



AUDIT DEPARTMENT

Audit Report

Family Services
Social Security Trust Fund

July 2012

Angela M. Darragh, CPA, CISA, CFE
Audit Director

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Angela M. Darragh, CPA, CFE, CISA, Director



July 10, 2012

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

We have conducted an audit of the Family Services Social Security Trust Fund for the period February 1, 2011, to February 29, 2012.

The audit objectives were to determine if current procedures are effectively measuring, recording and reporting the receipt and use of Social Security benefits, adequate documentation is available to support fund activity, and the amount in the fund reconciles to supporting documents.

We found that current procedures currently in place are adequately recording and reporting the receipt and use of Social Security benefits for the children in the care of Clark County. However, we found that prior to 2009, adequate and reliable records to support activities and ledger balances were not available for examination. Additionally, ledger balances have not been reconciled to the general ledger on a monthly basis.

A draft report was provided to the Director of Family Services for comment and her response is included. We appreciate the cooperation and assistance provided by the Department of Family Services staff.

Sincerely,

/s/ Angela M. Darragh

Angela M. Darragh, CPA
Audit Director

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BACKGROUND With the passage of Assembly Bill No. 1 in 2001, the Division of Child and Family Services of the Nevada Department of Health and Human Services transferred foster care responsibilities to Clark County. The process was completed in 2004, and the County Department of Family Services (DFS) became the representative payee of children in County care who receive Social Security (SS) benefits.

Clark County pays regular foster care payments to eligible caregivers for children placed in their care. Payment amounts are based on a rate structure and eligibility requirements established by DFS. Payments do not depend on whether a child is eligible to receive SS benefits.

DFS submits applications with the Social Security Administration (SSA) for benefits on behalf of children in Clark County care. Applications are submitted only for children who may qualify for benefits based on the requirements of the SSA. The SSA determines eligibility for and the amount of such benefits.

Children approved for benefits receive payments under two programs: Supplemental Security Income (SSI) and Social Security Administration (SSA) benefits. All benefits are receipted in the County Social Security Trust Fund and are used to pay for the cost of care for the children. Such expenses may include housing, food, and clothing.

Since the transfer to the County in 2004, the County custodians managing the activity in the Social Security Trust Fund have changed several times. As a result, management of the trust fund has not been consistently performed. The current custodian took over the management of the fund in 2009.

**OBJECTIVES, SCOPE, AND
METHODOLOGY**

The objectives of our audit are to determine if:

- Current processes and procedures are effectively measuring, recording and reporting the receipt and use of Social Security benefits placed in the Social Security Trust Fund.
- Adequate documentation is available to support the activity of the fund.
- The amount in the fund reconciles to support documents.

To achieve our audit objectives, we conducted interviews with key personnel, performed observations, reviewed policies and procedures, examined supporting accounting records, system reports and data.

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.

Our procedures covered transactions for the period from February 1, 2011, through February 29, 2012. The last day of fieldwork was May 18, 2012.

RESULTS IN BRIEF Overall, current processes and procedures currently in place are effectively measuring, recording and accurately reporting the receipt and use of Social Security benefits for the children in the care of Clark County. However, we found that prior to 2009, adequate and reliable records to support activities and ledger balances were not available for examination. Additionally, the ledger balances have not been reconciled to the general ledger on a monthly basis.

DETAILED RESULTS

Trust Fund Does Not Reconcile to SAP The DFS maintains a ledger sheet for each child that receives SSA/SSI payments. The ledger also reflects expenses made on behalf of the child. The ledger balances should be maintained to support the receipt and use of money placed in the fund. As part of our testing, we performed a reconciliation of the ledger balance to SAP balance as of February 29, 2012. We found that the SAP balance for that fund (fund 7580) is \$33,244 more than the total ledger balance. We further determined that adequate records were not maintained to support the activity of the ledger balances prior to 2009. Without supporting documentation, we can not determine the reason for the variance between SAP and the ledger. The last time the SAP trust fund was reconciled to the ledger balance was August 10, 2011.

As the account custodian for the benefits of children in Clark County custody, the DFS has a responsibility to ensure that accurate records are maintained for each child. Lack of periodic reconciliations and incomplete documentation reduces assurance that fund activity is accurate and complete.

Recommendation We recommend that the Department of Family Services Director initiate the transfer of the identified amount of \$33,244 from the Social Security Trust fund (fund 7580) to the General fund (Fund 1010). The transfer should include a note that states the funds came from the Social Security Trust Fund so that if any future claims are made, they can be paid from the original source.

We also recommend that the Department of Family Services Director ensure the ledger balance is reconciled to SAP on a monthly basis.

MEMORANDUM

Family Services

Lisa Ruiz-Lee

Director

Paula Hammack

Assistant Director

TO: **Angela Darragh, Audit Director**
FROM: **Lisa Ruiz-Lee, Director** 
SUBJECT: **Social Security Trust Fund Response**
DATE: **June 26, 2012**

Thank you for the opportunity to respond to the recent Internal Audit Draft Report examining the Social Security Trust Fund. Overall, we agree with the findings and provide detailed responses to the findings below.

Findings and Management Response

Finding 1: Transfer of identified amount of \$33,244 from the Social Security Trust Fund (Fund 7580) to the General Fund (Fund 1010). The transfer should include a note that states the funds came from the Social Security Trust Fund so that if any future claims are made, they can be paid from the original source.

The Audit isolated the amount of the variance from the Social Security Trust Fund ledger and SAP. The DFS agrees with the recommendation and will initiate the transfer as noted above.

Finding 2: Monthly reconciliation of the ledger balance to SAP

The Audit recommends a monthly reconciliation between the Trust Fund ledger and SAP. The DFS agrees with this recommendation and is currently working with DFS Fiscal Unit staff to update the reconciliation procedures as recommended.

Please contact me if you have any questions. Thank you.