

# **DHS - DIRECTOR'S OFFICE/OFFICE OF CHIEF COUNSEL**

## **Enabling Laws**

Act 27 First Extraordinary Session of 2003

Act 1663 of 2001 and Act 1717 of 2003

A.C.A §25-10-101

A.C.A §25-10-102

A.C.A §25-10-106

A.C.A §25-10-108

A.C.A §25-10-111

A.C.A §25-10-113

## **History and Organization**

The Department of Human Services operates under an integrated service delivery system provided by twelve (12) divisions/offices in addition to the Director's office that includes the Office of Chief Counsel. Each division is under the direction, control and supervision of the director. The Director has the authority to transfer or assign duties or programs whether existing or new to offices, sections or units as deemed necessary for efficient and necessary operation of the department.

Act 348 of 1985 delegated administrative authority for the Department to the Office of the Director. The Director is responsible for establishing Departmental policy to carry out Executive Directives, federal and state legislative mandates and coordination of services across Division lines when individuals and families are provided services by multiple programs. The Director is also responsible for receiving from each of the divisions/offices and submitting a Department budget for review and approve by the Governor and General Assembly. The state institutions and operation of institutions remain under the jurisdiction of the State Institutional Systems Board and the Board of Developmental Disabilities Services. Both Boards work in concert with the DHS Director on issues that impact services for which each is responsible. The Director's Office has 8 positions budgeted in fiscal year 2005.

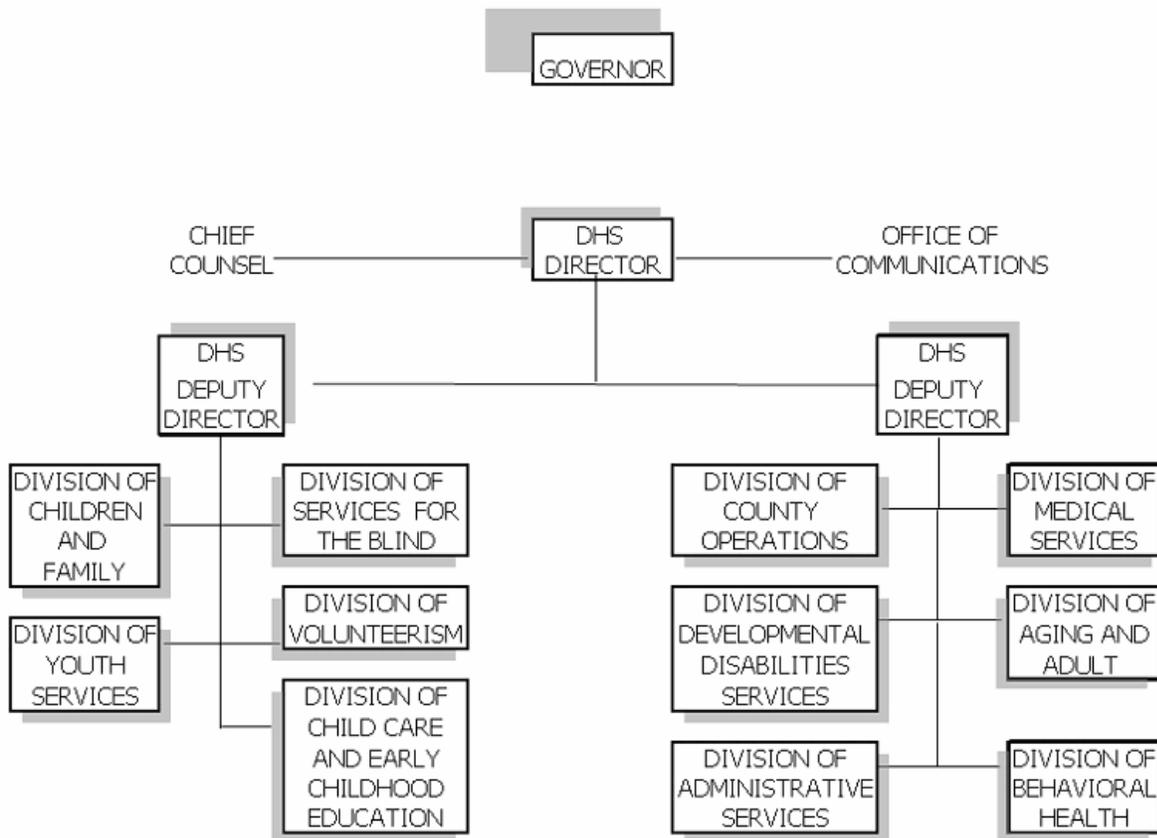
The Mission of the Department is "To provide quality services, within available resources, which enable people to maximize their potential and to increase their abilities; preserve and enhance human dignity and worth; and prevent or reduce the need for services."

The Office of Chief Counsel has 150 positions budgeted in FY2005 and provides legal, investigative, audit and administrative hearing services to the various divisions and offices within the Department. There are five (5) specific areas of responsibility within the Office of Chief Counsel and include the following:

- Legal Operations provides legal assistance on administrative, litigation pertaining to delivery of services, program administration, personnel, civil rights and overpayment collections.
- County Legal Operations provides legal support in all counties and provides assistance primarily in areas of child welfare and adult protective services. Attorneys also provide assistance in Family In Need of Services (FINS) cases when the children are place in foster care and assisting the Division of Youth Services in transitioning youth from their facilities when

they can not return home.

- Fraud Investigation pursues allegations of fraud with regard to matters such as Medicaid, Food Stamp and Child Nutrition. This unit also coordinates investigations with law enforcement with regard to food stamp trafficking.
- Audit Section conducts performance, compliance and financial audits; monitors the resolution of issues identified in audits performed by state and federal officials, develops audits requirements and guidelines.
- Appeals and Hearings administers the appeal process on adverse actions which include those related to all categories of Medicaid, TANF, Child Maltreatment.



## **Agency Commentary**

The DHS Director's Office is requesting Operating Expenses and Conference Fees for the Deputy Director and DHS Advocate. This additional appropriation will be utilized for routine office expenses and data processing supplies and will allow both the Deputy Director and the Advocate to travel out of state to attend conferences related to Medicaid and Abuse and Neglect Prevention, quality assurance and training related to various issues that have an impact on departmental operations.

The Office of Chief Counsel consists of 150 budgeted positions and provides legal, investigative, audit and administrative hearing services to the various divisions and offices within the Department of Human Services.

Funding for this appropriation comes from a mix of sources that include General Revenue, Federal and Other Funds. Federal and Other funding is determined by the Department's Cost Allocation Plan with Other funds from sources such as client fees, food stamp and overpayment collections.

The Office of Chief Counsel seeks to restore 2 positions (one Junior Auditor and one Social Services Investigator II) currently authorized but not budgeted due to funding level restrictions. These positions are needed to be able to better manage normal daily operations. With increased caseloads the number of positions currently filled is not adequate to meet day to day operations. Without these positions restored, we would run the risk of not completing audit and fraud case files and not meet federal time frames for completion. This request is for appropriation only for salary and associated personal services matching.

The Office of Chief Counsel also requests six (6) new attorney positions to be assigned to county offices supporting child welfare and adult protective services programs. The request is for General Revenue funding in the amount of \$122,616 and \$125,927 respectively for each year of the biennium. One new Hearing Officer is requested for hearings on Medicaid and Medical Review Team denials and is for appropriation only for salary and associated personal services matching.

To enable the Office of Chief Counsel to adequately keep up the increased rates on such items as postage, travel and network expenses for current base level positions we request \$91,450 appropriation only for both FY06 and FY07 in Operating Expenses. To ensure OCC professionals are current in Continuing Legal Education requirements, an increase in Conference & Seminar Fees and Conference Travel is requested and totals \$25,800 in General Revenue each year of the biennium. We also are requesting the establishment of a new CLIP series-DHS Legal Secretary II and the appropriation for salary and associated personal services matching for the legal clerical staff to be reclassified into this CLIP Series.

## **Audit Findings**

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
DEPARTMENT OF HUMAN SERVICES  
FOR THE YEAR ENDED JUNE 30, 2002

<u>Findings</u>	<u>Recommendations</u>
<p>Management of the Agency failed to provide adequate instructions for employees to follow when recording receipts, disbursements and transfers in the Arkansas Administrative Statewide Information System (AASIS) and failed to require periodic reconciliations between the federal funds drawn and federal revenues recorded in AASIS. As a result, interfund transfers were erroneously recorded as revenues and expenditures causing revenues and expenditures to be overstated by approximately \$425 million and \$481 million, respectively.</p> <p>Management of the Agency failed to provide proper segregation of duties in the Personal Property Office at the State Hospital and in the Managerial Accounting Section of the Office of Fiscal Management. Employees who were responsible for receipting funds, were also responsible for posting to patients accounts, and the employee who requests the drawdown of federal</p>	<p>Detailed written instructions be provided to those personnel responsible for recording transactions in AASIS and that a monthly reconciliation be conducted between federal revenue recorded in AASIS and the Agency's federal draw ledger.</p> <p>The Agency strengthen internal controls by segregating the receipting and accounting functions to the maximum extent possible. Also, daily receipts at the State Hospital should be reconciled to deposits.</p>

DIVISION OF LEGISLATIVE AUDIT  
 AUDIT OF :  
 DEPARTMENT OF HUMAN SERVICES  
 FOR THE YEAR ENDED JUNE 30, 2002

Findings

funds, also was responsible for receipting the electronic funds transfers from the Federal government. Also, daily receipts at the State Hospital are not reconciled to deposits. Although a daily receipt log is produced, it is not reconciled to deposits.

The Office of Fiscal Management has not developed adequate procedures for filing expenditure documentation since the implementation of AASIS. The Agency was unable to locate supporting documentation for eight (8) disbursement transactions from a statistical sample of eighty-three (83) transactions.

The Agency did not properly account for capital equipment and capital leases. Capital equipment reported on the Agency's general ledger in AASIS could not be reconciled to the subsidiary ledger. Acquisitions and retirement of capital equipment were not recorded in AASIS in a timely manner, and we noted various undocumented year-end adjustments recorded in AASIS by the Department of Finance and Administration that appeared to be duplicates of previous entries. Also, additions and retirements of capital leases were not recorded, which resulted in a net overstatement of assets totaling \$24,607,417, and the principal and interest payments on capital leases were recorded in an expenditure category of rental payments instead of debt service payments as required.

The Arkansas Administrative Statewide Information System (AASIS) fails to provide adequate controls to ensure the reliability of financial data, and, therefore, does not adequately safeguard the financial assets of the Agency. Specifically, the security configuration does not provide adequate segregation of duties to ensure that transactions are properly authorized, accurate and complete. This results from an excessive number of conflicts regarding the restricted access to financial data and data entry.

Recommendations

The Agency develop procedures to ensure adequate supporting documentation is maintained for all transactions.

Written procedures be developed and provided to personnel responsible for recording transactions in AASIS related to capital equipment and capital leases. Also, the value of capital equipment recorded on the AASIS trial balance should be reconciled to the subsidiary ledger on a periodic basis.

The Agency work with the AASIS staff to train additional personnel in order to resolve conflicts and maximize the segregation of duties.

**Employment Summary**

	Male	Female	Total	%
White Employees	986	3,403	4,389	64 %
Black Employees	437	1,946	2,383	35 %
Other Racial Minorities	29	75	104	1 %
Total Minorities			2,487	36 %
Total Employees			6,876	100 %

## Publications

### A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
None	N/A	N	N	0	N/A

## Department Appropriation / Program Summary

Appropriation / Program	Historical Data						Agency Request and Executive Recommendation							
	2003-2004		2004-2005		2004-2005		2005-2006				2006-2007			
	Actual	Pos	Budget	Pos	Authorized	Pos	Agency	Pos	Executive	Pos	Agency	Pos	Executive	Pos
896 Director's Office	699,222	7	856,210	8	873,195	8	888,766	8	864,581	8	905,998	8	881,582	8
896 Office of Chief Counsel	7,338,617	142	8,004,252	150	8,300,322	152	8,938,177	159	8,691,678	159	9,155,942	159	8,903,887	159
<b>Total</b>	<b>8,037,839</b>	<b>149</b>	<b>8,860,462</b>	<b>158</b>	<b>9,173,517</b>	<b>160</b>	<b>9,826,943</b>	<b>167</b>	<b>9,556,259</b>	<b>167</b>	<b>10,061,940</b>	<b>167</b>	<b>9,785,469</b>	<b>167</b>

Funding Sources			%		%		%		%		%		%		
General Revenue	4000010	2,609,851	32.5	2,609,851	29.5		29.5	2,846,101	29.5	2,697,685	29.5	2,914,257	29.5	2,762,530	29.5
Federal Revenue	4000020	4,363,606	54.3	5,824,336	65.7		65.7	6,348,956	65.8	6,017,119	65.7	6,500,487	65.8	6,160,247	65.7
Various Program Support	4000730	1,064,382	13.2	426,275	4.8		4.8	454,146	4.7	439,588	4.8	464,668	4.7	449,673	4.8
Total Funds		8,037,839	100.0	8,860,462	100.0		100.0	9,649,203	100.0	9,154,392	100.0	9,879,412	100.0	9,372,450	100.0
Excess Appropriation/(Funding)		0		0				177,740		401,867		182,528		413,019	
Grand Total		8,037,839		8,860,462				9,826,943		9,556,259		10,061,940		9,785,469	

## **Analysis of Budget Request**

**Appropriation / Program:** 896 - DHS – Admin Paying Account

**Funding Sources:** PWP-Administration Paying

Act 348 of 1985 delegated administrative authority for the entire Department of Human Services to the Office of the Director. According to ACA §25-10-102, the Department operates under an integrated service delivery system provided by eleven divisions in addition to the Director's Office that includes the Office of Chief Counsel. Both the Director and Chief Counsel operate from the same appropriation but are given separate paying funds. The DHS Director is responsible for establishing Departmental policy to carry out Executive Directives, federal and state legislative mandates and coordination of services across Division lines when individuals and families are provided services by multiple programs. Arkansas Code Annotated §20-76-201 delineates the powers and duties of the Department of Human Services.

The Mission of the Department is "To provide quality services, within available resources, which enable people to maximize their potential and to increase their abilities; preserve and enhance human dignity and worth; and prevent or reduce the need for services."

The Office of the Director has a total of 5 budgeted positions. The Office of Chief Counsel has 140 budgeted positions and provides legal, investigative, and administrative hearing services and internal audit functions to the various Divisions and Offices within the Department of Human Services. There are five (5) areas of responsibility within OCC as follows:

- Legal Operations - administering litigation pertaining to delivery of services, program administration, personnel, civil rights and overpayment collections
- County Legal Operations - providing legal support services in all 75 counties primarily in the areas of child welfare and adult protective services. Currently attorneys are physically located in 18 county offices.
- Fraud Investigation - related to Medicaid, food stamp and child nutrition with referrals for prosecution as necessary and appropriate and also includes coordination of investigations with law enforcement agencies with regard to food stamp trafficking.
- Appeals and Hearing - including all categories of Medicaid, TANF, Child Maltreatment and employee grievances.
- Audit - conducting performance, compliance and financial audits with follow up monitoring. The area is also responsible for development of audit requirements and guidelines.

The Director's Office/Office of Chief Counsel are funded from a mix of sources that include General Revenue (DAS - Department of Human Services Administration Fund Account), Federal, and Other funds. Federal and Other funding is determined by the Department Cost Allocation Plan. Other funding which is indicated as Various Program Support can also include sources such as client fees, Food Stamp and overpayment collections.

The Agency Base Level request for this appropriation is \$9,154,392 in FY2006 and \$9,372,450 in FY2007. Base Level for this appropriation includes graduated salary increase of 3% to 1.5% each year over the FY05 salary levels, along with related Personal Services Matching costs for 158 Base

Level positions. This includes a \$600 minimum increase for employees earning \$20,000 or below. Included in Personal Services Matching is a \$40 increase in the monthly contribution for State employee's health insurance for a total state match of \$320 per month.

The agency Change Level request for this appropriation is \$672,551 in FY2006 and \$689,490 in FY2007 with a General Revenue request of \$148,416 in FY2006 and \$151,727 in FY2007. The following delineates the agency request:

- Restoration of 2 positions that are authorized but not budgeted with salary and matching appropriation to allow for flexibility.
- 6 new Attorney positions with salary and matching appropriation to be located in the DHS county offices to be assigned as child welfare attorneys.
- 1 new Fair Hearing Referee with salary and matching appropriation to ensure fraud cases are not backlogged and would also assist in Food Stamp and TEA cases.
- \$96,540 in FY2006 and \$99,334 in FY2007 is requested for the Operating Expenses line item for office supplies, data processing supplies, postage, network services expenses and mileage expenses.
- \$67,000 each year of the biennium is requested for the Travel line item for continuing legal and auditing education.
- New CLIP series and reclassification for thirty-four (34) Medical/Legal Secretary positions with associated salary and matching appropriation.

The Executive Recommendation provides for Base Level and restoration of the 2 positions, 6 new Attorney positions and 1 new Fair Hearing Referee with unfunded salary and matching appropriation. Position reclassifications as recommended by the Office of Personnel Management.

## Appropriation / Program Summary

**Appropriation / Program:** 896 DHS – Admin Paying Account  
**Funding Sources:** PWP-Administration Paying

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2003-2004 Actual	2004-2005 Budget	2004-2005 Authorized	2005-2006			2006-2007		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	5,468,469	6,070,387	6,386,851	6,255,014	6,651,341	6,561,846	6,437,306	6,845,453	6,753,452
<b>#Positions</b>	<b>149</b>	<b>158</b>	<b>160</b>	<b>158</b>	<b>167</b>	<b>167</b>	<b>158</b>	<b>167</b>	<b>167</b>
Extra Help 5010001	20,829	22,578	22,579	22,578	22,578	22,578	22,578	22,578	22,578
<b>#Extra Help</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
Personal Services Matching 5010003	1,538,469	1,727,613	1,724,202	1,836,916	1,949,600	1,931,951	1,872,682	1,987,691	1,969,555
Operating Expenses 5020002	987,790	992,112	992,112	992,112	1,088,652	992,112	992,112	1,091,446	992,112
Travel-Conference Fees 5050009	22,282	24,472	24,473	24,472	91,472	24,472	24,472	91,472	24,472
Professional Fees and Services 5060010	0	11,000	11,000	11,000	11,000	11,000	11,000	11,000	11,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
Data Processing Services 5900044	0	12,300	12,300	12,300	12,300	12,300	12,300	12,300	12,300
<b>Total</b>	<b>8,037,839</b>	<b>8,860,462</b>	<b>9,173,517</b>	<b>9,154,392</b>	<b>9,826,943</b>	<b>9,556,259</b>	<b>9,372,450</b>	<b>10,061,940</b>	<b>9,785,469</b>
<b>Funding Sources</b>									
General Revenue 4000010	2,609,851	2,609,851		2,697,685	2,846,101	2,697,685	2,762,530	2,914,257	2,762,530
Federal Revenue 4000020	4,363,606	5,824,336		6,017,119	6,348,956	6,017,119	6,160,247	6,500,487	6,160,247
Various Program Support 4000730	1,064,382	426,275		439,588	454,146	439,588	449,673	464,668	449,673
<b>Total Funding</b>	<b>8,037,839</b>	<b>8,860,462</b>		<b>9,154,392</b>	<b>9,649,203</b>	<b>9,154,392</b>	<b>9,372,450</b>	<b>9,879,412</b>	<b>9,372,450</b>
Excess Appropriation/(Funding)	0	0		0	177,740	401,867	0	182,528	413,019
<b>Grand Total</b>	<b>8,037,839</b>	<b>8,860,462</b>		<b>9,154,392</b>	<b>9,826,943</b>	<b>9,556,259</b>	<b>9,372,450</b>	<b>10,061,940</b>	<b>9,785,469</b>

## Change Level by Appropriation

**Appropriation / Program:** 896-DHS – Admin Paying Account

**Funding Sources:** PWP-Administration Paying

### Agency Request

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>9,154,392</b>	<b>158</b>	<b>9,154,392</b>	<b>100.0</b>	<b>9,372,450</b>	<b>158</b>	<b>9,372,450</b>	<b>100.0</b>
C01	Existing Program	399,852	7	9,554,244	104.3	409,241	7	9,781,691	104.3
C05	Unfunded Appropriation	177,740	2	9,731,984	106.3	182,528	2	9,964,219	106.3
C09	CLIP Reclass	94,959	0	9,826,943	107.3	97,721	0	10,061,940	107.3

### Executive Recommendation

Change Level		2005-2006	Pos	Cumulative	% of BL	2006-2007	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>9,154,392</b>	<b>158</b>	<b>9,154,392</b>	<b>100.0</b>	<b>9,372,450</b>	<b>158</b>	<b>9,372,450</b>	<b>100.0</b>
C01	Existing Program	339,852	7	9,494,244	103.7	349,241	7	9,721,691	103.7
C05	Unfunded Appropriation	74,200	2	9,568,444	104.5	76,194	2	9,797,885	104.5
C09	CLIP Reclass	0	0	9,568,444	104.5	0	0	9,797,885	104.5
C10	Reclass	(12,185)	0	9,556,259	104.3	(12,416)	0	9,785,469	104.4

### Justification

C01	Six (6) new attorney positions are requested and will be assigned as child welfare attorneys in various county offices. (1) new fair hearing officer position to ensure the IPV (Fraud) cases are not backlogged and would also assist in Food Stamp and TEA cases. Additional conference travel and conference/seminar fees are requested to ensure the "continuing education" certification is completed by attorneys, auditors and fraud investigators.
C05	Conference Fees. Additional appropriation is requested for the DHS Deputy Director's Office which includes the DHS Advocate and this will allow both to travel to conferences that will benefit the department. Operating. With the increase in the cost of doing routine business, an increase in office Supplies and DP supplies is necessary to conduct the business of the DHS Director's Office. DHS Office of Chief Counsel - Restore (2) two currently authorized positions. Maintenance and Operations appropriation to ensure current operations are adequately covered to satisfy the increases in postage costs, computer equipment replacement and increased costs in network expenses.
C09	The Office requests a new CLIP series and reclassification for thirty-four Medical/Legal Secretary positions.
C10	Position reclassifications recommended by the DFA-Office of Personnel Management.