

Improve Internal Controls		Agency/Program #: 6901-06-G1
		Division: Business
		Program: Internal Control
Agency Name:	Department of Public Health and Human Services	
Agency Contact:	Laurie Lamson	444-2754
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Program or Project Description:

Improve the department's internal control environment by continually working to maintain an effective fiscal control environment by completing an annual risk assessment of major financial processes and conducting mitigation activities on 100% of identified high risk components.

Appropriation, Expenditure and Source					
Fund Name:	2010		2011		Approp & Expenditure numbers are as of April 30, 2010
	Approp.	Expended	Approp.	Expended	
General Fund			61,830		
State Special			23,994		
Federal Funds			72,534		Please see LFC comment
Total:	\$0	\$0	\$158,358	\$0	

Goal(s):

Enable continuous improvement in the DPHHS internal control environment by: 1) maintaining an internal control structure that promotes efficient and documented compliance with applicable laws and regulations; and 2) encouraging business processes that enhance the effectiveness and efficiency of department operations. (Page B-65 LFD Fiscal Report)

Performance Measures :

Measurements and reporting from Page B-65 LFD Fiscal Report: Measurements include: 1) Identification of major financial processes; 2) conduct risk assessment and mitigation process each year; 3) the objective is met when 100 percent of identified, major financial processes are assessed and mitigation activities are completed.

Report on major financial risk identified, mitigation activities and progress towards completion, and reflect major current or estimated expenses or cost savings.

2011 Biennium Significant Milestones:		Completion Dates	
		Target	Actual
1	No milestones were provided by the division. The following milestones were provided in the Governor's budget request (pg. B-65 and B-69 in the LFD Fiscal Report.)		
2	Identification of major financial processes at the beginning of FY 2011 biennium	FY 2010 & 2011	
3	Conduct risk assessment and mitigation process each year	On-going	
4	The objective is met when 100 percent of identified, major financial processes are assessed and		
5			
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Performance Report:

1) The risk assessment baseline was completed as of June 30, 2009.

- a) A risk assessment model was developed using qualitative and quantitative information to evaluate the existing failure risk for major business objectives. A business process is a combination of staff and technology working together to implement policies and procedures to achieve a desired business objective.
- b) 12 major business processes were evaluated; including, AWACS Contracts, AWACS non-contracts, Accounts Receivable/Deposits, Accounts Payable, CAPS Payments, Federal Reporting/Draws, Facility Reimbursement, SEARCHES, MMIS Medicaid Payments, PERQS, TEAMS, and Weatherization.
- c) The risk process identified two high risk business processes; Facility Reimbursements and Medicaid Payments.
- d) Risk management steps completed in 2009 for Facility Reimbursement include: procedure development, claims audits, workload reassignment, staff development and increased management involvement.
- e) Risk management steps completed in 2009 for MMIS Medicaid Payments include: procedure development, staff augmentation, training plans, staff development and increased management involvement.
- f) The 12 business processes included in the 2009 risk assessment model were determined too broad for effective long term risk evaluation and mitigation. Business process categories for the 2010 assessment cycle have been expanded to include more discrete functions. The risk evaluation model has been retooled to include a broader array of factors that allow for more focused and efficient risk mitigation.

2) The SFY 2010 risk assessment cycle is underway.

- a) 34 significant business processes have been identified. The 34 are included in categories such as; procurement and payment processes, client service provision and payment processes, grants management, cash flow, financial reporting and resource management.

Each business process will be scored under a weighted risk evaluation model including such factors as; value per transaction, complexity of transactions, daily transaction value, complexity of data processing applications, frequency of reconciliations, segregation of duties, compensating controls, level of employee training, and frequency of findings in this area.

- b) Business processes scoring highest on the risk evaluation model will be targeted for risk management activities and increased testing frequency.

c) The 2010 risk assessments will be completed by June 30th. Risk management plans will be developed during July and August with implementation of throughout 2011.

LFD Narrative:

LFD Assessment: On Track

Data Relevance: The data provides a list of tasks as reported in December and expands the list for the June report. At LFD staff request, BFSD also provided an update on the information requested by the Health and Human Services Appropriation Subcommittee during the past session (Page B-65 in the Legislative Fiscal Report) as a means to help legislators "connect the dots" from the session discussions to the June report. The update can be seen in the Performance Report section from items 1) c to the end of the report.

Appropriations: There was not a specific amount tied to this measure. Per discussion during session, the legislature understood that BFSD would handle this project within its budget. The legislature did provide \$158,358 total funds for FY 2011 for: 1) 2 FTE (\$82,469) to enhance internal controls over fiscal operations of the department; 2) contracted services (\$70,339) for an internal audit review of the internal control structure and data systems, as well as training in internal controls and fraud detection and assistance in preparing a continuous improvement plan for managing collections and receivables activities; and 3) computer hardware and equipment (\$5,500).

The workgroup may wish to ask the division to give a brief update with regard to the \$158,358 appropriation at the June meeting.

Options

- 1) Change LFD Assessment
- 2) The workgroup may wish to: 1) Select items from section 2) a and b of the above report for inclusion in the division's report to the 2013 Session Subcommittee; and 2) Ask the division to update the Session Subcommittee on the use of the FTE appropriation.
- 3) Release from further reports

Version	Date	Author
6901-06-G1 B -1	12/7/2009	Daumiller
6901-06-G1 B -1	5/27/2010	Daumiller

Change Description
LFD Narrative Added
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