

Ulster County Department of Social Services Preschool and Children and Family Services Units

Claims Processing

JANUARY 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Ulster County Department of Social Services Preschool and Children and Family Services Unit

Audit Objective

Determine whether claims were properly authorized, supported, audited and paid in accordance with contracts.

Noteworthy Findings

- The Department has adopted a multi-level claims approval process.
- We reviewed 309 invoices paid to five vendors totaling \$14.1 million. Except for minor discrepancies which we discussed with Department officials, payments were made in accordance with contracts and represented actual documented expenditures.

There are no recommendations as a result of this audit.

County officials agreed with our findings.

Background

Ulster County (County) is governed by a 23-member Board of Legislators (Board). The elected County Executive is the County's chief executive officer and is responsible for oversight of County operations.

The County Department of Social Services (Department) is responsible for providing early intervention and preschool education programs and children and family services. These programs are supervised by various federal and New York State agencies and funded by a combination of federal, State and County funds.

An appointed Commissioner oversees the Department and a division head monitors service providers (providers).

County Comptroller personnel are generally responsible for auditing claims for payments made through the County's main financial systems. However, claims for certain services are processed through a second system and audited by the Department's Finance personnel.

Quick Facts

Department Employees	302
County Population	179,225
Square Miles	1,124
2016 Department Budget	\$122 million
2017 Department Budget	\$120 million

Audit Period

January 1, 2016 – July 24, 2017

Claims Processing

What Is an Effective Claims Process?

An effective claims processing system ensures that all services are provided in accordance with contracts. Properly designed and functioning standards and procedures reduce the likelihood that significant errors or irregularities will occur and remain undetected, and help ensure that vendors are performing as expected.

Department personnel should verify documentation provided by vendors relating to contract payments. Segregating duties and structuring multiple levels of approval aid in proper authorization and oversight of contract payments. Managers and department heads are first in the approval and monitoring process. Internal claims auditors supplement management oversight by independently providing the last level of approving claims prior to payment. Effective claims auditing ensures that payments represent actual documented expenditures paid for services rendered in accordance with contracts and reduces the risk of undetected errors.

The Department Has an Effective Claims Process

The Department established effective procedures to authorize and audit vendor claims. To ensure vendor compliance, the County adopted a corporate compliance program which included standards of conduct and a dedicated 24-hour hotline to report violations. All contracts contained terms for corporate compliance, holding providers to all County, federal, State and local laws, rules and regulations.

Department procedures also require several levels of review and approval before a claim is paid. The approval process is as follows:

- Department clerk enters data from caseworker and scans in supporting documentation;
- Division head (program manager) reviews and approves claim;
- Department finance personnel review and approve claim;
- Department head (Directors and Commissioners) reviews and approves claim;
- County accounts payable personnel review and approve claim;
- County Comptroller personnel (claims auditor) review and approve claim; and
- County Finance Department personnel review and approve claim.

If claim documentation is inadequate, it is sent back for additional information and the entire approval process restarts. The Department's procedures will delay or stop payments of claims when the vendor provides inadequate documentation.

We reviewed 309 invoices paid to five vendors totaling \$14.1 million to determine whether contractual terms were followed and claims were properly paid. During our review, we found evidence of effective claims processing. Specifically, we found instances when payments were partially denied or adjusted based on incorrect rates, and missing or incorrect documentation such as prescriptions, system to track and account for children (STAC) records, evaluations or parent authorizations documented on program denial forms. For example, an invoice for September 2016 maintenance for nine handicapped students totaled \$140,071; however, the County paid \$135,948 to the vendor due to a correction in the daily rate. In addition, this payment – whose invoice was dated October 4, 2016 – was further delayed until December 22, 2016 because the claim did not contain an attendance record. County officials would not approve the claim until the vendor provided it.

Except for minor discrepancies which we discussed with Department officials, payments were made in accordance with contracts and represented actual documented expenditures.

Conclusion

We commend County officials for establishing an effective claims processing system and procedures.

Appendix A: Response From County Officials

COUNTY OF ULSTER
DEPARTMENT OF SOCIAL SERVICES
1061 DEVELOPMENT COURT
KINGSTON, NEW YORK 12401-1959

Michael P. Hein, County Executive

Michael A. Iapoce, Esq., Commissioner
Barbara J. Sorkin, Deputy Commissioner
Cynthia N. Beisel, Deputy Commissioner



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January 18, 2018

Tenneh Blamah, Chief Examiner of
Local Government & School Accountability
Office of State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Subject: UCDSS Preschool & Children and Family Services Units – Claims Processing –
Report of Examination 2017M-253

Dear Ms. Blamah:

This letter is in response to the Office of State Comptroller's draft Report of Examination on the UCDSS Preschool and Children & Family Services Units Claims Processing conducted earlier in 2017. Thank you for the opportunity to provide the following comments on the draft Report.

DSS understands the importance of claims processing and appreciates the Office of the State Comptroller's acknowledgement that the Ulster County Department of Social Services is in compliance with proscribed accounting methods. UCDSS is always receptive to review and evaluation of our efforts and practices to ensure compliance with all governmental regulations.

At this time, we would also like to recognize the professionalism of OSC's Review Staff and express our appreciation for the consideration they demonstrated while conducting the review.

Ulster County Website: www.co.ulster.ny.us

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Thank you again for the opportunity to provide comments to this draft Report.

Sincerely,

Michael A. Iapoce, Esq.
Commissioner

Cc: Michael P. Hein, County Executive
Ken Crannell, Deputy County Executive
Burton Gulnick, Commissioner/Finance
Cynthia Beisel, Deputy Commissioner
Barbara Sorkin, Deputy Commissioner
Pete Carney, Director/Finance

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We audited DSS early intervention and preschool education programs and children and family services units, based on largest amounts paid to individual vendors, to determine whether they established effective procedures for claims processing.
- We reviewed the Department's policies and procedures and interviewed County and Department officials regarding the claims processing.
- We identified 10 vendors paid over \$600,000 each, with payments totaling \$37 million, during the audit period and judgmentally selected the five highest vendors paid over \$2 million each as a sample. We obtained a copy of each contract from our sample. We then reviewed and summarized the contract terms and service description, and noted whether the services were mandated.
- We reviewed contract terms for the five selected vendors to verify dates, rates and amounts and compared them to the invoices. We then tested for accuracy. We verified maintenance rates charged by vendors for Committee of Special Education (CSE) placements by comparing them to rates on the Office of Children and Family Services website. We verified tuition rates by comparing them to the New York State Education Department website.
- We reviewed 309 invoices paid to the five vendors totaling \$14.1 million to determine whether contractual terms were followed and claims were properly paid. We tested vouchers for dates, amounts charged, signatures, mathematical accuracy and supporting documentation. We reviewed accounts payable invoice reports to verify payment dates and actual amounts paid for foster care payments. We reviewed vendor payment history to verify payment dates and actual amounts paid for CSE payments. We confirmed payments did not exceed contract amounts.

We conducted this performance audit in accordance with GAGAS (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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning

the value and/or size of the relevant population and the sample selected for examination.

Appendix C: Resources and Services

Regional Office Directory

http://www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

<http://www.osc.state.ny.us/localgov/costsavings/index.htm>

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

<http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm>

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

<http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg>

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

<http://www.osc.state.ny.us/localgov/planbudget/index.htm>

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

<http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf>

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

<http://www.osc.state.ny.us/localgov/finreporting/index.htm>

Research Reports / Publications – Reports on major policy issues facing local governments and State policy-makers

<http://www.osc.state.ny.us/localgov/researchpubs/index.htm>

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

<http://www.osc.state.ny.us/localgov/academy/index.htm>

Contact

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