



**ERIE COUNTY DEPARTMENT OF JOB AND FAMILY SERVICES
ERIE COUNTY**

SPECIAL AUDIT

FOR THE PERIOD OCTOBER 1, 2005 THROUGH DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Thomas M. Ferrell, Jr., President
The Honorable Bill Monaghan, Vice-President
The Honorable Nancy C. McKeen, Commissioner
Erie County
2900 Columbus Avenue
Sandusky, Ohio 44870

and

Ms. Judith K. Englehart, Director
Erie County Department of Job and Family Services
221 West Parish Street
Sandusky, Ohio 44870

We conducted a special audit of the Erie County Department of Job and Family Services' (ECDJFS) Medicaid Spenddown Program by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period October 1, 2005¹ through December 31, 2007 (the Period) solely to:

- Determine the amount of Medicaid Spenddown Program and miscellaneous receipts collected and not deposited.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (January 2005). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We examined manual receipts, ECDJFS receipt reports, county auditor/treasurer pay-ins, CRIS-E case file notes and hard copy case files to determine whether Medicaid Spenddown Program receipts and miscellaneous receipts collected were received, posted to ECDJFS' fiscal computer system, and paid into the county treasury.

Significant Results – ECDJFS issued 1,937 receipts for Medicaid Spenddown Program payments and miscellaneous receipts totaling \$224,896 during the Period. Former Fiscal Office Account Clerk Jennifer Miller-Rose was responsible for issuing receipts for funds collected by the screeners and forwarding the funds and the receipts to the fiscal officer for deposit into the county treasury. We determined all of the money receipted by Ms. Miller-Rose was remitted to the fiscal officer, posted to ECDJFS' fiscal computer system, and subsequently deposited into the county treasury.

¹ The Letter of Arrangement entered into with the Erie County Commissioners and ECDJFS provided the Auditor of State would examine receipts collected and deposited for the period beginning January 1, 2005. Based on results of procedures performed for the period October 1, 2005 through December 31, 2005 and in consultation with ECDJFS representatives, the audit period was modified to October 1, 2005 through December 31, 2007.

However, during an interview Ms. Miller-Rose admitted to removing funds received from the screeners, subsequently repaying the funds and submitting the related receipts to the fiscal officer for deposit into the county treasury. Ms. Miller-Rose also stated in some cases it would take her up to four days to process receipts prior to submitting the receipts and funds collected to the fiscal officer for deposit. Using instances in which the number of business days between the receipt and submission to the fiscal officer was greater than four business days, we concluded Ms. Miller-Rose removed and subsequently repaid funds for 121 receipts totaling \$20,840; at times holding receipts up to 253 days before submitting them to the fiscal officer for deposit.

We issued three noncompliance citations regarding untimely deposit; recording Medicaid Spenddown Program receipts in the recipient's CRIS-E case notes; and recording information documenting that the recipient had incurred the spenddown liability in the recipient's CRIS-E case notes.

We made nine management recommendations for the ECDJFS administration to monitor the duties of the screeners, account clerks and fiscal officers as it relates to collecting, posting and depositing spenddown payments; to document explanations for changes in the spenddown liability; to provide guidance in organizing case files; to issue receipts sequentially and complete the receipts in their entirety; to document the reason for voiding receipts; to document and refund overpayments; and to implement a process for documenting a recipient's return of a warrant and the warrant's disposition.

2. On November 19, 2008, we held an exit conference with the following individuals representing the Erie County Commissioners and ECDJFS:

Bill Monaghan, Commissioner
Nancy McKeen, Commissioner
Judith K. Englehart, ECDJFS Director
Debra R. Haer, ECDJFS Business Admin.
Pat Browning, ECDJFS

Thomas Ferrell, Commissioner
Michael Bixler, County Administrator
Vicki Lyons, ECDJFS Assistant Director
Bob Anderson, ECDJFS Fiscal Supv.

The attendees were provided an opportunity to respond to this special audit report. A response was received on December 4, 2008, and changes were made to this report as we deemed necessary. In its response, ECDJFS asserted written policies and procedures for the Medicaid Spenddown Program were modified to address the weaknesses noted in this special audit report. However, we did not perform tests to verify such changes had occurred.



Mary Taylor, CPA
Auditor of State

September 19, 2008

Supplement to the Special Audit Report

Background

In early January 2008, ECDJFS began an internal audit of Medicaid Spenddown Program (the MS Program) receipts issued between October 1, 2007 and December 31, 2007. During the period ECDJFS examined, Ms. Miller-Rose was responsible for preparing the documentation submitted to the fiscal officer for daily deposits of MS Program receipts and other miscellaneous funds received into the county treasury.

On January 11, 2008, Ms. Miller-Rose provided the fiscal officer approximately 30 yellow receipts dating from January 9, 2007 through December 3, 2007 and corresponding cash payments totaling \$5,998. Ms. Miller-Rose stated she had found the receipts and cash at the back of her desk drawer. On January 14, 2008, ECDJFS deposited these receipts into the county treasury.

On February 26, 2008, ECDJFS' Business Administrator contacted the Auditor of State's (AOS) Fraud Hotline to report that ECDJFS had identified altered receipts as part of its internal audit.

In subsequent meetings with AOS representatives in March and April 2008, ECDJFS stated 13 cases were identified where the receipt dates were altered and the amounts collected for four cases were not deposited until several days later.

On April 16, 2008, AOS representatives and a City of Sandusky Police Department Detective interviewed Ms. Miller-Rose. Ms. Miller-Rose stated she borrowed MS Program receipts by keeping the cash payments and placing the corresponding receipts in an envelope in her purse. When she was able to repay the cash, she altered the date on the original cash receipt to match the deposit date and included the corresponding cash in that day's activity.

On April 16, 2008, Ms. Miller-Rose resigned from her position at ECDJFS.

ECDJFS continued its internal audit of MS Program receipts and identified \$1,019 collected but possibly not deposited. Upon identifying funds collected and not deposited, ECDJFS Director Judith Englehart sent a letter dated June 13, 2008, requesting a special audit of MS Program receipts.

On June 20, 2008, the Auditor of State initiated a special audit of the MS Program.

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Issue No. 1 – Receipts

PROCEDURES

We examined the manual receipts issued for MS Program and miscellaneous revenues received and identified the amount collected during the Period.

For any voided receipts, we examined available documentation and determined whether the receipt was voided for a valid ECDJFS action.

We identified MS Program receipts recorded in ECDJFS' fiscal computer system² known as the Program Expenditure Tracking system (PET).

For MS Program and miscellaneous revenue receipts identified, we compared the manual receipts to those posted to PET and determined whether manual receipts were accurately recorded.

For selected Medicaid recipients participating in the MS Program, we compared amounts received to the amounts recorded in the recipients' CRIS-E case notes as received. For those recipients whose CRIS-E case file notes did not reflect a monthly payment or reflected payments received which were not received, we examined the hard copy case file and determined whether payment was due.

If a MS Program payment was due, we determined whether the payment was collected, receipted, and remitted to the fiscal officer for posting to PET.

For those MS Program payments receipted and not due, we examined available documentation and determined whether the recipient owed the payment.

In those instances in which the amounts receipted did not agree to the amounts posted to PET, we determined whether the amounts were deposited into the county treasury.

RESULTS

The MS Program was established by the Ohio Department of Job and Family Services to provide certain potential recipients who did not meet income eligibility guidelines a chance to qualify for Medicaid benefits. To qualify each month, a recipient had to incur a calculated liability amount before a Medicaid card was released to them to fund additional medical services. Recipients evidenced their eligibility for a Medicaid card by either submitting documentation supporting medical expenses were incurred or by remitting payment to ECDJFS for the liability amount due. Once the spenddown liability was met, the Medicaid card was released to fund any additional medical services received during that month.

When ECDJFS received a MS Program payment, a screener collected the payment and provided a copy of the receipt to the Medicaid recipient or individual making the payment. The screener sent an email and a copy of the duplicate receipt to the caseworker noting the MS Program payment had been made and placed the yellow receipt copy with the payment in the safe. The next morning, the screener retrieved the receipts and related payments from the safe and provided them to Ms. Miller-Rose for processing. Ms. Miller-Rose issued a blue receipt for each payment received and forwarded the blue receipts and the funds collected to the fiscal officer.

The fiscal officer posted the receipts in total to the county auditor's financial accounting system, generated a pay-in sheet, and deposited the funds collected into the county treasury. Once the funds were deposited into the county treasury, the blue receipts were forwarded to the respective ECDJFS department's fiscal officer for posting to PET.

² This system was used to record monies received and disbursed by ECDJFS during the Period and was separate from the county auditor's financial accounting system.

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ECDJFS issued 1,325 receipts for MS Program payments totaling \$193,933 and 612 receipts for miscellaneous revenues totaling \$30,963. Miscellaneous revenues included copy and fax fees charged and recipient repayments for excess funds received for daycare services, food stamps, and other ECDJFS programs. We concluded these 1,937 receipts totaling \$224,896 collected were posted to PET.

On a daily basis, the county treasurer's office reconciled funds received from county departments to the county auditor pay-ins printed by the departments and verified the funds received agreed to those posted to the county auditor's accounting system. At the end of each month, ECDJFS and the county auditor's office certified the amounts recorded as receipted and disbursed in total in ECDJFS' PET system agreed to the amounts recorded as received and disbursed in total in the county auditor's office financial accounting system. Because the county treasurer reconciles the amount deposited to the pay-ins posted to the county auditor's accounting system daily by each department, and the ECDJFS and the county auditor certify monthly that the amounts in PET and the county auditor's system agree, for testing purposes, we concluded manual receipts posted to PET were deposited into the county treasury.

During an interview, Ms. Miller-Rose stated that as a result of her workload some receipts were not submitted to the fiscal officer for up to four business days. In addition, if only one payment was received for the day Ms. Miller-Rose stated she would wait to process the payment until additional payments were received. We identified 121 receipts totaling \$20,840 whereby the time between the receipt and submission to the fiscal officer for deposit exceeded four business days, with the greatest amount of time being 253 days.

NONCOMPLIANCE CITATIONS

Timely Deposits

Ohio Rev. Code Section 9.38 states in part, "... (i) if the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited."

ECDJFS has not adopted a policy regarding the length of time funds can be held prior to being deposited. ECDJFS paid MS Program and miscellaneous revenue receipts collected into the county treasury up to 253 days after the date the payment was received. By not making timely deposits, Ms. Miller-Rose was able to remove and replace cash from the receipts collected prior to remitting the receipts and funds collected to the fiscal officer for deposit into the county treasury without being detected.

We recommend ECDJFS implement a depositing policy and consider whether the alternative method is necessary. ECDJFS should appoint an individual to monitor ECDJFS' receipt activity to ensure monies received are remitted to the county treasury in accordance with the policy.

CRIS-E Receipt Documentation

Ohio Admin. Code Sections 5101:1-39-10 (G)(4)(f) and (G)(5) states that in accordance with rule 5101:1-38-02 of the Administrative Code, the County Department of Job and Family Services (CDJFS) must issue a receipt to all spenddown assistance groups (SAG) and to third-parties who pay spenddown pay-in payments. The receipt must document the following:

- The date of receipt of the payment; and
- The name of the person or entity from whom the payment was received; and
- The name and case number/category/sequence number (case/cat/seq) of the SAG for whom the payment was made; and
- The month of medicaid eligibility for which the pay-in payment will be used and the effective date of medicaid for the month; and
- The amount of the pay-in and the form in which it was paid (e.g, cash, money order, check, etc.).

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Of the 1,325 receipts reviewed, 376 receipts did not identify the form of payment and seven receipts did not identify the month the payment was to be applied. Failing to document this information in the CRIS-E system and in the hard copy case file prevents the case worker from verifying MS Program payments were made when releasing a Medicaid card.

To support the release of the Medicaid card, we recommend the caseworker record the above identified information supporting MS Program payments in the CRIS-E system upon receipt of the payment documentation from the screener.

CRIS-E Incurred Spenddown Documentation

Ohio Admin. Code Section 5101:1-39-10 (H)(7)(d)(i) states that in accordance with rule 5101:1-39-10 (H)(7)(b) of the Administrative Code, the County Department of Job and Family Services (CDJFS) must document on CRIS-E the following:

- The name of the provider;
- The item or service provided;
- The date item or service was provided, the name of the SAG or family member to whom the item or service was provided; and
- The amount the SAG or family member paid or is liable to pay for the item or service.

Six of eleven cases selected for testing noted the recipient had incurred expenses to cover a portion, if not all, of the MS Program liability required for a Medicaid card to be released. However, the required information was not recorded in the CRIS-E system which could have resulted in the improper issuance of a Medicaid card.

We recommend the caseworker record the above identified information supporting MS Program payments in CRIS-E's running record comments to support the release of the Medicaid card.

MANAGEMENT RECOMMENDATIONS

Monitoring – Account Clerk

We noted very little monitoring of the account clerk's activities by the ECDJFS administration. The account clerk verified the amount received from recipients collected by the screener was being provided to her but there was no monitoring to verify the account clerk issued daily receipts for amounts received.

Failure to monitor and oversee the account clerk's job duties including the processing of funds received increases the risk that irregularities or fraud could occur and not be detected. In this case, such monitoring may have detected that Ms. Miller-Rose removed and replaced funds prior to the funds being posted to PET and deposited into the county treasury.

We recommend ECDJFS develop a form to be signed by the account clerk and the screeners documenting the amount of funds and number of receipts provided to the account clerk by the screeners. We recommend the fiscal officer periodically review this form to verify the amount received by the account clerk agrees to the amount provided by the screeners and to document this review on the form.

Monitoring – MS Program

When recipients arrived to pay their spenddown liability, the recipient completed a form at the front window indicating the reason for their visit. These forms were only maintained for a short period of time and did not reflect the result of the recipient's visit.

Not maintaining these forms and comparing the identified reason for the visit to payments of spenddown liabilities or other services could result in funds being collected by the screeners and not being provided to the fiscal office for deposit into the county treasury.

We recommend ECDJFS amend its form to document the results of the visit, retain the forms for the month, and compare the forms identifying payments collected to those posted to PET to determine whether all funds collected were deposited into the county treasury.

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Monitoring – Fiscal Office

Upon receipt of monies from the account clerk, the fiscal officer posted the total of the blue receipts received to the county auditor's financial accounting system and forwarded the blue receipts to the departments' fiscal officers for posting to the PET system. No evidence was provided supporting the totals posted to the County Auditor's financial computer system were agreed to the amounts received from the account clerk or were agreed to the amounts posted by the departments' fiscal officers to the PET system.

Failure to have adequate monitoring controls in place could lead to possible misappropriation of funds received.

We recommend at the end of each month the fiscal supervisor compare the totals posted to PET for the MS program to those identified on the daily pay-ins posted to the County Auditor's financial computer system and verify funds were accurately posted. In addition, the receipts posted to PET should be agreed to the amounts documented as received from the account clerk and collected by the screeners to ensure all funds collected were deposited.

Spend Down Liability

The CRIS-E system calculated and documented the spenddown liability amount owed by the recipient to obtain Medicaid benefits. The CRIS-E system did not reflect the new liability amount after being recalculated for income changes, living arrangements or other qualifying factors for a specific month and did not include an explanation when the payment of a different liability amount resulted in the release of the Medicaid card.

Failure to document the reason for the recipient paying an amount other than the amount identified in CRIS-E could result in the incorrect amount being paid or the incorrect amount being collected.

We recommend the caseworker document in the CRIS-E case notes as well as the hard copy case file changes in the spenddown liability amounts and explanations when a different amount is paid by the recipient resulting in the release of the Medicaid card.

Case Files

Information contained in case files often was not organized in the sections identified by ECDJFS case file dividers. The case files should be organized in a manner which allows the caseworker to efficiently find relevant information for each service provided.

Not maintaining organized case files could result in excessive time spent trying to find needed information and obtaining information already on file.

We recommend ECDJFS provide caseworkers guidance on organizing case files to locate often needed information in an efficient manner and on the retention of outdated information related to benefits provided and/or recipient eligibility.

Receipt Procedures

ECDJFS used separate receipt books for collecting MS Program payments and miscellaneous revenue. Each time a MS Program payment was received, the individual collecting the payment verified the liability due, issued a receipt, and sent a copy of the receipt to the caseworker to release the Medicaid card. For miscellaneous revenue received, the individual collecting the funds issued a duplicate receipt identifying the date, amount collected, type of payment, payee, and reason for payment.

We noted certain instances where receipt information such as the amount was recorded on the manual receipt prior to the transaction taking place. We also noted receipts were issued from the wrong receipt book; receipts were not initialed by the preparer; and receipts did not reflect the type of funds received.

Failure to fully and accurately fill out the duplicate receipts, identify and issue the receipt for the amount actually paid, and document the reason for the payment could result in incorrectly releasing or withholding Medicaid cards, recipient payments not being credited, and could increase the risk of misappropriation of funds collected.

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We recommend ECDJFS use receipt books sequentially; avoid using the same receipt sequence for MS Program payments and miscellaneous revenues collected; complete the receipt in its entirety; and document the amount of spenddown liability paid by the recipient. In instances where the recipient incurred the total liability due, we recommend ECDJFS document this fact and not issue a manual receipt thereby avoiding the appearance funds were collected when in actuality they were not.

Voiding Capability

In reviewing 114 voided receipts totaling \$38,510, we noted the receipts were often voided because the individual collecting funds had written the receipt for the amount due prior to determining the amount the recipient was paying towards their liability. In addition, 108 of the 114 receipts did not document a reason for the void; the receipt books did not contain all copies of 31 voided receipts; and there was no evidence of supervisory review of the voided receipts to verify they were issued for valid ECDJFS actions. Our examination determined the receipts were voided for a valid ECDJFS action.

Failure to document the reason for the void and review the void to determine whether it was for a valid ECDJFS action could result in the receipt being improperly voided and the monies collected not being deposited into the county treasury.

We recommend the ECDJFS review voided receipts on a periodic basis to determine the reasonableness of the void, whether documentation for the void exists, and verify all copies of the voided receipt are marked as "void" and maintained in the receipt book.

Overpayment of Client Accounts

ECDJFS required recipients to remit the exact amount of their spenddown liability due. However, ECDJFS collected overpayments from seven clients and in some cases, provided change from that day's cash collections to the recipient. Of the seven clients who overpaid, the spenddown liability overpayment was not documented in the CRIS-E system for five recipients.

Failure to document overpayments made by recipients in the CRIS-E system and to not refund those overpayments resulted in ECDJFS collecting more than allowed and could result in the misappropriation of funds. In addition, by providing change from that day's collections ECDJFS is unable to verify the deposits made were intact. This also increases the likelihood of human error of giving too much change to the individual which can cause ECDJFS to be short that day.

We recommend ECDJFS document recipient overpayments in the recipient's CRIS-E case notes and either refund the overpayment or if allowed by federal guidelines, apply the overpayment to future liability amounts due.

Return of Warrants

When a recipient received an outdated warrant or an improper warrant, the recipient returned the warrant to ECDJFS. Upon receipt of the warrant, ECDJFS issued a manual receipt and returned the warrant to the issuing agency. During the Period, ECDJFS issued 65 receipts totaling \$40,574 for returned warrants which were not deposited into the county treasury but were returned to the issuing agency.

Issuing a receipt for monies not deposited into the county treasury could result in the appearance that funds collected were not deposited.

We recommend ECDJFS develop a form other than a manual receipt to document returned warrants and their disposition.



Mary Taylor, CPA
Auditor of State

ERIE COUNTY DEPARTMENT OF JOB AND FAMILY SERVICES

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 18, 2008**