective Dates for States and Territories: CCDBG Act of 2014 [CCDF-ACF-PI-2015-02] published January 9, 2015, defines the effective date of implementation for posting results of monitoring and inspection reports online is the earlier of November 19, 2017, or one year after monitoring requirements are in place.

The National Bureau of Economic Research publication, "What Happens When Child Care Inspections and Complaints are Made Available on the Internet?," by Ann Dryden Witte and Magaly Queralt, provides substantial evidence that placing child care provider inspection and complaint reports on the Internet changed the procedures of child care inspectors and improved the quality for child care received by low income children.

According to Child Care Aware of America's report, "We Can Do Better: 2013 Update," posting inspection reports on the Internet is important to ensure that parents have access to relevant information to help them make the best child care choices possible.

Cause:

The Department of Human Services has not implemented the audit recommendation of the biennium ended June 30, 2013.

Effect or Potential Effect:

Management is not ensuring there is efficient external communication of licensed child care providers inspection and complaint reports. Therefore, parents may unknowingly put their children with a provider not offering the most favorable care and safest environments.

Operational Improvement:

We recommend the Department of Human Services improve child care provider information available on the Internet to include provider-specific inspection results and complaint reports.

Department of Human Services Response:

The Governor's Budget for the 17-19 biennium appropriated the Department funding to develop an online child care licensing system. Part of this system will include information available to the public per the Child Care and Development Block grant. However, at this time, the Department will continue to work with Child Care Aware and county social service offices to provide parents information for providers they are considering as child care options.

Family Foster Care Licensing

Background

The Department of Human Services is authorized by North Dakota Century Code (NDCC) chapter 50-11 to license family foster care homes. A family foster care home for children is defined as an occupied private residence in which foster care for children is regularly provided by the owner or lessee thereof to no more than four children, unless all the children in foster care are related to each other by blood or marriage or unless the Department approves otherwise for the placement of siblings. Family foster care licensing regulation is structured into three levels: county licensors, regional supervisors (8), and the Foster Care Administrator.

The county licensors, located in the county social services offices, act as the authorized agent for the Department in performing licensing procedures in each county. Family foster care providers may apply for a one-year license. The county licensor receives all application documents, performs the licensing home study including multiple on-site inspections, determines compliance with physical standards of the home, and makes a recommendation to the regional supervisor for the issuance of the license. The county licensor submits licensing documents to the regional supervisor for review.

The eight regional supervisors, located at the regional human service centers, are responsible for monitoring the activities of the county licensors. The regional supervisor reviews licenses for proper support, determines the effective date of licenses, approves and issues the licenses, and maintains records. The regional supervisor is also responsible for completing annual background check searches of the North Dakota Child Abuse and Neglect Index of all individuals in the home age 18 or older unless a full fingerprint background check is completed by the Criminal Background Check Unit of the Department.

The Foster Care Administrator, located in the Department's central office, is responsible for monitoring the performance of the regional supervisors and all activities within the foster care program. The Administrator establishes and monitors policies and standards, provides support to the county and regional offices, and reviews license revocations.

Our audit of the Department of Human Services' family foster care licensing operations was designed and conducted to answer the following objectives:

- Has the Department of Human Services developed policies and procedures for county licensors and Regional Supervisors to ensure a consistent, complete and timely application process?
- Does the Department of Human Services perform proper background check procedures for all adults in a foster care home?
- Does the Department of Human Services perform procedures to determine provider applicants of family foster care have stable and sufficient income to meet the needs of their own family in accordance with Department of Human Services Policy? (622-05-10-10)
- Has the Department of Human Services developed policies and procedures for issuing and monitoring corrective orders?
- Are providers holding both child care and foster care licenses properly suspended or revoked for violations that affect the safety of children in both programs?
- Are foster care children placed with licensed family foster care providers?

Incomplete Background Checks (Finding 17-12)

Condition:

The Department of Human Services did not complete proper annual background checks for family foster care providers and other adults in the home.

Annual background check requirements did not include searches of the sex offender registry, North Dakota courts or Minnesota courts. Background check requirements of other states and similar programs, such as child care provider licensing, include searches of the sex offender registry and court records within annual licensing procedures.

In addition, fingerprint based criminal background checks are performed by the Department and required by federal regulation only upon initial licensure of family foster care providers. The Department does not have a policy for the fingerprint based criminal background check to be repeated on a future renewal.

Inconsistencies of background check procedures performed were also identified. Three of the eight regional offices required a local criminal background check completed by the local sheriffs' office. One of the eight regional offices performed the annual North Dakota court records search.

Criteria:

Federal Foster Care requirements 42 United States Code 671(a)(20)(A) requires initial licensing fingerprint background checks. The federal requirement has not been updated since 2006. Federal requirements of similar programs such as the federal Child Care Development Block Grant Act of 2014, requires a fingerprint criminal background check to be completed every 5 years with compliance by September 30th, 2017.

Policies of 5 states were reviewed for background checks that are completed during the license renewal. Policies included searches of the child and adult maltreatment central registry, state criminal record, state sex offender registry, and local law enforcement records.

Cause:

The Department has not developed policies and procedures to ensure sufficient ongoing background checks are performed.

Effect or Potential Effect:

Family foster care providers were relicensed annually without sufficient background check procedures being performed, which may jeopardize the safety of children.

Operational Improvement:

We recommend the Department of Human Services perform additional annual background check searches of sex offender registry and state court records for all adults in the foster care home.

We recommend the Department of Human Services develop a policy to require renewal of the fingerprint background check consistent with programs in which adults perform child welfare related duties.

Department of Human Services Response:

The Department is in full compliance with the federal fingerprint based criminal background check procedures for foster care licensing. In addition, the Department is aware of newly established federal regulations that differ in background check requirements for the separate program of Early Child Care Licensing.

North Dakota is meeting the standards set forth by the federal government regarding background checks for foster care providers and other adults living in the home. In efforts to go above and beyond what is currently required by federal and state law, the Department would have to assess the capacity, staffing requirements and budget to complete such recommendations.

The Department is aware of inconsistency across the state in reviewing the public search, sex offender registry, and other sources during the annual relicensing process. The Department will review current procedures utilized by North Dakota authorized agents as well as other states to determine ongoing background check procedures. After analysis, the Department will revise policy and implement procedures to consistently review and determine if a foster parent or other adult in the home has been involved in criminal activity that would jeopardize the safety of children or ability to be relicensed. This review and analysis will also be part of the review of county social services study as outlined in Section 8.1 of SB 2206.

Lack of Policy for Foster Care Memorandum of Understanding Agreements (Finding 17-13)

Condition:

The Department of Human Services was not tracking or monitoring foster care providers operating under memorandum of understanding (MOU) agreements. These agreements are issued in instances of non-compliance with licensing requirements. There are no state laws or administrative rules that govern the practice of MOU agreements. The Department was unable to identify the total number of providers operating under MOUs within the state, the circumstances under which they were issued, or that additional monitoring procedures are being performed to ensure compliance with the MOU.

Criteria:

"Standards for Internal Control in the Federal Government" (Green Book) requires management to implement control activities through policies that document the internal control responsibilities of the organization. Policies should document the control activity design, implementation, and operating effectiveness at the appropriate level of detail to allow management to effectively monitor the control activity (GAO-14-704G para. 12.01-12.03).

Cause:

The Department does not have centralized tracking and monitoring procedures for memorandum of understanding agreements.

Effect or Potential Effect:

There are increased risks to the health and safety of children when foster care providers have not complied with licensing standards.

Operational Improvement:

We recommend the Department of Human Services develop a central tracking process and perform additional monitoring of foster care providers to ensure compliance with memorandum of understanding agreements.

Department of Human Services Response:

The Department drafted policy in March 2017, developed from the Early Child Care licensing manual after their program received guidance from the Governor's office. Foster care licensing policy was implemented in August 2017. Policy states when an MOU is issued for reasons on a method of correction of violations or for other assurances, the provider must receive additional monitoring visit(s) to ensure the provider is following the MOU. These visits are completed by the licensing authorized agent and reported to the Department as needed. The Department is now requiring the regional office to maintain a list of foster care provider MOU's, which is maintained within the Department and accessible to the central office.

Lack of Evaluation of Financial Stability for Family Foster Care Providers (Finding 17-14)**Condition:**

The Department of Human Services does not verify income and expenses to evaluate family foster care providers' financial stability prior to licensing. Department administrative rule and policy require that foster care maintenance payments be used to meet the needs of the foster children rather than pay for the family's own expenses. This requirement of financial stability is consistent with the National Foster Parent Association guidance and policies of other states. Some states further define allowable income sources. In addition, some states identify basic expenses that should not be supplemented by the foster care maintenance payment such as a home mortgage and car loans. Some states also separately identify economic assistance payments and do not include these amounts when considering the ability to pay basic expenses.

While receiving economic assistance does not preclude a provider from offering quality foster care, the Department has not considered whether applicants receiving assistance have the ability to pay basic expenses for shelter and transportation for the foster child. We compared licensed family foster care providers to individuals receiving certain economic assistance from the Department during or prior to licensing. We noted that 29 providers received payments from the Low-Income Home Energy Assistance Program (LIHEAP) and 15 providers received payments from Temporary Assistance for Needy Families (TANF). Of these providers, 4 received payments from both programs.

Criteria:

Department of Human Services Policy 622-05-10-10 states:

1. The family's income shall be stable and sufficient to meet the needs of their own family.
2. Foster care payments shall not be the primary source of income or needed for the foster family's own expenses.
3. Management of income is considered more important than amount of income.
4. All foster care payments must be used to meet the needs of the foster child. (NDAC 75-03-14-05).

In addition, foster care application policies of six states were reviewed and determined to require foster care providers to be financially stable. The methods of verification varied by state including obtaining proof of monthly income, utility bills, tax returns, or completion by the applicant of other income and expense forms.

Cause:

The Department has not developed procedures to verify and evaluate income and expenses of family foster care providers to determine financial stability.

Effect or Potential Effect:

Family foster care providers may not be using the foster care maintenance payment to meet the needs of foster children.

Operational Improvement:

We recommend the Department of Human Services develop procedures to verify and evaluate family foster care providers' financial stability prior to licensure.

Department of Human Services Response:

The Department currently utilizes the home study process to engage prospective families in discussions related to financial stability of the home; however, the Department recognizes the importance of evaluation of financial stability for a prospective foster family. The Department will review current procedures utilized by authorized agents as well as other states to help determine ways North Dakota could benefit from utilizing additional financial stability determination tools when reviewing the application of a prospective foster family. After analysis, the Department will revise policy and implement procedures to determine financial stability of prospective foster families. This review and analysis will also be part of the review of county social services study as outlined in Section 8.1 of SB 2206.

Child Protective Services

Background

The Department of Human Services has been designated by North Dakota Century Code (NDCC) chapter 50-25.1 to protect the health and welfare of children by encouraging the reporting of children who are known to be or suspected of being abused or neglected. The Department is also required to provide adequate services for the protection and treatment of abused and neglected children to protect them from further harm.

For all reports received of suspected child abuse or neglect the Department must initiate an assessment. An assessment is a factfinding process designed to provide information that enables a determination to be made that services are required to provide for the protection and treatment of an abused or neglected child. Upon a decision that services are required, the Department must submit a written report of the decision to the juvenile court having jurisdiction. The Department also must promptly file a report of a decision that services are required in the North Dakota Child Abuse and Neglect Index (Index). The Department maintains the Index of all reports of decisions made within the last 10 years that services were required for the protection and treatment of an abused or neglected child. The Index may be searched as a part of background checks completed for individuals employed in positions that work with children.

The Department uses a three-level structure to operate the child protective services (CPS). County CPS social workers, located in the county social services offices, act as the Department's authorized agent for the purpose of receiving reports of suspected child abuse or neglect and conducting assessments. Regional CPS supervisors, located at the human service centers around the state, are responsible for the final decision on the assessment outcome, as well as reviewing and approving assessment reports, and providing technical assistance/consultation to the counties. The State CPS Administrator, located in the Department's central office, is responsible for providing direction for child protection services in North Dakota. This includes preparing policies and procedures for the program and providing technical assistance to regional CPS supervisors.

Our audit of the Department of Human Services' child protection services was designed and conducted to answer the following objectives:

- Are child abuse and neglect investigations properly classified for severity and consistent, complete, and timely assessments performed?
- Are proper notifications of child abuse and neglect reports, assessments, and results made to non-subject parents and legal guardians in accordance with DHS Policy?
- Are the child abuse and neglect reports and investigations within the case management system properly monitored to ensure data integrity?
- Are individuals with confirmed decisions of child abuse and neglect properly identified in the child abuse and neglect index?

Untimely Response to Reports of Child Abuse or Neglect (Finding 17-15)

Condition:

The Department of Human Services was not ensuring timeliness of both face-to-face contact with suspected victims of child abuse and neglect and completion of related assessments. Face-to-face contact with suspected victims may be made by county social services, law enforcement, medical personnel, juvenile court staff, or military family advocacy staff.

The Department was not ensuring reports were properly categorized and established timeframes were met for completing face-to-face contact for the immediate safety of the suspected victim. The required timeframes vary depending on the category risk level assigned to the report. The Department uses a three-tiered category system (A-B-C), with Category A being the most severe reports. Category A reports are required to have face-to-face contact with the suspected victim to ensure their immediate safety within 24 hours, category B within 3 days, and category C within 14 days. Based upon the data from the Department's system there were 245 Category A (9%), 653 Category B (12%), and 1,302 Category C (6%) reports that exceeded the required timeframes for face-to-face contact. Additionally, our review of 100 child abuse and neglect reports identified 5 that were not properly classified for severity of the abuse or neglect to ensure timely response.

In addition, assessments were not completed timely to determine whether child abuse or neglect occurred. ND Administrative Code and the Department's policy requires that assessments be completed within sixty-two days from the date the report is received unless an extension has been granted. According to the Department's case management system, 5,882 assessments exceeded sixty-two days during the audit period. Of these, 895 assessments also exceeded the final assessment due date, which includes all approved extensions. There were an additional 17 reports older than 62 days that did not have an assessment initiated.

Criteria:

NDAC 75-03-19-04 states that assessments of reports of suspected child abuse or neglect must be completed, a decision made, and a written report completed and submitted to the regional child protection service supervisor or other person designated by the department within sixty-two days from the date of receipt of the report unless an extension of the time is requested of and granted by the department.

DHS Policy 640-05-01-10-01 states that Category A reports must have face-to-face contact made within 24 hours, Category B reports must have face-to-face contact within 3 calendar days, and Category C reports must have face-to-face contact within 14 calendar days.

The Department's current timeframe policies are reasonable compared to national averages published in the publication *Making and Screening Reports of Child Abuse and Neglect* issued January 2017, by the Children's Bureau of the U.S. Department of Health and Human Services.

Cause:

The Department has not developed procedures in the case management system to track assessments to ensure they are completed timely or that face-to-face contact is made within the Department's guidelines. Multiple reports of suspected abuse or neglect are tied together in one assessment even if the reports are for unrelated incidents causing assessments to remain open longer. In addition, the Department is not documenting in the case management system the face-to-face contact date made by law enforcement.

Reports of child abuse and neglect are not uploaded timely to the Department's case management system for proper monitoring. During the audit period, there were 1,376 of 29,620 reports received that were not uploaded to the Department's case management system for more than 30 days after being received.

Effect or Potential Effect:

A child may stay in an at-risk environment susceptible to abuse or neglect for an additional amount of time.

Operational Improvement:

We recommend the Department of Human Services ensure reports of child abuse and neglect are properly categorized for severity. We also recommend the Department ensure timely face-to-face contact with suspected victims of child abuse or neglect and completion of assessments.

We recommend the Department of Human Services document face-to-face contact dates for reports that involve law enforcement within the case management system to allow consistent electronic monitoring of applicable dates within the system.

Department of Human Services Response:

As stated in the Criteria section above, the Department's policies for face-to-face contact are reasonable compared to national averages. Policies for classification of reports have been manualized since at least 1990 and have been included in the certification training program for all CPS workers. An improved quality assurance process as outlined in other sections of this report will help ensure that reports are properly categorized for severity and timeliness of response.

The Department will provide additional policy guidance for documentation of law enforcement contacts and incorporate the guidance into existing data system training. Regular Quality Assurance reviews as outlined in other sections of this report will help ensure that documentation is consistent with policy. The Department will also explore feasibility of developing additional validations in the data system to assure date accuracy.

Policies and procedures for timelines for completing assessments are included in the data system. A work order has been submitted to adjust the timeframe from the current automatic extension of 60 days down to 30 days. This work order is placed on the priority list for data system changes, however, due to limited IT resources and increased federal data demands, has not risen to the forefront of priorities.

The Department will review and analyze the practice of combining reports into a single assessment and issue policy guidance to address the length of time assessments remain open. Regular Quality Assurance reviews as outlined in other sections of this report will help ensure consistency with policy. This review and analysis will also be part of the review of county social services study as outlined in Section 8.1 of SB 2206.

By Department policy, reports are to be provided to the regional representative within five days of receipt of the report by the assessing agency. This is generally accomplished by uploading the report to the data system. Since reports are received by county social services, the Department does not become aware of the receipt of a report until the report is uploaded into the system. A quality assurance case review process as described elsewhere in this report will provide better monitoring of the timeliness of uploading reports. Quality assurance review will also assist in determining, for reports exceeding five days for uploading, whether the assessment activities are being performed, with data entry to follow, or whether actual assessment of these reports by the Department's authorized agents is being delayed. This review and analysis will also be part of the review of county social services study as outlined in Section 8.1 of SB 2206.

Inaccurate Child Abuse and Neglect Index (Finding 17-16)

Condition:

The Department of Human Services did not ensure individuals with confirmed child abuse or neglect within the last 10 years were properly listed in the Child Abuse and Neglect Index (Index). This Index is used for background checks related to employment and licensing of individuals in positions that work with children. Inaccurately listing individuals on the Index affects the results of these background check searches. In our review, we compared all individuals with confirmed child abuse or neglect determinations in the Department's case management system to the Index. The comparison identified 32 individuals with confirmed child abuse or neglect were not listed in the Index. In addition, 5 individuals were listed in the Index that did not have confirmed child abuse and neglect determinations.

Criteria:

NDCC 50-25.1-05.5 requires the Department to maintain a child abuse information index of all reports of decisions that services are required for child abuse, neglect, or death resulting from abuse or neglect. Decisions of services required indicate confirmed child abuse or neglect.

Cause:

Completeness of information on the Child Abuse and Neglect Index was not determined after the conversion of assessments to the new case management system in 2009. In addition, removal of individuals from the index during the appeals process is manual. The Department is not properly tracking or monitoring appeals to ensure individuals are added back or permanently removed upon a final decision.

Effect or Potential Effect:

Background check search results of the Index may not be accurate.

Operational Improvement:

We recommend the Department of Human Services develop procedures to ensure individuals with confirmed child abuse or neglect are properly listed in the Child Abuse and Neglect Index.

Department of Human Services Response:

The Department has corrected the 37 identified errors. In addition, the Department also has an existing work order to increase automation in the maintenance of the Child Abuse Information Index. Increased automation will reduce potential for human error when manually managing over 11,000 names the index currently contains.

Inconsistent Analysis of Child Abuse or Neglect (Finding 17-17)

Condition:

The Department of Human Services did not consistently apply the definition of a person responsible for a child's welfare when deciding to complete the child abuse and neglect assessments. The Department is required by state law to assess reports of child abuse or neglect caused by a person who meets the definition.

The Department has not identified the circumstances for when members of the child's household, teachers, or babysitters are responsible for a child's welfare. Reports of child abuse or neglect involving these individuals did not consistently receive an assessment to determine whether the abuse or neglect occurred.

Criteria:

The Department is required by NDCC 50-25.1, in accordance with rules adopted by the Department, to immediately initiate an assessment of any report of child abuse or neglect. Upon completion of the assessment, the Department is responsible to make a decision whether services are required for the protection and treatment of an abused or neglected child caused by a person responsible for the child's welfare. NDCC 50-25.1-02 defines that a person responsible for the child's welfare means an individual who has responsibility for the care or supervision of a child and who is the child's parent, an adult family member of the child, any member of the child's household, the child's guardian, or the child's foster parent; or an employee of, or any person providing care for the child in, a public or private school or child care setting.

Cause:

The Department has not developed policies to further define and provide guidance on the definition of a person responsible for a child's welfare.

Effect or Potential Effect:

Individuals who may have committed child abuse or neglect activities are not investigated and may remain in contact with children.

Operational Improvement:

We recommend the Department of Human Services further define a person responsible for a child's welfare to ensure assessments are consistently completed for reports of child abuse or neglect caused by individuals responsible for a child's welfare.

Department of Human Services Response:

The Department has drafted policy which clarifies the definition of “person responsible for a child’s welfare” and addresses the circumstances when members of the child’s household, teachers, or babysitters are responsible for a child’s welfare. This policy guidance will include more emphasis and direction to county and regional staff for increasing consistency of this analysis when determining whether a person named in a report of suspected child abuse and neglect meets the dual criteria set forth in statute.

Lack of Identification of Non-Subject Parents (Finding 17-18)

Condition:

The Department of Human Services has not developed sufficient policies and procedures to ensure non-subject parents are notified of confirmed child abuse or neglect. The non-subject parent(s) is the parent(s) who is not being investigated for child abuse or neglect. Information in the Department’s child abuse and neglect case management system was not sufficient to determine all non-subject parents are identified. In addition, the Department’s policy does not include the procedures to be taken to locate non-subject parents.

Criteria:

NDCC 50-25.1-11 and DHS policy 640-15-30-05 require that the Department provide written notice of the decision of confirmed child abuse or neglect to the parents or legally appointed guardian who is not the subject of the report.

Cause:

The Department's policy surrounding notifications to a non-subject parent has not been updated since 2006, which was before the implementation of the current case management system. The system also does not have fields to identify non-subject parents.

Effect or Potential Effect:

Non-subject parents may be unaware their child was a victim of child abuse or neglect. In addition, the Department is not complying with state law.

Operational Improvement:

We recommend that the Department of Human Services further develop policies and procedures to ensure all non-subject parents are being identified and notified of confirmed child abuse or neglect decisions.

Department of Human Services Response:

The Department is currently engaged in updating policy and procedure for the Child Protection Program, including development of policy and procedure for identifying and notifying non-subject parents when child abuse and neglect is determined. The Department will review current procedures utilized by authorized agents as well as procedures used by other programs to determine the best practices for identification and notification of non-subject parents. After analysis, the Department will revise policy guidance and implement procedures for consistent

identification and notification of non-subject parents. This review and analysis will also be part of the review of county social services study as outlined in Section 8.1 of SB 2206.

Improper Retention and Use of Child Abuse and Neglect Records (Finding 17-19)

Condition:

The Department of Human Services is not properly purging child abuse and neglect assessment files in accordance with the Department's policy. The policy states that records for assessments with a decision of services required should be destroyed after 10 years and those for assessments with a decision of no services required should be destroyed after one year from the decision date. Currently, the Department is not destroying any case records.

The Department has the above-mentioned retention policy, however they have not submitted schedules to the state records administrator proposing the length of time documents should be maintained. Therefore, the state records administrator has not approved the Department's current retention policy to be in compliance with the State Records Management Act.

In addition, while the Department's policy allows for information to be kept to assist with future risk and safety assessments, the policy states that information shall not be used for background checks (licensing, employment, etc.) beyond the policy's destruction of records period. Records of unconfirmed child abuse or neglect determinations exceeding one year and confirmed determinations exceeding 10 years are still being used by the Department in making licensing decisions. These records may also be available to individuals performing background check procedures within the Department.

Criteria:

DHS policy 640-20-15 sets the requirements for destruction of child abuse and neglect assessment files. For services required decisions, the files should be destroyed after ten years from the date the decision is made and, for no services required decisions, the file should be destroyed after one year.

The State Records Management Act (NDCC 54-46-05) requires agency heads to submit to the state records administrator, in accordance with the standards adopted by the administrator, schedules proposing the length of time each state record series warrants retention for administrative, legal, or fiscal purposes after it has been received by the agency.

Cause:

The child abuse and neglect case management system implemented in 2009 was not designed with capability to purge records. Therefore, records have not been purged from the system since implementation including records of assessments prior to 2009 that were converted to the system.

Additionally, individuals with child protective services responsibilities may also perform job duties for child care licensing and foster care. These duties allow access to the child abuse and neglect case files when making licensing decisions.

Effect or Potential Effect:

Child abuse and neglect records are used for decisions even though these records should have been destroyed in accordance with the Department's policy. While the Department's policy has not been revised since 2006 prior to electronic records, procedures for the proper use of information should not be affected by electronic capabilities.

Additionally, the Department's current retention policy has not been approved by the state records administrator, therefore it is unknown if the policy is in compliance with the state Records Management Act.

Operational Improvement:

We recommend the Department of Human Services purge child abuse and neglect assessment files in accordance with Department's policy or revise the policy based on retention needs in accordance with the State Records Management Act.

Department of Human Services Response:

The Department is currently engaged in updating policy and procedure for the Child Protection Program, including the policy for retention/destruction of records. These policies will be updated in accordance with records retention requirements. The Department will also explore the potential for the data system to acquire purging capability. This review and analysis will also be part of the review of county social services study as outlined in Section 8.1 of SB 2206.

Lack of Data Integrity of Child Abuse and Neglect Information (Finding 17-20)

Condition:

The Department of Human Services is not ensuring the integrity of child abuse and neglect information in the case management system. Our review identified that closed case records were being overwritten in the case management system with current reports and assessments of child abuse or neglect. Child abuse and neglect information must be maintained to support decisions.

The face-to-face contact date in the case management system did not consistently agree to the supporting case records. Additionally, there were face-to-face contact dates recorded in the system as occurring before the report of child abuse and neglect was received. Forty-seven of these assessments had face-to-face contact dates that were more than 300 days before the date that the report of abuse or neglect was received. The face-to-face contact is required to ensure the safety of the child.

Criteria:

"Standards for Internal Control in the Federal Government" (Green Book) requires that management design control activities over the information technology infrastructure to support the completeness, accuracy, and validity of information processing by information technology. (GAO-14-704G para 11.09).

Cause:

The case management system lacks edit restrictions which allows closed assessments to be overwritten and improper sequence of important dates for monitoring timely case management activities.

Effect or Potential Effect:

Case records supporting decisions of confirmed child abuse or neglect may be deleted. System alerts for monitoring timely child abuse or neglect case management activities may be based on inaccurate dates.

Operational Improvement:

We recommend the Department of Human Services perform data monitoring procedures within the child abuse and neglect case management system to ensure child abuse and neglect records are not destroyed and are maintained as complete, accurate, and valid.

Department of Human Services Response:

The Department of Human Services has taken steps to identify closed assessments that have been altered since closure of the assessment. There were 37 assessments identified. Of the 37 identified assessments, 34 took place prior to the 15-17 state biennium, the period identified for audit. Each of the 37 identified cases was reviewed to determine irregularities and four assessments were identified in which date information appeared to have been altered without appropriate and purposeful intent (correcting payment code, correcting inaccurate data entry, etc.). Three of these 4 took place prior of the 15-17 biennium which is the period under audit. Additionally, notice was sent to all social service agencies on the same day the issue was identified, which notified County Directors and staff that only one browser application for the data system should be opened at a time, since the practice having multiple browser windows for the application was identified as the source of causing case information to be overwritten. The Department will submit an IT work order to address this data system issue in a way that supports the completeness, accuracy, and validity of information processing.

Current policy (640-05-01-10-01) does allow face-to-face contacts to be made prior to the report date in certain instances and by specific individuals, other than the CPS worker, who have direct authority to intervene to protect children (Law Enforcement, Medical Personnel, Juvenile Court staff, or Military Family Advocacy staff) but still within the required time frames. The Department acknowledges that 300 days is outside of the acceptable range for face-to-face contacts. What is less clear is the root cause of this finding. The Department will engage in a process to determine whether instances grossly exceeding the timeframe are due to data entry errors, data system issues, training/supervision issues or another cause or causes. When this analysis is complete, the Department will take appropriate action (staff training, data system date validations, etc.) to address the identified cause.

Quality Assurance processes as mentioned in previous items in this report will better assure timeliness of these contacts. Review and analysis of quality assurance processes will also be part of the review of county social services study as outlined in Section 8.1 of SB 2206.

Inconsistently Monitoring Child Protection Services (Finding 17-21)

Condition:

The Department of Human Services was not consistently completing quality assurance reviews of child abuse and neglect assessments which include reports, investigations, and decisions. Regional supervisors were required to perform an annual quality assurance review of cases. The State Administrator was not tracking to ensure the regional supervisors' annual reviews were being completed as required. If the annual quality assurance reviews were not completed, there was otherwise no evidence that the State Administrator reviewed individual case activity to evaluate the consistency of child abuse and neglect assessments throughout the state.

Criteria:

DHS Policy 640-20-35 states that the regional child protection supervisor shall review, on an annual basis, a total of five completed cases, from each county in the region and prepare a written summary of the case reviews. The state administrator will examine the summary and the correction plan and provide any appropriate feedback to the regional supervisor.

Standards for Internal Control in the Federal Government (Green Book) requires that management periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. In addition, ongoing monitoring is required to be built into the entity's operations, performed continually, and responsive to change. (GAO-14-704G para 12.05, 16.04).

Cause:

The Department's quality assurance procedures were not re-evaluated with the implementation of the web-based case management system in 2009.

Effect or Potential Effect:

Without sufficient monitoring procedures, the Department is unable to ensure that services will protect the health and welfare of children.

Operational Improvement:

We recommend the Department of Human Services ensure consistent and complete quality assurance procedures surrounding reports of child abuse and neglect, investigations, and decisions.

Department of Human Services Response:

Regional Representatives review all assessments in the electronic data system and must approve or deny the assessment for payment based on quality, timeliness and completion. The Department acknowledges that the current review process is not uniform or consistent. The Department will develop a uniform review process to better address quality assurance. Additionally, in January 2018 the Department will begin a process known as Onsite Case Review, which addresses CPS response time, provides ongoing data in regard to response time and requires local strategy development to improve areas determined not in substantial conformity.

The Department will review, analyze and revise outdated quality assurance policies and practices and will develop a more consistent and complete process for regular quality assurance monitoring. This review and analysis will also be part of the review of county social services study as outlined in Section 8.1 of SB 2206.

Prior Recommendations Not Implemented

Prior recommendations have been implemented with the exception of the following:

Improvements to Restrict payments to Deceased or Incarcerated (Finding 15-8)

Recommendation:

We recommend the Department of Human Services ensure payments are not made to or on behalf of deceased or incarcerated individuals to include:

- Verify individuals receiving and applying for benefits to the SSA Prisoner Verification files for all programs.
- Implement an automated process to verify eligibility using NDVerify. Until an automated process is implemented, we recommend the Department establish documented procedures to ensure the manual search of NDVerify is performed and eligibility restricted.

Status:

Not implemented. See recommendation 17-2.

Failure to Suspend Providers and Notify Parents (Finding 15-9)

Recommendation:

We recommend the Department of Human Services:

- Perform further oversight of providers to ensure compliance
- Suspend providers when children are found to be at risk of harm
- Directly notify parents immediately after confirmed knowledge of activities that jeopardize the health and safety of children.

Status:

Not implemented. The Department does not have a tracking mechanism for memorandums of understanding (MOU) issued. Therefore, the Department is unable to verify whether additional monitoring and notification to parents has occurred as per policy. See recommendation 17-4.

Inconsistent Licensing Procedures (15-10)

Recommendation:

We recommend the Department of Human Services develop documented internal controls for consistent licensing procedures to include:

- A method to identify the records inspected during the licensing study.
- Application materials to be included in licensing packets.
- Documentation of background checks performed by the regional supervisor including source of information, dates and results.
- A method to ensure that all required licensing documents have been received.

Status:

Not implemented. During testing, it was noted that several providers did not have the following: documentation to support their license, indication of records reviewed, background checks completed by regional supervisors, or completed checklists for licensing documents received. See recommendations 17-5, 17-6, and 17-8.

Inconsistent Procedures to Verify Records (15-11)

Recommendation:

We recommend the Department of Human Services develop consistent procedures to verify that required records are maintained.

Status:

Not implemented. The county licensors do not consistently identify specific child records reviewed. We identified several providers that did not have all required child documents and others that did not have any indication the county licensor reviewed any records. See recommendation 17-8.

Incomplete Methods to Verify Health and Safety Requirements (15-12)

Recommendation:

We recommend the Department of Human Services ensure child care providers are meeting all health and safety standards required to be licensed.

Status:

Partially Implemented; however, we will not repeat this recommendation. During our testing, it was identified that the Department needs to re-evaluate the entire child care licensing process including form design and requirement of forms. It is not reasonable or feasible for the Department to modify current forms without re-evaluating and making modifications to the process.

License Effective Before Background Checks Performed (15-13)

Recommendation:

We recommend the Department of Human Services revise policies so that child care providers are not licensed until after background check procedures have been performed by the Department's regional offices.

We recommend the Department of Human Services properly document background check procedures performed by the regional offices including source of information, date, and results.

Status:

Not implemented. During our testing, there were multiple instances identified where providers, household members, employees, or emergency designees did not receive a 5-year finger print background check, an annual regional supervisor background check, or both. See recommendation 17-5.

Lack of Unannounced Visits (15-16)

Recommendation:

We recommend the Department of Human Services ensure unannounced inspections of child care provider operations and facilities are performed in accordance with the Department's policies 620-01-116 and 620-01-35-15.

Status:

Not implemented. The Department did not complete all necessary unannounced inspections. In addition, there were inspections that were not fully documented. See recommendation 17-9.

Child Care Providers Not Properly Licensed (15-17)

Recommendation:

We recommend the Department of Human Services properly license child care providers only upon evidence that the Department has verified compliance with requirements as defined in state laws, rules, and policies.

Status:

Not implemented. There were multiple providers that did not have necessary documentation supporting their qualifications for licensure. See recommendation 17-6.

Lack of Monitoring Corrective Orders and Imposition of Sanctions (15-18)

Recommendation:

We recommend the Department develop effective tracking methods to ensure corrective orders are resolved and sanctions are imposed.

Status:

Not implemented. During testing, it was noted that all correction orders had not been resolved. In addition, correction orders were not issued in instances of non-compliance. See recommendation 17-7.

Ineffective Monitoring Procedures (15-19)

Recommendation:

We recommend the Department of Human Services perform effective monitoring procedures to ensure complete licensing applications, properly licensed providers, performance of unannounced inspections, properly dated licenses, monitoring of corrective orders, imposition of sanctions, and notification to parents for serious safety concerns.

Status:

Not implemented. The Department removed the policy requiring the Early Childhood Administrator to complete reviews of the regional supervisors rather than implementing procedures. See recommendation 17-10.

Lack of Online Child Care Provider Records (15-20)

Recommendation:

We recommend the Department of Human Services improve child care provider information available on the Internet to include:

- A full listing of licensed child care providers.
- Provider-specific inspection results and complaint reports.

Status:

Not implemented since the audit for the biennium ended June 30, 2013. See recommendation 17-11.

Management Letter (Informal Recommendations)

January 24, 2018

Mr. Chris Jones, Executive Director
Department of Human Services
State Capitol
600 E Boulevard Avenue
Bismarck, ND 58505

Dear Mr. Jones:

We have performed an audit of the Department of Human Services for the biennium ended June 30, 2017, and have issued a report thereon. As part of our audit, we gained an understanding of the Department of Human Services' internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status.

The following present our informal recommendations.

Informal Recommendation 17-1: We recommend the Department of Human Services properly report year-end financial information for compilation of the Comprehensive Annual Financial Report.

Informal Recommendation 17-2: We recommend the Department of Human Services reconcile the individual purchase card statement to the agency-wide statement with evidence that the reconciliation was performed by a non-cardholder.

Informal Recommendation 17-3: We recommend the Department of Human Services properly solicit informal bids or proposals for purchases greater than \$2,500 and report emergency purchases to the Office of Management and Budget in accordance with state procurement policies.

Informal Recommendation 17-4: We recommend the Department of Human Services ensure all Child Care Licensing data is complete, accurate and valid.

Informal Recommendation 17-5: We recommend access to the Child Care Licensing System be restricted based on the demonstrated need to view, add, change, or delete data when feasible.

Informal Recommendation 17-6: We recommend the Department of Human Services perform effective monitoring procedures to ensure all licensing functions of the Family Foster Care program are completed timely and in accordance with policy.

Informal Recommendation 17-7: We recommend the Department of Human Services utilize a complaint resolution process for Qualified Service Providers that ensures:

- All complaints have follow up action within the timeframes of DHS policy,
- Complaints are closed or receive an extension from a unit supervisor within 6 months, and
- Letters closing a complaint are sent out timely.

Informal Recommendation 17-8: We recommend the Department of Human Services strengthen revenue collection procedures at the State Hospital to ensure:

- Access to cash is properly limited, and
- Receipts are reconciled to deposits by an individual who does not have access to cash.

Management of Department of Human Services agreed with these recommendations.

I encourage you to call me or an audit manager at 328-2241 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,



Paul Welk, CPA
Audit Manager

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