

ALASKA STATE LEGISLATURE

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SUMMARY OF: A Special Report on the Department of Health and Social Services, Division of Family and Youth Services, Travel Issues, March 4, 2003.

PURPOSE OF THE REPORT

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we conducted an audit of travel issues at the Division of Family and Youth Services (DFYS). The objectives of this audit were:

- To review DFYS' processes for approving, paying, and recording state and federally-funded, client-related travel expenditures. Client-related travel includes travel for children under DFYS oversight, employee and nonemployee escort travel, and family travel.
- To evaluate the effectiveness of internal controls over the above processes.
- To evaluate DFYS' compliance with statewide, department, and division travel policies and procedures.
- To review the travel credit card systems used by the division to procure client-related travel.

REPORT CONCLUSIONS

Our primary finding was that current procedures and internal controls are inadequate to control client-related travel costs. The four DFYS regions of the State do not follow the same guidelines and procedures for procuring travel.

Specifically, we concluded:

- The DFYS Travel Authorization and Request for Funds approval process is lengthy, time-consuming, and costly to the division.
- Management review does not adequately control travel costs.
- Practices do not comply with current travel policies and procedures.
- Email communications may not adequately safeguard client information.

FINDINGS AND RECOMMENDATIONS

1. The DFYS director should redesign and simplify the division's travel processes.

Current policies and procedures are inadequate to control travel costs. The travel request approval process should be simplified. Travel clerks, rather than social workers, should make travel arrangements. Internal controls over travel costs should be amended. All four DFYS regions should follow department and division travel policies and procedures. The policy requiring the State to pay transportation costs for foster children to accompany their foster family on vacation should be clarified.

Simplified processes for ticket purchases will enable the division to greatly increase its use of advance purchase airline fares. Our testing of 132 trips showed that 67 percent of the expenditures were for nonemergency, full-fare tickets. We conservatively estimated the potential savings for the division at \$650,000 per year.

2. The DFYS director should determine if additional safeguards over confidential client information communications are necessary.

State and federal policies require DFYS to protect client information. The use of email by DFYS staff may compromise that confidentiality as we noted the use of client names and medical needs in email messages sent between division staff. DFYS should consult with the Department of Administration, Information Technology Group, to determine if additional security measures are needed to prevent unauthorized access to electronic client information.

This issue may also affect other divisions in the Department of Health and Social Services. *The Health Insurance Portability and Accountability Act of 1996* (also known as HIPPA) requires security and privacy of health information. The Divisions of Medical Assistance and Public Health may also need to have additional safeguards placed over their confidential information.

March 21, 2003

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF FAMILY AND YOUTH SERVICES
TRAVEL ISSUES

March 4, 2003

Audit Control Number

06-30019-03

This audit addressed various issues pertaining to travel expenditures for children under the oversight of the Division of Family and Youth Services. It included a review of the division's internal controls and processes for approving, paying, and recording client-related travel expenditures, and its compliance with state and department policies and procedures.

The audit was conducted in accordance with generally accepted government auditing standards. Field work procedures utilized in the course of developing the findings and discussion presented in this report are discussed in the Objectives, Scope, and Methodology section. Audit results are found in the Report Conclusions and in the Findings and Recommendations sections.

Pat Davidson, CPA
Legislative Auditor

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OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we conducted an audit of the Department of Health and Social Services, Division of Family and Youth Services (DFYS), Travel Issues.

Objectives

The objectives of the audit were:

- To review DFYS' processes for approving, paying, and recording state and federally-funded, client-related travel expenditures. Client-related travel includes child travel, employee and nonemployee escort travel, and family travel.
- To evaluate the effectiveness of internal controls over the above processes.
- To evaluate DFYS' compliance with statewide, department, and division travel policies and procedures.
- To review the travel credit card systems used by the division to procure travel.

Scope and Methodology

Our field work included performing internal control testing over a judgmentally-selected sample of FY 01 and FY 02 client-related travel expenditures. Our expenditure testing reviewed 132 Travel Authorizations (TA) and Requests For Funds (RFF) for FY 02. The dollar amount of our testing universe was \$1.9 million from which we tested a total of \$122,987 (6.3 percent). (See Appendix A.)

Additional field work included review of the following items:

- Alaska statutes and regulations.
- Prior Legislative Audit reports and relevant United States General Accounting Office reports.
- Statewide, department, and division travel policies and procedures.
- Financial reports from the State accounting system.
- DFYS travel expenditure coding documents.
- Selected DFYS client case files.

We conducted interviews with management and staff in the Juneau central office, with administrative and program management and staff in the regional offices, and with social workers in various field offices across the State.

The audit did not review client-related travel paid by Medicaid, which was evaluated under the Division of Legislative Audit's report, *Department of Health and Social Services, Division of Medical Assistance, Internal Controls over Medicaid Payments, January 31, 2003, Audit Control No. 06-30018-03*.

The audit's review of the use of credit cards by DFYS personnel was limited to DFYS' Central Travel Account cards because client and escort travel, the subject of this audit, was purchased only with these credit cards during the period under audit.

ORGANIZATION AND FUNCTION

Title 47 of the Alaska Statutes charges the Department of Health and Social Services (DHSS) with the responsibility for providing a range of services designed “to protect children by preventing and remedying repeated abuse, neglect, and the exploitation of children.” The department created the Division of Family and Youth Services (DFYS) in 1980 by combining the Division of Social Services with the youth section of the Division of Corrections. In 1999 the Youth Corrections section of DFYS was established as a separate division within DHSS entitled the Division of Juvenile Justice.

To meet its mission, DFYS has 29 field offices, organized into four regional offices (Northern, Anchorage, Southcentral, and Southeast), that provide child protective services, permanency planning for children, community care licensing, foster and residential care, family support services including family preservation and reunification, and subsidized adoption and guardianship for special needs children. The DFYS director oversees approximately 400 permanent employees serving about 1,900 children. (See Appendix B.)

Budget and expenditure data, from the Fiscal Year 2003, Operating Budget for DHSS, published by the Legislative Finance Division, is presented in the table below.

DFYS FY 02 Budget and Expenditures and FY 03 Budget			
(in thousands)			
Component	FY 02		FY 03
	Budget	Expenditures	Budget
Purchased Services:			
Family Preservation	\$8,747	\$7,168	\$9,176
Foster Care Base Rate	9,245	8,353	10,011
Foster Care Augmented Rate	3,487	2,405	3,685
Foster Care Special Needs	4,579	4,125	3,849
Foster Care Alaska Youth Initiative	369	369	550
Subsidized Adoptions/Guardianships	15,413	15,253	14,610
Residential Child Care	12,873	12,159	19,261
Court Ordered/Reunification	500	500	500
Total Purchased Services	<u>55,213</u>	<u>50,332</u>	<u>61,642</u>
Front-Line Social Workers	20,925	20,654	24,264
Balloon Project	1,547	1,323	1,547
Management	4,359	4,031	4,850
Staff Training	1,233	778	1,220
Total Budget/Expenditures	<u>\$83,277</u>	<u>\$77,118</u>	<u>\$93,523</u>

Front-line social workers in the field offices deliver services to abused and neglected children and their families. The Balloon Project is dedicated to accelerating the permanent placement of children who have been identified as being in foster care the longest. Staff training is provided through a partnership with the School of Social Work at the University

of Alaska, Anchorage. Foster families are funded to provide care for children through four programs: Base Rate, Augmented, Special Needs, and the Alaska Youth Initiative. The Adoption and Guardianship program provides incentives for the adoption of children with special needs and the Residential Child Care program places children in a therapeutic living situation.

BACKGROUND INFORMATION

The Division of Family and Youth Services (DFYS) is required to provide child welfare services to protect children living in the State of Alaska. Federal matching funds for foster care and adoption assistance are received through Title IV-E of the Social Security Act. Because Title IV-E Foster Care eligible children are automatically eligible for Medicaid (Title XIX of the Act), Medicaid pays for their travel for medical services.¹ This audit did not review travel paid by Medicaid for either the children or for their escorts. Medicaid-paid travel was reviewed in the Division of Legislative Audit's report, *Department of Health and Social Services, Division of Medical Assistance, Internal Control over Medicaid Payments, January 31, 2003, Audit Control No. 06-30018-03*.

Children under DFYS oversight (DFYS clients) may be required to travel for medical and educational services, emergency placement, residential care, adoption and guardianship, home and relative visits, and cultural continuity. Transportation, both within and outside of Alaska, may be provided by private automobile, taxi, bus, ferry, or airplane. Clients may travel alone or with an escort. Escorts may be DFYS or other State employees, guardians ad litem, court appointed special advocates, foster parents, relatives, or contractors.

Currently, tickets for client-related travel may be charged to either MasterCard Central Travel Accounts (CTAs) or state-issued MasterCard individual employee cards.² During the period under audit however, DFYS used only CTAs to procure client and escort travel. "Travel" clerks in each regional office are essentially travel accounts payable clerks. They reconcile the CTA billings; generally, they do not make travel arrangements for DFYS staff and clients.

¹ Medicaid funds are matched by the State's General Fund. Generally the match is approximately 60% federal funds and 40% state funds.

² An employee's travel credit card may be used only for that individual's work-related travel expenditures.

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REPORT CONCLUSIONS

We reviewed the Division of Family and Youth Services' (DFYS) processes for procuring travel for its clients and their escorts and determined that DFYS travel management processes need to be redesigned. Our primary finding was that current procedures and internal controls are inadequate to control costs. In addition, all four DFYS regions of the State do not follow the same guidelines and procedures for procuring travel.

The DFYS Travel Authorization and Request For Funds approval process is lengthy, time-consuming, and costly to the division.

In a report titled, *Travel Process Reengineering, March 1995, Rpt. No. AIMD/NSIAD-95-90* (<http://www.gao.gov>), the United States General Accounting Office (GAO) identified and analyzed private industry "best practices" for travel management. Following these best practices has allowed private corporations to meet mission requirements, reduce travel and processing costs, and improve administrative services to employees. Some of these practices could be easily adopted by DFYS.

The most effective best practice cited in the GAO report was to empower employees to make travel decisions themselves, up to a specific dollar limit, with only immediate supervisor approval. Currently, a social worker needs to complete a Travel Authorization (TA) for the escort and a Request For Funds (RFF) form for the client.³ Those forms then have to be approved by the worker's immediate supervisor, staff manager, and the regional children's services manager.⁴

Cost savings, often lost because of the delays incurred in obtaining required approvals, can be achieved through the increased use of advance purchase tickets. Our testing of 41 TAs and RFFs, for which comparative data was available,⁵ showed potential savings of \$26,166 through the use of advance purchasing.

It should be noted that a projection of the above dollar savings to all of DFYS' travel expenditures could be misleading. That is, our testing of advance purchases was limited to only those transactions (41) for which we could obtain historical, advance-purchase price data, and thus may not have been representative of the population. Further, DFYS does not account for airline travel separately from lodging and per diem costs for client-related travel.

³ One region completes one RFF for both the client and the escort, if the escort is not a State employee and the travel is in-state. The other three regions put all adults on individual TAs.

⁴ Currently, supervisors may only approve expenditures up to \$300, staff managers up to \$600, and children's services managers up to \$1,500. The division director must approve all amounts greater than \$1,500 and all out-of-state travel expenditures.

⁵ In total, we tested 132 TAs/RFFs. Historical, advance-purchase prices for the date of procurement were available to us for only 41 of them.

Nevertheless, given the relative simplicity of the advance purchase process, we believe it is reasonable to make the following assumptions and estimates relating to the possible savings DFYS might accrue by using advance purchases.

- Nonemergency, full-fare airline tickets are purchased each year for approximately \$1.3 million. In our larger sample and testing of 132 transactions, 67 percent of total DFYS travel expenditures were nonemergency, full-fare tickets for which advance purchase tickets were available.⁶ Applying this percentage⁷ to DFYS' FY 02 client-related travel expenditures of \$1.9 million yields the \$1.3 million estimate.
- Advance purchase tickets often provide savings of 50 to 70 percent. This is based on our review of various itineraries online and discussions with DFYS staff.
- Applying a conservative savings rate of 50 percent to the \$1.3 million yields a potential annual savings estimate of \$650,000 for client-related travel.

The approval process also causes costly delays in the case of out-of-state trips or for those estimated to cost more than \$1,500. In these cases, a further review for accuracy and completeness is performed in the Juneau DFYS central office before the request goes to the director for final approval. It would be far simpler, and faster, to develop clear written guidelines for travel procurement, to make workers accountable for their decisions, and to give them the ability, within specified dollar parameters, to make their own travel decisions. This would also require increasing the dollar amount of the delegation of authority to spend for supervisors. Out-of-state travel could still require the director's approval but the intermediate, redundant approvals could be bypassed. A high level, post-travel review of TAs/RFFs would still be performed as part of the settlement process.

Currently, before submitting the request for approval, the social worker must get an estimate of the cost, a proposed itinerary, and the necessary supporting documents. After the trip is approved, the social worker arranges the ticket purchase and distribution. When travel is completed, the social worker then has to collect receipts and complete the final documentation. It is an extremely poor use of resources to have social workers perform clerical duties and arrange travel. Based on the U.S. Department of Health and Human Services, Administration for Children and Families, *Final Report, Alaska Child and Family Services Review, September 2002*, and from discussions with social workers, DFYS social workers are already overloaded with casework and should be spending their time on their clients.

DFYS should use travel procurement clerks to relieve the social workers of this burden. This is not to say that social workers should not receive any guidance on how to obtain the best travel fares. They do need to know about advance purchases, red-eye flights, mid-week flights, and restricted versus unrestricted fares in order to help keep costs to a minimum when informing the

⁶ This does not include rural air carriers, as advanced purchase tickets are generally not available.

⁷ This percentage is substantially higher than the airline component in the division's general travel accounts for state employees, for two reasons. First, given the nature of client-related travel, amounts paid for per diem and car rental are insignificant; therefore, the full-fare airline component percentage is much higher than in the division's other travel. Second, there have been few attempts to control the client-related airline costs.

travel procurement clerk of their needs. However, social workers do not need to know the myriad of details needed for the actual ticket reservations and purchasing.

The administrative cost to obtain all the travel approvals, including the time spent reviewing documents at each level of management, the cost of faxing a growing stack of documents back and forth from one office to another, and the expense incurred in storage of large amounts of paper, is excessive. The use of a simpler, more expedient system would result in administrative cost savings for the division.

Other best practice suggestions from the GAO report, which would simplify and make the system more cost efficient, include automating the TA and RFF approvals, developing the TA into a settlement document rather than an approval and settlement document, and mandating the use of corporate credit cards for advances and expenses⁸ to reduce overhead and the cost of cash advances.

An online schedule of required travel documents for the various types of travelers, procurement guidelines, and updated policies and procedures incorporating the suggestions listed above are needed for those involved with securing travel arrangements. (See Recommendation No. 1.)

Management review does not adequately control travel costs.

In general, DFYS management does not review and approve significant changes to estimated travel costs as is currently required by state regulation.⁹ When a TA or RFF is submitted for approval by a social worker, there are fields that must be completed for the estimated costs of transportation and per diem. At the time social workers submit the forms, they estimate the cost of the planned transportation at an advance purchase price.¹⁰ However, by the time all of the approvals are received and the tickets can be purchased, in most situations the price has increased. The actual price paid may be as much as three times the original estimate, yet the TA or RFF is not resubmitted for approval at the final, higher cost. If the division elects to delegate travel decisions to the employees themselves with only immediate supervisor approval, this step may be more easily accomplished.

There are two reasons why reapproval is not sought. The first is, by the time the trip is finally approved, the ticket has to be purchased immediately allowing no time for reapproval.

The second reason no reapproval is sought is because the social workers do not understand that the TA or RFF needs an updated approval for the increase in cost. Many social workers believe that it is the trip that they must have approved, not necessarily the cost. Indeed, many social workers across the State believe there is unlimited money available for client-related travel,

⁸ Beginning in FY03, DFYS employee frequent travelers received credit cards for their own work-related travel expenses, including cash advances.

⁹ The Alaska Administrative Manual 60.030 states that “*Any deviation from the travel plans originally approved must be documented on the Travel Authorization (TA) Form 02-027 and approved by the appropriate authority.*”

¹⁰ One region completes its TA and RFF forms differently. It uses the estimated highest cost available when seeking approval for the trip. If the actual purchase price turns out to be lower, the change in cost is not reapproved.

because DFYS is mandated to provide travel for its clients. They do not worry about actual costs. While this may be true for some travel, travel for many nonemergency trips should be purchased at the lowest possible cost.

Practices do not comply with current travel policies and procedures.

The Division of Administrative Services (DAS), within the Department of Health and Social Services, maintains a policy and procedure manual for the department. In addition, DFYS has manuals for both the Child Protective Services program and the Child Care Licensing program.¹¹ Basic to all of the manuals is the concept that

*officials authorized to approve travel must ascertain that the proposed travel is essential and in the best interests of the state. The officials must also ensure that full consideration has been given to alternatives such as written or electronic communication and that savings are realized whenever possible through the use of discount rates.*¹²

The preapproving officer has the responsibility to control the cost of travel. Our testing of 132 TAs and RFFs showed no evidence that travel requests were ever rejected because of cost or that nonemergency trips were postponed a week to take advantage of lower fares. According to the DAS manual, management staff at DFYS has that responsibility.

Travel may be purchased over the Internet. Another section of the DAS manual deals with the use of the Central Travel Account (CTA) to buy airline tickets. It states that the CTA account may be used to buy tickets through a travel agent, the Internet, or directly from the airlines.¹³ We found many DFYS employees, including the accounts payable/travel clerks, did not know the CTA cards could be used on the Internet. Many DFYS employees stationed in Juneau believe they are required to use the contract travel agency¹⁴ and may not arrange for tickets in any other way. Not only might savings be found on the Internet, but also online purchases would save the State the issuing fees of \$8 to \$28 charged by travel agencies.

Group home vacation expenditures are not justified. Child Protective Services' policy allows for the payment of transportation costs for foster children accompanying their foster parents and their children on vacation once a year. In one instance under this policy, the State paid for eight children to take a trip to Disneyland. Six of the children lived in a foster group home; the other two lived in a foster home next door to the group home. The trip appears to have been planned around the foster children rather than around bonding with a vacationing foster family with adoption as the eventual goal. We do not believe the trip to Disneyland followed the spirit of the policy. Because of last minute approvals, the cost of each ticket increased from \$475 to \$811.

¹¹ The program is also called the Community Care Licensing program.

¹² State of Alaska, Department of Health and Social Services, Division of Administrative Services, *Policy and Procedure Manual*, Section: Finance, No. 640, page 1.

¹³ Division of Administrative Services, *Policy and Procedure Manual*, Section: Finance, No. 640, page 6.

¹⁴ State of Alaska, *Contract Award Manual*, Travel Agency Services, 12.2.1.

Even if the trip was justified, paying almost \$6,500 (of which \$5,275 was State General Funds) instead of \$3,800 was not.

Expenditures are miscoded. The use of account and collocation codes for travel expenditures is not consistent within and among the regions. Although all accounts payable/travel clerks have a coding sheet to follow, lack of detailed code definitions leads to inconsistencies in applying the codes. For example, there is confusion between the use of the code for Title IV-E maintenance and the code for Title IV-E administration. Some regions charge items to administration while other regions charge the same type of expenditure to maintenance.¹⁵ As a second example, one region uses one account code only for employee program travel while the others charge both employee program travel and family visitation to it. The DFYS finance section should develop and promulgate more detailed definitions for consistent statewide use of account and collocation codes to ensure the State receives proper federal reimbursement of certain costs.

Case plans are generally not included with travel requests. Child Protective Services' policy requires that a copy of the case plan be submitted with each RFF form. However, because case plans are often bulky, social workers no longer routinely attach them to the RFF. If this practice continues, the risk is that this policy may be seen as arbitrary and, over time, additional procedures may be viewed by DFYS employees as inconvenient and eliminated from the process as well. If management decides to continue reviewing travel requests and decides the case plan is necessary to evaluate the request, the bulk could be reduced by attaching only the page of the case plan relating to the request. Otherwise, if the case plan is no longer necessary, the division director should amend the DFYS policies and procedures to reflect actual practice.

Email communications may not adequately safeguard client information.

Social workers and other DFYS staff use email on an everyday basis to communicate. Sometimes these emails contain confidential information on DFYS clients, including their names, residence, current program status, and medical condition. Without the appropriate safeguards, unauthorized access to this information may be obtained by either non-DFYS employees or even individuals outside the State governmental system. Management should consult with the Department of Administration, Information Technology Group, and explore the need for additional safeguards for emails containing confidential information. (See Recommendation No. 2.)

¹⁵ The federal reimbursement rate is different for the two collocation codes. Therefore, miscoding expenditures may result in over or under reimbursement to the State from the U.S. Department of Health and Human Services.

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FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The director of the Division of Family and Youth Services should redesign and simplify the division's travel processes.

Current policies and procedures are inadequate to control travel costs.

The travel request approval process should be simplified. Empowering employees to make travel decisions without having to obtain up to five levels of approvals should reduce both travel costs and administrative costs. The use of electronic Travel Authorizations (TAs) and Requests For Funds (RFFs) with approvals through email or documented telephone calls would shorten the process, allow for the purchase of less costly airline tickets, and reduce facsimile and archiving costs.

Social workers should not be required to make travel arrangements. Social workers are responsible for ensuring the health and safety of their clients. In many cases clients have to travel for medical and educational services, emergency placement, residential care, adoption and guardianship, home and relative visits, and cultural continuity. The social worker has to complete the travel requests, make the travel arrangements for the children and escorts, process Medicaid vouchers if required, and finalize post-travel documentation. This is a poor use of resources.

Travel-related duties should be assigned to travel clerks to free social workers to concentrate on social work. Social workers should simply provide the essential information to the travel clerks, including the time frame in which the travel needs to take place, travelers' names, and destination. Travel clerks charged with the responsibility for making the travel arrangements should be provided with specific training on obtaining low cost fares and accommodations and on using the Internet.

Internal controls over travel costs should be amended. In many instances, increases in transportation costs from the approved estimate on a TA or RFF to the actual final costs were not approved. Social workers told us that it is the trip they are getting approval for and not the cost. They said that because the Division of Family and Youth Services (DFYS) is statutorily required to provide the service, the cost is not a major factor in trip approval. Management should restate the need for ensuring the best interests of the State are met by controlling costs of nonemergency travel and requiring that actual ticket cost be considered.

All DFYS regions should follow department and division travel policies and procedures. DFYS staff does not comply with various policies and procedures including controlling the cost of travel, using the Central Travel Account to purchase tickets over the Internet, correctly coding travel expenditures, and attaching case plans to requests. Management should provide clear, concise guidelines to employees on controlling costs, provide detailed definitions to facilitate

coding costs, and clarify the division's policies and procedures regarding case plan attachment to each RFF.

The policy requiring the State to pay transportation costs for foster children to accompany their foster family on vacation should be clarified. This policy was established so that foster children would not have to be left home in a temporary placement when the family they live with took a vacation. It was not meant to provide an expensive, primarily State-funded vacation to Disneyland for children living in a foster group home. The policy should be evaluated and rewritten to clearly state its purpose of promoting bonding between foster children and their foster parents and foster family, with an eventual goal of adoption.

The DFYS travel procurement process should be evaluated, and policies and procedures should be updated and simplified to provide clear guidelines to control costs.

Recommendation No. 2

The DFYS director should determine if additional safeguards over confidential client information communications are necessary.

State and federal policies require DFYS to protect client information. While DFYS staff is very conscious of the need to maintain confidentiality over client records, that confidentiality may be compromised with the use of email. We noted the use of client names and disclosure of medical needs in email messages sent between division staff.

DFYS should consult with the Department of Administration, Information Technology Group, to determine if additional measures are needed to prevent unauthorized access to electronic client information. We understand that email sent on the State of Alaska system is generally well-protected from outside users. However, without additional safeguards, other State employees may be able to obtain access to the information. If the communications do go outside the State system, they are open to interception by unauthorized users.

This issue may also affect other divisions in the Department of Health and Social Services. *The Health Insurance Portability and Accountability Act of 1996* (also known as HIPAA) requires security and privacy of health information. The Divisions of Medical Assistance and Public Health may also need to have additional safeguards placed over their confidential information.

APPENDICES

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APPENDIX A
 DFYS Travel Issues
FY 02 Client-related Travel Expenditures by Region and Budget Component¹⁶

Budget Component	REGION					Total Program Expenditures
	Northern	Southcentral	Southeast	Anchorage	Indeterminate	
Family Preservation	\$ -0-	\$ 2,519	\$ -0-	\$ -0-	\$73,992	\$ 76,511
Special Needs	332,034	235,671	205,673	441,336	227	1,214,941
Residential Care	168,898	189,818	111,330	48,600	3,831	522,477
Court Ordered/ Reunification	<u>71,357</u>	<u>33,770</u>	<u>28,756</u>	<u>1,095</u>	<u>-0-</u>	<u>134,978</u>
Total Region Expenditures	<u>\$572,289</u>	<u>\$461,778</u>	<u>\$345,759</u>	<u>\$491,031</u>	<u>\$78,050</u>	<u>\$1,948,907</u>
As Percentage of Total Expenditures	29%	24%	18%	25%	4%	100%

¹⁶ Client-related travel expenditures do not include travel costs paid by Medicaid for eligible children and their escorts.

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APPENDIX B
 DFYS Travel Issues
Number of Children in DFYS Custody by Region and Fiscal Year¹⁷

Fiscal Year	REGION				Children in Custody Statewide
	Northern	Southcentral	Southeast	Anchorage	
FY 02 Average	332	499	161	904	1,896
FY 03 Average (First six months)	349	507	176	875	1,907

¹⁷ This count includes all children under the oversight of DFYS whether or not they are Medicaid-eligible.

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April 15, 2003

Pat Davidson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box 113300
Juneau, AK 99811-3300

Dear Ms. Davidson;

Thank you for the opportunity to review the preliminary audit findings. Following is the Department's response to the audit conclusions.

Recommendation No. 1

The DFYS director should redesign and simplify the division's travel processes.

DFYS concurs the travel process needs to be simplified and redesigned. DFYS is planning to review its escort travel policies and procedures to simplify the process. The Division of Administrative Services is also in the process of developing a travel-training program, which should generate additional efficiencies and cost savings.

The Department expects savings from the above actions; however, it may not be as high as projected by the Division of Legislative Audit.

Recommendation No. 2

DFYS director should determine if additional safeguards over confidential client information communications are necessary.

DFYS concurs with this recommendation. A review of these practices is appropriate. The department will be performing a formal risk analysis, which includes electronic transmission as required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Sincerely,

Joel Gilbertson
Commissioner