



Chesterfield County, Virginia Internal Audit

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GREGORY L. AKERS
Director

DATE: December 16, 2016

TO: Joseph P. Casey, Ph.D.
County Administrator

FROM: Greg L. Akers
Director of Internal Audit

SUBJECT: Social Services SpecialWelfare Fund Audit

The Office of Internal Audit completed an audit of the Special Welfare Fund and the final report is attached.

We would like to thank Kiva Rogers, Jay Payne, Lillian Aghedo and their staff for their cooperation and assistance during this audit.

Attachment

Copy: Sarah Snead, Deputy County Administrator for Human Services
Kiva Rogers, Executive Director, Social Services
Jay Payne, Assistant Director, Social Services



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Social Services Special Welfare Fund

December 16, 2016

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Highlights

Internal Audit Report to the Board of Supervisors/School Board

Why We Did This Review

Internal Audit conducted this review as part of our FY16 audit plan approved by the County Administrator and School Board Superintendent.

Our objectives were to:

- Review internal controls over receipts and disbursements.
- Evaluate compliance with the State requirements, including testing required for annual external audit.
- Test reconciliation between the Treasurer's bank statements, Social Services subsidiary ledger and County's general ledger for Special Welfare Fund.
- Report results to the County Administrator.

What We Recommend

- Maintaining supporting documents for all disbursements.
- Document supervisory review for the reconciliation process.
- Document reconciliation completion and approval dates.



Social Services Special Welfare Fund

What We Found

Social Services is responsible for maintaining guardianship over children with court ordered Foster Care. The foster children that receive Social Security monthly benefits (SSI), a Social Security lump sum payment (Dedicated), Social Security monthly survivor's benefit or child support payments (SWF) are accounted for in the Special Welfare fund.

Social Services also maintains a miscellaneous account in SWF for donations and Supplemental Nutrition Assistance Program (SNAP) Cash repayments. Donations are disbursed based on need and donor restrictions. Social Services recovers SNAP benefit overpayments through established monthly payment plan and remits all collections monthly to the Virginia Treasurer's office.

Commendation(s)

We commend Social Services for complying with State requirements by accurately and timely recording Special Welfare receipts and performing accurate reconciliations of the Special Welfare accounts.

Cash Disbursement

Section 3-15 of the Specifications for Audits of Counties, Cities, and Towns, published by the Commonwealth's Auditor of Public Accounts, all funds should be spent in accordance with any special stipulations.

Disbursements testing for supporting documentation, account classification, and subsidiary ledger posting noted one exception. A \$2,526 payment to a guardian had social worker and finance staff approval on the disbursement authorization form, but did not include supporting documentation. Test results were shared with the County's external auditor to assist with required compliance testing. The one exception for lack of supporting documentation is also reported in the Compliance Section of the County's FY 2016 Comprehensive Annual Financial Report (CAFR).

Reconciliation

Best business practices suggest reconciliations should be prepared and reviewed timely. The reconciliations were being completed; however, they were not dated, and there was no documentation of supervisory review.

Management concurred with 3 of 3 recommendations to be implemented by 12/31/2016.

We appreciate the cooperation received from management and staff while conducting this audit.

INTRODUCTION

BACKGROUND

Part of Social Services responsibilities include maintaining guardianship over children with court ordered Foster Care. Social Services receives Social Security benefit and child support payments for certain foster care children. Social Security lump sum (Dedicated) and monthly disability benefit payments (SSI) are maintained in separate bank accounts. Social Security monthly survivor's benefit and child support payments (SWF) are deposited in the County's bank account and tracked with a separate general ledger account. These three categories above are recorded in separate accounts in the Special Welfare fund in the County's general ledger. Social Services maintains a subsidiary ledger (Quicken) to track balances by each child.

Social Services also maintains a miscellaneous account in SWF for donations and Supplemental Nutrition Assistance Program (SNAP) Cash repayments. Donations are disbursed based on need and donor restrictions. Social Services recovers SNAP benefit overpayments through established monthly payment plan and remits all collections monthly to the Virginia Treasurer's office. If a SNAP recovery client misses a planned payment, the future collection responsibility transfers from Social Services to the Federal debt set off program.

The following chart represents Special Welfare Fund cash activity covering the period of July 1, 2015 through March 31, 2016:

Fund	Balance as of 7/1/15	Additions	Deductions	Balance as of 3/31/16
Special Welfare	\$50,507	\$ 90,759	\$ 97,911	\$43,355

OBJECTIVES

Objectives of the audit were to:

- Review the Special Welfare Fund for proper internal controls over receipts and disbursements.
- Evaluate the Special Welfare Fund for compliance with State requirements, including testing required for annual external audit.
- Test reconciliation between the Treasurer's bank statements, Social Services subsidiary ledger and County's general ledger for Special Welfare Fund.
- Report Results to County Administrator.

SCOPE

We considered the following code, policies, and procedures during our audit:

Code of Virginia 63.2-320 Accepting and expending certain funds on behalf of children placed by or entrusted to local board when no guardian appointed; disposition of funds when children discharged	Virginia Department of Social Services Finance Guidelines Manual for Local Departments of Social Services Section 3-50 Special Welfare
Specifications for Audits of Counties, Cities, and Towns from the Virginia Auditor of Public Accounts	Chesterfield County Social Services Special Welfare Internal Procedures

We conducted this performance 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Nikiesha Roney, Staff Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

METHODOLOGY

Detailed information regarding the methodology can be found in the individual findings listed in the report. Our methodology included the following:

- Obtaining reconciliations to ensure they were being completed between the County's general ledger, Quicken, and the bank accounts timely.
- Testing reconciliations to ensure reconciling items appear reasonable.
- Testing receipts and disbursements for the Special Welfare Fund.

INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that internal controls were in place and there were minimal findings to question their ability to assist management in meeting its mission, goals, and objectives.

CLOSING

We would like to thank the Social Service's Finance Office management and staff for their cooperation and assistance during this audit.

FINDINGS, RECOMMENDATIONS, RESPONSES

Special Welfare Fund

(Point Sheet C-1.1)

CRITERIA:

Virginia's Auditor of Public Accounts (APA) Specifications for Audits of Counties, Cities, and Towns, chapter 3 contains various State Agency program compliance requirements for local governments. This includes the State Department of Social Services' Special Welfare funds requirements:

- All Child Welfare Trust Funds bank/investments accounts are under the local Treasurer's control.
- The local Treasurer has established separate accounts for all Child Welfare Trust funds, and these trust fund accounts are not comingled with any other funds or accounts of the locality.
- The Treasurer either maintains separate accounts for each child, or maintains detailed subsidiary ledgers to identify each child's balance in pooled accounts.
- Each special welfare account and dedicated account should be reconciled monthly with the Treasurer's records.
- Receipts are credited accurately and timely to the special welfare account or the dedicated account of the appropriate individual.
- Interest is properly credited to the account when earned.
- The local Treasurer is reimbursed monthly for program expenditures incurred in the current month, and only in the current month.
- Reimbursements are reported as refunds to expenditures.
- Unexpended special welfare funds and dedicated funds are returned to individuals who leave the agency's custody, refunded to applicable funding sources.
- Special welfare funds were spent in accordance with any special stipulations.
- SSI Dedicated funds were spent in accordance with Social Security Administration.
- Special welfare accounts and SSI Dedicated accounts without recent transaction activities are necessary.

The APA Specifications are audited annually during the County's Comprehensive Annual Financial Report (CAFR) Audit.

Good business practices for accountability and internal control require:

- Account reconciliations be signed and dated by preparer, with documented supervisory review.
- Supporting documentation for all disbursements.

FINDINGS, RECOMMENDATIONS, RESPONSES

Special Welfare Fund

(Point Sheet C-1.1)

CONDITION(S):

As of March 31, 2016 there were 11 foster children receiving special welfare funds. We selected samples from SSI Monthly, Dedicated and Special Welfare receipts and disbursements. We tested 10 receipts for supporting documentation, account classification, subsidiary ledger posting to client accounts, and timely deposits with no exceptions noted. We tested 11 disbursements for supporting documentation, account classification, subsidiary ledger posting to client accounts. One \$2,526 payment to a guardian had social worker and finance staff approval on the disbursement authorization form, but did not include supporting documentation. Social Services later provided support for \$1,900 of the \$2,526 disbursement.

We also tested three months (July 2015, December 2015, and March 2016) for each of the Special Welfare Fund reconciliations (Dedicated, SSI, & SWF), for a total of nine reconciliations. We tested timeliness, that reconciling items were resolved, and documented signature by preparer and reviewer. We found the reconciliations were complete; however, the reconciliations were not dated and there was no documentation of supervisory review.

Test results were shared with the County's external auditor to assist with required compliance testing. The one exception for lack of supporting documentation is also reported in the Compliance Section of the County's FY 2016 Comprehensive Annual Financial Report (CAFR).

CAUSE(S):

The disbursement was issued without complete supporting documentation.

The Finance staff preparing reconciliations did not document completion dates or review by an additional staff member.

EFFECT(S):

Without supporting documentation, the purpose of the disbursement cannot be verified.

Without dates there is no way to verify reconciliations are prepared timely.

COMMENDATION(S):

We commend Social Services for complying with State requirements by accurately and timely recording of Special Welfare receipts and performing accurate reconciliations of Special Welfare accounts.

FINDINGS, RECOMMENDATIONS, RESPONSES

RECOMMENDATION(S):

To strengthen internal controls, we recommend Social Services:

1. Maintain supporting documentation for all disbursements.
2. Finance Department implement a review step for the reconciliation process.
3. Staff document reconciliation completion and approval dates.

MANAGEMENT'S RESPONSE(S):

1. *Concur. Debra Gates, Administrative Analyst, is responsible for implementing by 12/31/16. She will ensure that supporting documentation (approved by social worker) is on hand, complete and retained for all disbursements.*
2. *Concur. Lillian Aghedo, Administrative Manager-Finance and Jay Payne, Assistant Director are responsible for implementing by 12/31/16. They will implement a review step for the reconciliation process to ensure that monthly reconciliations are documented and dated.*
3. *Concur. Lillian Aghedo, Administrative Manager-Finance and Jay Payne, Assistant Director are responsible for implementing by 12/31/16. They will implement a review step for the reconciliation process to ensure that monthly reconciliations are documented and dated.*