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Arlene Barrera

ACTING AUDITOR-CONTROLLER

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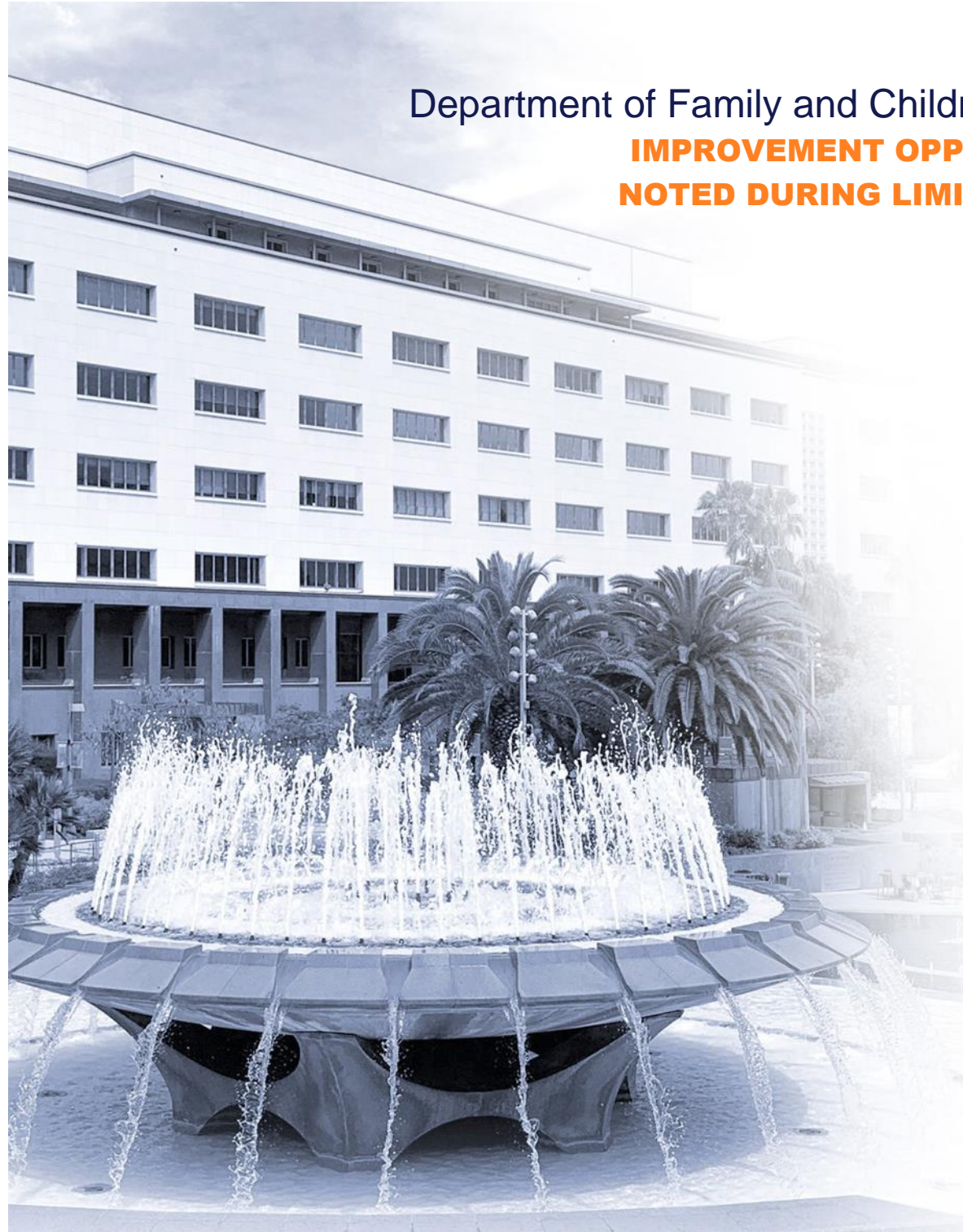
ASSISTANT AUDITOR-CONTROLLER

Robert Campbell

DIVISION CHIEF

OFFICE OF COUNTY INVESTIGATIONS

June 26, 2019



Department of Family and Children Services

**IMPROVEMENT OPPORTUNITIES
NOTED DURING LIMITED REVIEW
#2018-14227**

NUMBER OF RECOMMENDATIONS	
PRIORITY 1	1
CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS	
PRIORITY 2	0
CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS	
PRIORITY 3	0
CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS	



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**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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ARLENE BARRERA
ACTING AUDITOR-CONTROLLER

ADDRESS ALL CORRESPONDENCE TO:
OFFICE OF COUNTY INVESTIGATIONS
500 W. TEMPLE ST., ROOM 515
LOS ANGELES, CA 90012-3756

June 26, 2019

TO: Bobby D. Cagle, Director
Department of Children and Family Services

FROM: Robert G. Campbell, Chief
Office of County Investigations

SUBJECT: **IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW
#2018-14227**

During a limited review at the Department of Children and Family Services (DCFS), we noted areas where DCFS can strengthen its internal controls over Adoption Assistance Program payments to identify and prevent improper/ineligible payments to adoptive parents. Please see Attachment I, Table of Findings and Recommendations for Corrective Action, for details of our observations and recommendations. The Auditor-Controller's follow-up process and internal control disclosures are included in Attachment II.

Review of Report

We discussed our report with DCFS management. The Department's response (Attachment III) indicates **general agreement** with our findings and recommendations.

We thank DCFS management and staff for their cooperation and assistance during our review. If you have any questions please call me at (213) 893-0058, or your staff may contact Cristina del Rosario at (213) 893-0868.

RGC:GH:cdr
IOR-2018-14227

Attachments

c: Arlene Barrera, Acting Auditor-Controller
Audit Committee
Audit Division

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14227**

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RISK	RECOMMENDATION	P¹	SUMMARY OF RESPONSE
1	<p>Verification of Beneficiary Eligibility: The Department of Children and Family Services (DCFS) can strengthen its process for verifying eligibility of recipients/caregivers and beneficiaries receiving recurring payments, such as those made under the Adoption Assistance Program (AAP).</p> <p>While DCFS has a process to assess eligibility at inception and to periodically inquire with the caregiver about ongoing eligibility for payments, that process does not provide any independent verification that the caregiver or beneficiary is still alive. As a result, payments could be issued for deceased children or to deceased caregivers and go undetected.</p> <p>We found evidence that DCFS paid monthly AAP benefits totaling more than \$200,000 over a five-year period to an adoptive parent who falsified eligibility certifications and concealed that their child was deceased.</p>	<p>Issuing benefit payments without a process to periodically verify that recipients are eligible to continue receiving them, including periodically confirming that the beneficiary is still alive, could result in County overpayments, County losses, and resources being diverted from other critical needs.</p>	<p>DCFS management identify all programs that issue recurring payments, such as AAP, and strengthen the eligibility verification process for each of those programs by performing periodic comparisons of government death records with payment recipients and beneficiaries.</p> <p>For example, on a quarterly basis DCFS could compare the Social Security Administration’s (SSA) Full Death Master File with a listing of AAP beneficiaries and payees to ensure that AAP payments are not issued for deceased children or to deceased caregivers.</p>	1	<p>Agree Target Implementation Date: September 2019</p> <p>DCFS’ attached response indicates that they will implement corrective action to address the issue.</p>

¹ **Priority Ranking:** Recommendations are ranked from Priority 1 to Priority 3 based on the potential seriousness and likelihood of negative impact on departmental operations if corrective action is not taken. See Attachment IV for definitions of priority rankings.

FOLLOW-UP AND INTERNAL CONTROL DISCLOSURES

FOLLOW-UP PROCESS The Auditor-Controller (A-C) has a follow-up process designed to provide assurance to the Board of Supervisors (Board) that departments are taking appropriate and timely corrective action to address audit recommendations. Within six months of the date of an audit report, departments must submit a Corrective Action Implementation Report (CAiR) detailing the corrective action taken to address all recommendations in the report. Departments must also submit documentation with the CAiR that demonstrates the corrective action taken. We will review departments' reported corrective action and supporting documentation, and report the results to the Board. For any recommendations not fully implemented, departments must report the status of corrective action within six months after our first follow-up report is issued.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROLS As indicated in County Fiscal Manual Section 1.0, management of each County department is primarily responsible for designing, implementing, and maintaining a system of internal controls that provides reasonable assurance that important departmental and County objectives are being achieved. Internal controls should sustain and improve departmental performance, adapt to changing priorities and operating environments, reduce risks to acceptable levels, and support sound decision-making.

Management must monitor internal controls on an ongoing basis to ensure that any weaknesses or non-compliance are promptly identified and corrected. The A-C's role is to assist management by performing periodic assessments of the effectiveness of the department's internal control systems. These assessments complement, but do not in any way replace, management's responsibilities over internal controls.

LIMITATIONS OF INTERNAL CONTROLS Any system of internal controls, however well designed, has limitations. As a result, internal controls provide reasonable but not absolute assurance that an organization's goals and objectives will be achieved. Some examples of limitations include errors, circumvention of controls by collusion, management override of controls, and poor judgment. In addition, there is a risk that internal controls may become inadequate due to changes in the organization, such as reduction in staffing or lapses in compliance.



County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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Director

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Chief Deputy Director

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Fourth District
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June 14, 2019

To: Robert G. Campbell, Chief
Office of County Investigations

From: Bobby D. Cagle
Director

**RESPONSE TO AUDITOR-CONTROLLER FINDINGS AND RECOMMENDED
CORRECTIVE ACTIONS – REPORT #2018-14227**

The Department has reviewed the Auditor-Controller's report and is in agreement with the findings and recommendations. We have already initiated corrective measures on the issues that were brought to our attention during the review process, and will report on the corrective actions planned and/or taken to address the recommendations within the respective timeframes established by the priority rankings.

If you have any questions or require additional information, please have your staff contact Onnie Williams III, Administrative Services Manager III, at 323-881-1348.

BDC:BTN:ow

Attachment

c: Cynthia McCoy Miller, Senior Deputy Director
Rogelio Tapia, Administrative Deputy

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14227
DEPARTMENT ACTION PLAN/RESPONSE

ISSUE 1: VERIFICATION OF BENEFICIARY ELIGIBILITY	
A/C Recommendation	<p>DCFS management identify all programs that issue recurring payments, such as AAP, and strengthen the eligibility verification process for each of those programs by performing periodic comparisons of government death records with payment recipients and beneficiaries.</p> <p>For example, on a quarterly basis DCFS could compare the Social Security Administration's Full Death Master File with a listing of AAP beneficiaries and payees to ensure that AAP payments are not issued for deceased children or caregivers.</p>
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan¹	<p>DCFS management will review all programs, such as AAP, that issue recurring payments, and determine which of those programs could benefit from an enhanced eligibility verification process. DCFS has already instructed AAP managers and staff via email in December 2018 and as a reminder again in March 2019 to review as part of the bi-annual AAP eligibility reassessment process if there is a documented record of a deceased caregiver or child. In addition, an independent payment verification process that will include validating if a caregiver or beneficiary is still alive will also be added to the internal Quality Assurance random sample review tool.</p> <p>Additionally, DCFS will also work with the Social Security Administration (SSA), CDSS, as well as the Auditor-Controller and other County Departments, to explore the feasibility of gaining access to governmental death records. The goal would be the development of an electronic data interchange system to identify and cross-match available death records, such as SSA's Full Death Master File, against existing AAP recipients.</p>
Planned Implementation Date	September 2019
Additional Information (optional)²	<p>It is important to note that existing regulations (Title 22, Section 35343 (b)(1)(A)(1) and the All County Letter 15-50, page 6) mandate Counties' to not initiate contact with adoptive parents. The existing regulations instruct that, if the reassessment form (AAP 3) is not returned by the adoptive parent(s), the County is required to continue the AAP benefits.</p> <p>DCFS will consult with the State to assess and determine the feasibility and appropriateness of legislative remedies to support communication and contact by the County's responsible public agency with the adoptive parents to add additional enhancements to the verification process, which will allow for open communication at critical junctures.</p> <p>Additionally, DCFS Eligibility staff will also work with program staff to identify earlier points in the adoption process, where CSWs can share the possibility</p>

of a co-adoption to include any two people, as a way to mitigate any unintentional fraudulent activity resulting from a lack of understanding when there is a health or age issues with any given primary adoptive applicant who is the identified AAP payment recipient.

DCFS has initiated discussion with SSA's Data Exchange Coordinator to clarify how LA County DCFS can get an access to the "Full Death Master File". SSA is currently working with the California Department of Social Services (CDSS) to complete an agreement for the State to receive the file. They indicated that they have reached out to CDSS and asked for LA County DCFS to be added to their written agreement as DCFS falls under the authority of CDSS. According to SSA, they first must complete the agreement with CDSS before they can assess the possibility of a separate agreement with LA County DCFS. At this time, it is not clear as to how long it will take to finalize the agreement and what the outcome will be.

PRIORITY RANKING DEFINITIONS

Auditors use professional judgment to assign rankings to recommendations using the criteria and definitions listed below. The purpose of the rankings is to highlight the relative importance of some recommendations over others based on the likelihood of adverse impacts if corrective action is not taken and the seriousness of the adverse impact. Adverse impacts are situations that have or could potentially undermine or hinder the following:

- a) The quality of services departments provide to the community,
- b) The accuracy and completeness of County books, records, or reports,
- c) The safeguarding of County assets,
- d) The County's compliance with pertinent rules, regulations, or laws,
- e) The achievement of critical programmatic objectives or program outcomes, and/or
- f) The cost-effective and efficient use of resources.

Priority 1 Issues

Priority 1 issues are control weaknesses or compliance lapses that are significant enough to warrant immediate corrective action. Priority 1 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category may be situations that create actual or potential hindrances to the department's ability to provide quality services to the community, and/or present significant financial, reputational, business, compliance, or safety exposures. Priority 1 recommendations require management's immediate attention and corrective action within 90 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 2 Issues

Priority 2 issues are control weaknesses or compliance lapses that are of a serious nature and warrant prompt corrective action. Priority 2 recommendations may result from weaknesses in the design or absence of an essential procedure or control, or when personnel fail to adhere to the procedure or control. These may be reoccurring or one-time lapses. Issues in this category, if not corrected, typically present increasing exposure to financial losses and missed business objectives. Priority 2 recommendations require management's prompt attention and corrective action within 120 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.

Priority 3 Issues

Priority 3 issues are the more common and routine control weaknesses or compliance lapses that warrant timely corrective action. Priority 3 recommendations may result from weaknesses in the design or absence of a procedure or control, or when personnel fail to adhere to the procedure or control. The issues, while less serious than a higher-level category, are nevertheless important to the integrity of the department's operations and must be corrected or more serious exposures could result. Departments must implement Priority 3 recommendations within 180 days of report issuance, or less if so directed by the Auditor-Controller or the Audit Committee.