



Deborah K. Nichols  
District of Columbia Auditor  
013:05:LS:gk

## **OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR**

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### **Letter Report: Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Human Services (HS)**

**February 28, 2005**



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March 1, 2005

Honorable Adrian Fenty  
Chairperson, Committee on Human Services  
Council of the District of Columbia  
The John A. Wilson Building  
1350 Pennsylvania Avenue, NW, Suite 113  
Washington, DC 20004

**Letter Report:**        **Implementation Status of Auditor Recommendations Pertaining to Audits of Agencies Under the Purview of the Committee on Human Services (HS)**

Dear Councilmember Fenty:

Attached for your review is a summary of the implementation status of District of Columbia Auditor recommendations pertaining to audits of agencies under the purview of the Committee on Human Services. This report reflects the implementation status of recommendations contained in an audit of the Department of Human Services. Additional efforts will be undertaken by my office to verify the accuracy and validity of the information reported by this agency.

Submitted with this letter report is a matrix for each audit. Each matrix sets forth the findings, recommendations, and the agency's status of implementing each recommendation. This report covers the following audit under your Committee's purview that was issued by the District of Columbia Auditor during fiscal years 2002 through 2005 to date:

**FY 2004:**

- DCA2104: Ineffective Management, Poor Internal Controls, and Inadequate Financial Oversight Found Within the District's Subsidized Child Care Program RELEASED: September 15, 2004 (**Department of Human Services**)

Our review procedures consisted of staff inquiries as well as a review of the status of recommendations provided by agency management. Our follow-up work is being conducted in accordance with government audit standards established by the Comptroller General of the United States, United States Government Accountability Office.

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Councilmember Adrian Fenty  
March 1, 2005

It is my plan to follow-up on all findings and recommendations to determine whether timely and appropriate corrective actions have been undertaken and fully implemented by the appropriate agencies. I believe that our efforts to ensure timely implementation of recommendations contained in District of Columbia Auditor reports will contribute substantially to the goal of making government work more efficiently, effectively, and economically. Further, we will continuously monitor recommendations that have only been partially implemented or not implemented at all. Our efforts in this particular area will be to assist the affected agency in designing and implementing corrective actions or other solutions to effectively and timely address the deficiency, weakness, or risk found during the audit.

As always, please do not hesitate to contact me at 202/727-3600 should you have any questions.

Respectfully,  


Deborah K. Nichols  
District of Columbia Auditor

Attachments as stated

cc: Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**OFFICE OF THE DISTRICT OF COLUMBIA AUDITOR FISCAL YEAR 2004 REPORTS:**

Ineffective Management, Poor Internal Controls, and Inadequate Financial Oversight  
Found Within the District's Subsidized Child Care Program

**RELEASED: SEPTEMBER 15, 2004**

<p><b>TOTAL RECOMMENDATIONS: 17</b>  <b>RECOMMENDATIONS IMPLEMENTED OR CORRECTIVE ACTIONS TAKEN: 9</b>  <b>RECOMMENDATIONS PARTIALLY IMPLEMENTED OR IN PROGRESS: 6</b>  <b>RECOMMENDATIONS NOT IMPLEMENTED: 1</b>  <b>NO RESPONSE TO RECOMMENDATION: 1</b></p>
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**FINDING NO. 1: INADEQUATE AND UNRELIABLE INTERNAL MANAGEMENT AND FINANCIAL CONTROLS RESTRICTED ACCESS TO THE SCCP**  
**Subfinding 1:** DHS Reprogrammed \$14.5 Million from its TANF Block Grant and CCDF Matching and Discretionary Funds to Cover A \$14 Million FY 2002 Funding Shortfall in the SCCP  
**Subfinding 2:** DHS' CFO Failed to Timely Communicate the Actual Amount of Funding Available for the SCCP in FY 2002  
**Subfinding 3:** DHS Planned to Implement Additional Strategies to Address Funding Challenges in OECD's SCCP

RECOMMENDATION	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
The Executive Director of OECD and the DHS CFO immediately implement adequate procedures necessary to monitor, manage, and forecast funding and expenditures for subsidized child care services in a prudent and responsible manner in order to avoid future operating shortfalls and program disruption.	<b>Letter from Yvonne Gilchrist, Director, DHS, dated December 14, 2004 states: Implementation is in process and ongoing.</b> Actions taken by DHS: Child Care Services Div. Prog. Mgr. prepares monthly budget projections for child care subsidies; information is shared electronically with Exec. Dir, Deputy Dir., and Financial Analyst; Financial Analyst reviews budget projections and communicates with OCFO; OECD team reviews projections and based on 2004 projections, it was determined that OECD could begin to remove children from waiting list.	
The DHS CFO monitor OECD's spending and provide timely, sound financial reporting services, information, and guidance to DHS and OECD officials and program managers so that contingency plans, if warranted, can be implemented immediately.	<b>Letter from Yvonne Gilchrist, Director, DHS, dated December 14, 2004 states: Implementation is completed.</b> On monthly basis, DHS OCFO provides OECD with finan. Reports generated from SOAR to facilitate DHS and OECD monitoring efforts; on quarterly basis, DHS OCFO prepares a financial review process (FRP) which compares approved budget with projected expenditures. FRP process can identify "shortfalls"; on semi-annual basis, DHS ODCO conducts face to face	

	<p>mtgs. With DHS and OECD officials to review year to date and projected expenditures to ensure adherence to budgets. W/I DHS OCFO, there is a dedicated budget analyst to monitor OECD program and a financial analyst has been placed in OECD to assist program managers.</p>	
<p>The Director of DHS and the Executive Director of OECD implement planned strategies; devise additional strategies to address funding challenges for subsidized child care services in the District of Columbia; and pursue other funding options that may provide needy families with a stable source of financial assistance for child care services.</p>	<p><b>Letter from Yvonne Gilchrist, Director, DHS, dated December 14, 2004 states: Implementation is in process and ongoing.</b> OECD maintained and increased partnerships with government agencies who refer children: income maintenance admin. (IMA) continued its transfer of funds to CCDF block grant; IMA rec'd approval for amendment to Food Stamp Employment and Training Program (FSETP); FSETP provides a 50/50 local state match from USDA. DOES did provide funding in FY2003, but were unable to in FY 2004. OECD and DCPS Early Childhood Office implemented Head Start First Initiative. OECD provides before and after school care to eligible three and four year olds who are in publicly funded Bd. Of Ed. And Public Charter Schools. OECD submitted an enhancement request with its FY 2005 budget submission. Council transferred \$750,000 from DVSA to OECD to offset costs for children of working foster parents. OECD submitted enhancement request with FY 2006 budget for additional local appropriations for child care subsidy.</p>	
<p>The Director of DHS, Executive Director of OECD, DHS CFO, and the Director of the CFSA, within 45 days of the date of this report, determine and report to the Auditor and the Chairperson, Committee on Human Services, Council of the District of Columbia, the exact amount of reimbursements to be received from CFSA for child care services provided to foster children at least for the period April 2001 through December 2002.</p>	<p><b>Letter from Yvonne Gilchrist, Director, DHS, dated December 14, 2004 states: Implementation is in process and ongoing.</b> OECD transmitted password protected disk to CFSA transmitting information on foster children receiving subsidized child care for Oct. 1, 2002 to Aug. 31, 2004. Total amount of funds spent by OECD on services to foster children is \$1,733,112.94 for Oct. 1, 2002 to Aug. 31, 2004. OECD will continue to submit date on foster children served by CFSA on a quarterly basis.</p> <p><b>Letter from Barbara Ferguson Kamara, Exec. Dir. Of OECD, dated January 11, 2005:</b> OECD transmitted a Memorandum, dated October 13, 2004,</p>	

	<p>and included a password protected CD transmitting detailed information regarding foster children receiving subsidized child care for the period from October 1, 2002 to August 31, 2004. The Program Manager for the Child Care Subsidy Program was contacted in November 2004 by a person from the CFSA Revenue Enhancement Division to obtain the password for the CD. The CFSA staff person indicated that CFSA intends to submit a request for reimbursement for the period October – December 2002 by the submission deadline which is December 31, 2004. The total amount of local funds spent by OECD on services to foster children is \$1,733,112.94 for the period October 1, 2002 through August 31, 2004. Please note that only Child and Family Services Agency can file claims with the Federal government for Title IV E reimbursement. In FY 2005, the Council of the District of Columbia transferred \$750,000 from the Child and Family Services Agency (CFSA) budget to OECD to offset the costs for care of children of working foster parents. OECD will continue to submit data on foster children served to CFSA on a quarterly basis. IF the expenditures exceed the \$750,000 transferred by the Council, a process will be developed with CFSA to handle the additional costs.</p>	
<p>The Director of DHS and the Executive Director of OECD immediately prepare a detailed cost analysis report, with justifications, which presents the average cost of providing child care services through DCPS, DCPSHS, and DPR beginning with fiscal year 2001 and provide a copy of this report to the Auditor and the Chairperson, Committee on Human Services, Council of the District of Columbia within 90 days of the date of this report.</p>	<p><b>Letter from Yvonne Gilchrist, Director, DHS, dated December 14, 2004 states: Implementation is completed.</b> OECD in collaboration with Center for Applied Research and Urban Policy at UDC has developed a cost projection model which includes tables that indicate how the model was derived and average cost per child at different levels. The report and tables indicate how the model was derived and the average cost per child at different levels including age group only, by age group and setting and by age, setting and level. It also breaks our average cost for the District of Columbia Public Schools. OECD provide a copy of model.</p>	

**FINDING NO. 2: POOR LONG RANGE FINANCIAL PLANNING AND MISMANAGEMENT FORCED OECD TO CREATE A WAITING LIST TO LIMIT THE NUMBER OF CHILDREN SERVED BY THE SCCP**

RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
<p>The Executive Director of OECD: update the waiting list procedures to include an objective decision-making process for moving families from the waiting list into the SCCP; Document all applicable procedures and guidelines for the waiting list in one official record; begin to maintain a master waiting list showing all children that have been posted to the waiting list and track and update their status; and institute a follow-up system for communicating with parents and guardians on the waiting list.</p>	<p><b>Letter from Barbara Ferguson Kamara, Executive Director, OECD, dated January 11, 2005:</b> "Implementation is in process and ongoing."  <b>"WAITING LIST PROCEDURES:</b> OECD has revised all of its procedures related to the waiting list for subsidized child care. The policies outline the procedures for placing children on the waiting list, removal of children from the wait list, monitoring procedures to determine removal from the waiting list and maintaining contact with those on the waiting list. Copies are available at OECD. <b>MASTER WAITING LIST:</b> OECD continues to maintain a master list of all persons on the waiting list. To date, OECD's waiting list database that was developed and maintained by OIS does not have the ability to identify or mark the families who were on the waiting list and are later placed in child care automatically. Currently this is done through a manual match of families enrolled during a specific time frame. OECD has requested that the Office of Information Systems add this feature to the database. Any modification to the database such as adding a field to track placement on the waiting list will require a release of a new version of the module to all users. Modifications must be tested prior to any new release. <b>WAITING LIST FOLLOW-UP:</b> In September 2004, OECD mailed a letter to 969 families who were placed on the waiting list between September 2002 and December 2003. Letters were sent both regular US Postal mail and certified mail. A list of families and status of letters that were returned has been compiled. This list indicates if the family responded to the letter and or called OECD to indicate they are still in need of child care. A final attempt will be made to make telephone contact with families where the letter was unable to be delivered and where a delivery was made but the family did not respond by October 25, 2004. If contact is unable to be made, these families will be removed from the official wait list</p>	

no later than February 2005. Their information, however, will be available to OECD should the family re contact us. Those families who are able to be reached and those who have already responded will be contacted and enrolled as funding allows throughout FY 2005. "

**FINDING NO. 3: OECD MANAGEMENT ENGAGED IN A CARELESS PATTERN OF OVERPAYMENTS TO PROVIDERS WHICH TOTALED \$4.8 MILLION DURING THE AUDIT PERIOD**

RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
<p>The Executive Director of OECD, the Supervisor of the SCCP, and the DHS CFO review the current system of internal controls over provider payments to determine the accuracy of MARs filed by providers and ensure that the controls are effective and functioning as intended. MARs must be adequately and timely reviewed and verified by designated OECD staff in order to determine whether any terminations or other changes occurred that affect payments. Overpayments must be immediately detected and adjustments made on a monthly basis not more than 30 days after a child's termination or other changes that affect payments.</p>	<p><b>Letter from Yvonne Gilchrist, Director, DHS, dated December 14, 2004 states: Implementation is in process and ongoing.</b> OECD and DHS OCFO collaborated with DHS OIS to design, test and implement automated attendance reporting system. All program monitors in program development Division and CCSD staff received training on attendance policies and procedures. 365 persons from child care provider community have been trained on new attendance policies and procedures. OECD has established written policies for Monthly Provider Payments. Attendance reports are reviewed monthly by Accounts Payable Unit. OECD is in process of implementing an electronic attendance reporting system OECD has established. A system for documenting provider submission dates and whether the MARs is submitted manually or electronically. Providers have been told to submit report regardless of whether they have children receiving subsidy or not so complete attendance history can be maintained by OECD. Accounts payable submits monthly summary of findings to program managers. Program monitors have been trained on new procedures for onsite attendance reviews since Oct. 2004. OECD has not made referrals to OIG yet—goes to DHS Office of Investigations first, and they refer. To date, no suspected attendance fraud.</p>	
<p>The Executive Director of OECD require providers to submit bi-weekly attendance reports and bi-weekly termination reports which shall be reviewed and verified immediately for accuracy and completeness.</p>	<p><b>Letter from Barbara Ferguson Kamara, Executive Director, OECD, dated January 11, 2005: "Not being implemented.</b> OECD is unable to require providers to submit bi-weekly attendance and termination reports at this time for the following</p>	



<p>All attendance and termination reports should be approved by specifically designated OECD managers and filed in an organized, secure recordkeeping system at a minimum for accounting and audit purposes.</p>	<p>reasons: This requirement would increase the work load of the providers at a time when new hardware is being installed, new automated attendance procedures are being implemented and a series of new policies regarding attendance are being implemented. To require OECD providers to submit bi-weekly attendance and termination reports will result in providers demanding to be paid twice a month and perhaps a request to be compensated for additional administrative cost. OECD would need to hire additional staff in the Accounts Payable Unit (four (4) account technicians and a staff assistant) to receive and review the attendance and termination reports, enter data into the system, and process the payroll and file the reports. Additional lockable file cabinets and space are needed to keep the paper records. DHS Associate CFO needs to consult with the DC Treasurer as to whether it is willing to process payment for DHS twice a month."</p>	
<p>The Executive Director of OECD establish an effective system of accountability and documentation of providers who regularly submit inaccurate and incomplete attendance and termination reports. Providers who are found to be filing fraudulent attendance reports must be referred by the Executive Director of OECD to the Office of the Inspector General or other appropriate law enforcement authorities for immediate investigation.</p>	<p><b>Letter from Barbara Ferguson Kamara, Executive Director, OECD, dated January 11, 2005:</b> "Implementation is in process and ongoing." OECD has implemented the recommendations from the Bert Smith and Company Report February 2002 on the Payment Management System. OECD established the following policies and procedures to establish an effective system of accountability and documentation of attendance and termination reports. Child Care Monthly Attendance Report Definitions of Terms for Attendance Policies and Procedures Monthly Provider Payments Attendance reports are reviewed monthly by Accounts Payable Unit. Since July 2004, all center-based Providers can submit monthly attendance reports via the OECD database (attendance module) or use a standard form and OECD enters information from the form into the database. A report of all terminations and changes can now be generated electronically and then entered into the system. Since July 2004, attendance reports are the basis for payment for all providers. OECD has not made referrals to the Office of Inspector General for investigation for providers who file fraudulent</p>	

attendance reports. If OECD suspects fraud by a provider or customer, the case is referred to the DHS Office of Investigations and Compliance for investigation. Appropriate action is taken based on recommendation from OIC. As of this response, no providers have been referred for suspected attendance fraud.

**FINDING NO. 4: OECD MANAGEMENT PAID \$87,120 FOR A FY 2000 OPERATIONAL REVIEW WHICH IDENTIFIED PERSISTENT DEFICIENCIES IN THE SCCP THEN FAILED TO ADDRESS THE FINDINGS AND RECOMMENDATIONS**

RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
<p>The Executive Director of OECD immediately prepare a corrective action plan and timetable for promptly addressing all of the findings and implementing the recommendations presented in Bert Smith &amp; Co.'s report dated February 28, 2002 . The Executive Director of OECD must provide a copy of the corrective action plan and timetable to the Chairperson Committee on Human Services, Council of the District of Columbia and the Auditor within 30 days of the date of this report.</p>	<p><b>Letter dated Dec. 14, 2004 from Yvonne Gilchrist, Director Department of Human Services</b> states that DHS forwarded a copy of response to Bert Smith &amp; Co.'s report to ODCA and Committee on Human Services on November 1, 2004.</p>	

**FINDING NO. 5: THE DIRECTOR OF DCPS's TANF PROGRAM INTENTIONALLY OVERSPENT THE FY 2002 AFTERCARE PROGRAM BUDGET BY \$4.7 MILLION**

RECOMMENDATIONS	STATUS OF IMPLEMENTATION OF RECOMMENDATIONS	EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED
<p>The DCPS Superintendent thoroughly review the actions taken by the Director of the DCPS TANF Program in managing the AFTERCARE program during FY 2001 and FY 2002. Furthermore, the DCPS Superintendent should consider whether the actions of the Director constituted negligence or willful disregard for applicable laws, rules, regulations, and policies. To the extent that the TANF Director's actions are found to be negligent, intentional or in willful disregard of applicable laws, regulation, and rules, the TANF Director should be held accountable to the fullest extent permitted under District laws and DCPS personnel rules including termination</p>	<p>Letter from Karen R. Jackson, Assoc. Superintendent of Human Resources, DCPS dated October 20, 2004 notifying Mr. Howard Brown that he is terminated effective November 5, 2004, based on inefficiency, grave misconduct in office, incompetence, willful disobedience, willful non performance inexcusable neglect of duty, misuse of DCPS property, and violations of lawful rules and orders of Superintendent.</p>	

<p>The Director of DCPS TANF Programs immediately establish an electronic list of students enrolled in DCPS TANF programs and provide an electronic copy of this list to the Auditor within 45 days of the date of this report.</p>		
<p>The Executive Director of OECD: require that DCPS officials file all overdue financial reports, perform an analysis of the reports for compliance with the MOU and other legal and regulatory requirements, and investigate immediately any unusual charges or costs. A copy of the overdue reports must be provided to the Auditor within 45 days of the date of this report; establish an effective system to monitor and review compliance with MOUs executed with DCPS to ensure that the required financial and program reports are submitted timely, as well as to ensure compliance with all other terms and conditions of the MOU.</p>	<p><b>Letter from Barbara Ferguson Kamara, Exec. Dir., OECD, dated January 11, 2005:</b> Implementation completed for FY 2001 and 2002 and will continue for each year of the MOU.<b>THE ACTIONS TAKEN BY DHS:</b> OECD requested and received detailed financial reports from DCPS AfterCare for All for FY 01, 02 and 03. OECD Financial Analyst (on behalf of the CFO) reviewed and analyzed the financial reports for FY 2001 and 2002. OECD forwarded its analysis to DCPS for response to the FY 01 and FY 02 reports for review and response on October 26, 2004. OECD has received the DCPS response. A copy of OECD's report is enclosed.</p>	
<p><b>FINDING NO. 6: DCPS HEAD START PROGRAM FAILED TO PROVIDE AN ANNUAL REPORT REQUIRED BY MOU</b></p>		
<p><b>RECOMMENDATIONS</b></p>	<p><b>STATUS OF IMPLEMENTATION OF RECOMMENDATIONS</b></p>	<p><b>EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED</b></p>
<p>The Executive Director of OECD immediately require DCPSHS to provide an annual report detailing the expenditure of funds provided under the fiscal year 2001 and 2002 MOUs and review these annual reports to determine compliance.</p>	<p><b>Letter from Barbara Ferguson Kamara, Exec. Dir., OECD, dated January 11, 2005:</b> Implementation completed for FY 2001 and 2002 and will continue for each year of the MOU. <b>THE ACTIONS TAKEN BY DHS:</b> OECD requested and received detailed financial reports from DCPS HS. DCPS HS has submitted its FY 2001 and FY 2002 annual and expenditure reports. OECD Financial Analyst (on behalf of the CFO) reviewed and analyzed the financial reports for FY 2001 and 2002 for compliance with the MOU and findings were forwarded to DCPS HS for review and response. DCPS HS has provided its response to OECD. A copy of OECD's report is enclosed.</p>	

<b>FINDING NO. 7: DHS CFO FAILED TO CONDUCT REVIEW OF DPR FINANCIAL RECORDS AS REQUIRED BY MOU</b>		
<b>RECOMMENDATIONS</b>	<b>STATUS OF IMPLEMENTATION OF RECOMMENDATIONS</b>	<b>EXPLANATION FOR RECOMMENDATIONS THAT HAVE NOT BEEN IMPLEMENTED</b>
The Executive Director of OECD require DPR to submit detailed expenditure reports for FY 2001 and FY 2002 within 45 days of the date of this report. Copies of these reports shall be provided to the Chairperson, Committee on Human Services, Council of the District of Columbia. Further DPR shall to submit detailed enrollment and expenditure reports for FY 2003 and FY 2004, and in future fiscal years.	<b>Letter from Barbara Ferguson Kamara, Exec. Dir., OECD, dated January 11, 2005:</b> Implementation completed for 2001 and 2002 and will continue for each year of the MOU. <b>THE ACTIONS TAKEN BY DHS:</b> OECD requested and received the FY 2001, 2002 and 2003 reports from DPR. OECD Financial Analyst (on behalf of the CFO) reviewed and analyzed the financial reports for FY 2001 and 2002. The OECD analysis was submitted to DPR for review and response. DPR has submitted its response to OECD's findings and analysis of these reports for compliance with the MOU. A copy of OECD's report is enclosed.	
The DHS CFO provide to the Auditor, FY 2001 and FY 2002 written summaries covering reviews of DPR's financial and program records within 30 days of the date of this report. However, if such required visits have not been performed, the DHS CFO must immediately conduct a visit to review financial and other relevant records for FY 2001, FY 2002, and FY 2003. The corresponding written summaries must be submitted to the Executive Director of OECD and the Auditor within 45 days of the date of this report.	Implementation has been completed OECD in collaboration with Center for Applied Research and Urban Policy at UDC has developed a cost projection model which includes tables that indicate how the model was derived and average cost per child at different levels. The report and tables indicate how the model was derived and the average cost per child at different levels including age group only, by age group and setting and by age, setting and level. It also breaks our average cost for the District of Columbia Public Schools. OECD provided a copy of model.	
The Director of DHS and the Executive Director of OECD immediately prepare a detailed cost analysis report, with justifications, which presents the average cost of providing child care services through DCPS, DCPSHS, and DPR beginning with fiscal year 2001 and provide a copy of this report to the Auditor and Chairperson, Committee on Human Services, Council of the District of Columbia, within 90 days of the date of this report.	Implementation has been completed. Same as recommendation 4.	