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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
H. CARL MCCALL
STATE COMPTROLLER

October 30, 1997

Mr. Brian Wing
Commissioner
Office of Temporary and Disability Assistance
40 North Pearl Street
Albany, New York 12243

Re: 97-F-20

Dear Mr. Wing:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by the Department of Social Services, as of April 30, 1997, to implement the recommendations included in our report 95-S-29. The report, which was issued June 7, 1996, addressed controls over certain local district state aid claims.

Background

Social services programs in New York State are carried out by 58 local social services districts (districts), e.g., the 57 counties and New York City. The cost of operating these programs is borne, in various ratios, by the local, State and Federal governments. Article 5, Title 2 of the Social Services Law provides that districts submit to the State Department of Social Services (Department) claims for reimbursement of the State and Federal shares of expenditures on these programs.

During our prior audit we reviewed selected State aid claiming practices during the period April 1, 1993 through April 30, 1995 and tested expenditures incurred during the State fiscal year ended March 31, 1994. During this later period, approximately \$6.9 billion was claimed for reimbursement by the districts for public assistance and other related program expenditures. Our prior audit focused on payments made by the Nassau and Suffolk districts to vendors who provided certain services, such as day care, utilities and housing. During the 1993-94 fiscal year, Nassau expended \$35.4 million on such items and Suffolk expended \$63.8 million.

The Department controls the process of claiming State aid by separating the processes of approving and paying client benefits, incorporating automated checks and edits into the computer

system, and conducting multi-level reviews. Before any transactions can be processed, caseworkers must authorize each client to receive particular benefits. Each authorization is required to be reviewed and signed by the caseworkers' supervisors before it is sent for entry on the Welfare Management System (WMS).

Summary Conclusion

During our prior audit we found that the Department had implemented an internal control system which, if followed by the districts, provided adequate control of district claims for reimbursement. However, we found that Nassau was not following some of these controls. We also found that Department procedures relating to the receipt of certain goods and services could be improved.

In addition to the issues discussed in the report, we also provided Department and district officials a letter relating to a matter of lesser significance, in which we recommended that the Department follow-up on inspections of all temporary residences to ensure that building, health and safety code deficiencies are corrected and that residences are furnished adequately to accommodate the family assigned to them.

Summary of Status of Prior Recommendations

Of the two prior report recommendations, one has been partially implemented and one has not been implemented.

Follow-Up Observations

Recommendation 1

To the Nassau District

Ensure that service authorization forms are available for all transactions, and are signed by appropriate persons.

Status - Partially Implemented

Agency Action - Nassau district officials advised that they instituted a review procedure to ensure that service authorization forms are available for all transactions and are signed by the appropriate persons. Our review of sampled transactions found that all sampled transactions were supported by service authorization forms, and that the forms were approved by a person identified to us as a supervisor. However, we observed that the authorization forms lack evidence that a review took place, and the signatures of the authorizing case worker and supervisor are not verified against signature specimens. Nassau district officials agreed to further strengthen their procedures in this area.

Recommendation 2

To the Department

Revise procedures to require clients to sign for all goods and services to acknowledge that goods and services paid for are actually received.

Status - Not Implemented

Agency Action - The Department of Social Services has not implemented this recommendation as they believe it to be too administratively burdensome.

Auditors' Comments - We maintain that the Department should verify that clients actually receive the goods and services that districts are paying for. The Department should implement cost-effective procedures to provide such assurance.

With regard to the matter of lesser significance, Department officials stated that they have not implemented our recommendation, asserting that inspection responsibility rests with the social service districts. We agree that inspection responsibility rests with the social services districts. However, we maintain that the Department should ensure the adequacy of the social services district's inspection efforts.

Major contributors to this report were Cindi Frieder and Gennaro John Petillo.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address any unresolved matters discussed in this report. We also thank officials of the Department of Social Services and Nassau district for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Kevin M. McClune
Audit Director

cc: Patricia Woodworth