



**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

The Honorable Members of City Council
City of Newport News, Virginia

We have audited the financial statements of the City of Newport News, Virginia (the “City”) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. We did not audit the financial statements of Newport News Public Schools, nor did we audit the financial statements of the Peninsula Airport Commission, which represents 30% and 19% of the respective assets, and 90% and 2% of the respective operating revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for Newport News Public Schools and the Peninsula Airport Commission, are based on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City’s financial statements that is more than inconsequential will not be prevented or detected by the City’s internal control. We consider deficiencies 2007-01 through 2007-03 described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated January 22, 2008.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekant & Holland, L.L.P.

Richmond, Virginia
January 22, 2008



**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133**

The Honorable Members of City Council
City of Newport News, Virginia

Compliance

We have audited the compliance of the City of Newport News, Virginia (the “City”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-04 and 2007-05 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Richmond, Virginia
January 22, 2008



**Independent Auditors' Report on Compliance with
Commonwealth of Virginia's Laws, Regulations,
Contracts and Grants**

The Honorable Members of City Council
City of Newport News, Virginia

We have audited the basic financial statements of the City of Newport News, Virginia (the "City"), as of and for the year ended June 30, 2007, and have issued our report thereon dated January 22, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions, and, accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

<u>Code of Virginia</u>	<u>State Agency Requirements</u>	
Budget and Appropriation Laws	Procurement	Comprehensive Services Act Social Services
Cash and Investments	Unclaimed Property	
Conflicts of Interest	Enhanced 911 Service Taxes	
Debt Provisions	Retirement Systems	

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph.

This report is intended solely for the information of City Council, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Cherry, Bekaert & Holland, L.L.P.

Richmond, Virginia
January 22, 2008

CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Federal Granting Agency/Recipient State Agency</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
Department of Homeland Security:		
Direct payments -		
Homeland Security Grant Program	97.067	\$ 243,249
Disaster Grants - Public Assistance	97.036	238,684
Pass-through payments -		
Department of Emergency Services-		
Hazard Mitigation Grant	97.039	12,827
Emergency Management Performance Grants	97.042	26,204
Assistance to Firefighters Grant	97.044	111,562
Social Security Administration -		
Direct payments -		
Social Security Incentive Program	96.006	8,800
Department of Health and Human Services:		
Pass-through payments -		
Department of Social Services:		
Medical Assistance Program - Title XIX	93.778	422,900
Independent Living	93.674	150,311
Social Services Block Grant	93.667	749,551
Adoption Assistance	93.659	1,171,336
Foster Care - Title IV-E	93.658	5,419,320
Adoption Incentive Payments	93.603	2,026
Chafee Education and Training Vouchers Program	93.599	23,857
Child Care and Development Mandatory Matching Funds	93.596	2,591,070
Child Care and Development Block Grant of 1990	93.575	1,625,909
Low-Income Home Energy Assistance	93.568	52,770
Refugee and Entrant Assistance - State Administered Programs	93.566	474,067
Temporary Assistance for Needy Families	93.558	1,681,375
Promoting Safe and Stable Families	93.556	137,457
Department of Health-		
Centers for Disease Control and Promotion - Tech Assist	93.283	53,111
Injury Prevention and Control Research Program	93.136	3,976
Department of Education:		
Direct payments -		
School Assistance in Federally Affected Areas	84.041	471,274
Pass-through payments -		
Education Consolidation and Improvement Act of 1981 -		
Adult Education - State Administered Program	84.002	171,271
Title I Grants to Local Educational Agencies	84.010	9,491,685
Advanced Placement Program	84.330	21,684
Reading First State Grants	84.357	958,300
Improving Teacher Quality State Grants	84.367	2,069,975
Transition to Teaching	84.350A	420,775
Technology Literacy Challenge Fund Grants	84.318	171,426
English Language Acquisition Grants	84.365	92,029
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	529,387
Twenty-first Century Community Learning Centers	84.287	299,005
State Grants for Innovative Programs	84.298	88,428
Assistance to States for Handicapped Children	84.027	7,792,935
Vocational Education - Basic Grants to States	84.048	875,942
Fund for the Improvement of Education	84.215	470,413
Special Education Preschool Grants	84.173	205,753

CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Federal Granting Agency/Recipient State Agency	CFDA number	Federal expenditures
National Science Foundation - Pass-through payments - Department of Education - Education and Human Resources	47.076	\$ 29,457
National Foundation for the Arts and Humanities - Direct payments - Promotion of the Arts - Grants to Orgs and Individuals	45.024	18,000
Department of Transportation - Pass-through payments - Department of Motor Vehicles - State and Community Highway Safety	20.607	21,687
Department of Labor - Pass-through payments - Virginia Employment Commission - Workforce Investment Act - Youth Program	17.259	50,878
Department of Justice: Direct payments: Office of Juvenile and Delinquency Prevention - Drug-Free Communities Support Program Grants	16.729	84,990
Office of Community Oriented Policing Services - Public Safety Partnership and Community Policing Grants	16.710	117,310
Office of Justice Programs: Gang Resistance Education and Training	16.737	16,853
Community Prosecution and Project Safe Neighborhoods	16.609	120,993
Bulletproof Vest Partnership Program	16.607	6,600
Community Capacity Development Office	16.595	66,807
Edward Byrne Memorial State and Local Assistance Disc. Grants	16.580	26,174
Pass-through payments: Department of Criminal Justice Service: Violence Against Women Formula Grants	16.588	23,649
Drug Control and System improvement - Formula Grant	16.579	531,264
Crime Victims Assistance (VOCA)	16.575	253,284
Juvenile Justice and Delinquency Prevention - Juvenile Accountability Incentive Block Grants	16.523	85,344
Juvenile Justice and Delinquency Prevention Allocation	16.540	81,988
Title V Delinquency Prevention Program	16.548	41,869
Victims of Child Abuse	16.547	45,000
Department of Housing and Urban Development: Direct payments - Community Development Block Grants/Entitlement Grants	14.218	1,293,609
Department of Housing and Community Development: HOME Investment in Affordable Housing	14.239	981,813
Department of Defense - Pass-through payments - State Department of Education: ROTC	12.000	280,955
Impact Aid	12.000	429,959
Department of Agriculture - Pass-through payments: State Department of Agriculture: Food Distribution - Food Commodities	10.550	4,152
School Lunch Program - Food Commodities	10.555	812,188
Department of Social Services - State Administrative Matching Grants for Food Stamp Program	10.561	4,692,623
Department of Youth and Family Services - School Breakfast Program	10.553	1,757,003
Department of Education: School Breakfast Program	10.553	114,469
National School Lunch Program	10.555	5,837,940
Total		\$ <u>59,059,799</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

A. Summary of Auditors' Results

1. The type of report issued on the basic financial statements: **Unqualified opinions**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **Yes**
3. Noncompliance, which is material to the financial statements: **No**
4. Significant deficiencies in internal control over major programs: **Yes**

Material weaknesses: **No**

5. The type of report issued on compliance for major programs: **Unqualified opinion**
6. Any audit findings which are required to be reported under Section 510(1) of OMB Circular A-133: **Yes**
7. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
State Administrative Matching Grants for Food Stamp Program	10.561
Community Development Block Grants/Entitlement Grants	14.218
Special Education Cluster	84.027/84.173
Child Care Development Fund Cluster	93.575/93.596
Foster Care – Title IV-E	93.658

8. Dollar threshold to distinguish between Type A and Type B Programs: **\$1,771,794**
9. The City of Newport News was determined to be a low risk auditee.

CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

B. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards:

2007-01: Accounts payable for construction invoices

Condition:

While performing our audit procedures to ensure all accounts payable are properly identified and recorded at year end, we determined certain payables for construction projects, which existed at June 30, 2007, were not included in the City's financial records.

Criteria:

A liability should be recorded for costs incurred at the balance sheet date.

Cause:

Invoices related to construction projects generally go through an extensive review process by the department that is managing the project. As a result, invoices may not be turned into finance for processing until after the normal cut-off date for recording accounts payable

Effect:

Accounts payable and capital expenditures were understated in the fund financial statements and construction in progress was understated in the entity wide statement of net assets.

Recommendation:

We recommend that a process be established and documented to include significant construction project invoices in accounts payable at year end even if not turned in by the initial cutoff in order to ensure that the liability and expenditures are recorded in the proper accounting period.

Management Response:

We agree with the audit recommendation and will implement procedures to strengthen the review of payments processed after the initial cutoff date.

2007-02: Capital Asset Subsidiary Ledger Reconciliation

Condition:

A procedure has not been established and implemented to ensure that detail capital asset records are reconciled to the City general ledger.

Criteria:

All subsidiary records such as capital asset records that support financial statement balances at year end should be reconciled to the City's financial accounting system to ensure accurate financial reporting.

Cause:

Procedures were not followed when turnover in personnel occurred due to a lack of training and written procedures to follow.

CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Effect:

Capital assets reported in the financial statements were not supported by detail asset listing and therefore misstated.

Recommendation:

We recommend that the City train their personnel and establish written instructions to be included in the City's accounting policies and procedures to ensure capital asset reconciliations are performed.

Management Response:

A written reconciliation process will be included in the City's accounting policies and procedures to ensure capital asset reconciliations are performed.

2007-03: Internal control over financial reporting – CAFR preparation

Condition:

The process in place to ensure that the comprehensive annual financial report (CAFR) is complete needs to be strengthened in order to ensure that the CAFR is free of errors, and that all exhibits, notes, and schedules reconcile to each other and to supporting documentation.

Criteria:

A process needs to be in place to ensure the accurate and complete preparation of the CAFR.

Cause:

The CAFR is a large, complex document that receives schedules, narratives and other input from a number of individuals and departments, and over a period of several weeks. Oversight control and review over CAFR preparation needs to be more structured throughout the process to ensure that all changes and edits have been made, that the changes are consistent throughout the document, and that all exhibits and schedules reconcile to each other and to supporting documentation.

Effect:

There is a risk that the CAFR will be published with errors, inconsistencies or incomplete information.

Recommendation:

We recommend that a staged review process be put in place so that at certain times during the CAFR draft preparation, there is a detailed review of the entire document. A control schedule should be maintained to track information and schedules needed, and ensure that changes made are consistently applied throughout the document.

Management Response:

Over the years, the CAFR has become a very complex document requiring input from various sources. Consequently, we agree with the findings that another layer of review should be established. We will coordinate with the Department of Internal Audit to assist in a review prior to submitting the final document to the external auditor.

CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

C. Findings and Questioned Costs Relating to Federal Awards:

2007-04: Eligibility

Foster Care – Title IV-E; CFDA 93.658

Condition (Repeat Finding):

Exceptions were noted in two of the thirty case files examined due to the following conditions:

- Two of the 30 cases tested were re-determined by the local agency to be ineligible for the program because neither was removed from the relative's home with legal custody. In spite of having determined that both children were ineligible for program services, the eligibility changes were not communicated in an effective and timely manner to allow all Title IV-E reimbursements to be done.

Criteria:

The Title IV-E Eligibility Manual, (2/06 revision). Chapter 200, Sections, 202.1.B, 202.3.A, and 202.4.C clarify the definitions of removal home and specified relative, emphasizing that the specified relative must have legal custody or the child cannot be IV-E eligible.

Chapter 200, Section 202.12.B under "Evaluating Eligibility and Reimbursability" states that local agencies must have procedures in place to ensure timely communication and coordination between eligibility and service staff in determining IV-E eligibility and reimbursability. Section 202.12.C requires the eligibility worker to provide in writing to the responsible service worker documentation of the basis for a child's eligibility and also copies of all evaluation forms or intra-agency forms, dated and signed.

Broadcast #3627 titled "New Policy for Screening Foster Care Children for Title IV-E Foster Care" directed Local Departments to apply the February 15, 2006, Administration for Children and Families (ACF) policy interpretation immediately and to re-screen and close active cases found to be ineligible under the new guidelines.

Cause:

Application of the 2006 clarification of ACF policy by the State resulted in closure of these cases once the local agency determined that the children had not been removed from the specified relative with legal custody. The problem with the second child not being removed from the relative home with custody was not easily identified because of frequent changes and earlier out-of-state living/custody arrangements.

The individual circumstances and requirements of IV-E cases and the program result in frequent changes in eligibility and placement. Staffing changes and demanding caseloads for eligibility and service workers further complicate monitoring a difficult program. Additionally, there seems to be some problems with communicating, coordinating and tracking eligibility changes within the foster care unit.

CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Effect:

Potential questioned costs of \$26,030.

Recommendation:

The Department should continue with its efforts to regularly review all active foster care cases to best serve its clients and comply with the complex requirements of this grant. We commend their efforts to establish the pilot Payment Accuracy Unit and the related 'hotline' to improve communication and tracking of eligibility changes and reduce payment errors within the program.

Management Response:

Since the clarification of Title IV-E policy in VDSS Broadcast #3627, all eligibility cases involving removal from relative homes have been reviewed to ensure appropriate custody documents were obtained or verified. In addition, all eligibility notices of action are reviewed by a member of the newly formed Payment Accuracy Unit who also updates the funding panel in OASIS (the State case management system for child welfare cases) and the local City system (STARS), then sends the notices to the Social Work Supervisor for monitoring of payment compliance.

2007-05: Allowable Costs

Foster Care – Title IV-E; CFDA 93.658

Condition:

Exceptions were noted in four of the thirty case files examined due to the following conditions:

- a. ***Repeat Finding*** - Two children were determined to be ineligible after implementation of the February 2006 ACF policy clarification and reinterpretation based on definition of "removal home." Both cases have been closed however, due to delays in notification and implementation related to the case closures, potential questioned costs of \$26,030 are noted. These are the same questioned costs that were identified in comment 2007-04.
- b. A worker made a duplicate clothing payment for one IV-E Eligible child after a Supervisor had already made the payment resulting in potential questioned costs of \$99.
- c. One service provider billed Newport News DSS for an entire month of service when the child was only at the facility for six days of the month. Payment was made for the whole month without verifying the placement dates resulting in potential questions costs of \$4,565.

Criteria:

Costs reimbursed with Foster Care – Title IV-E funds should be allowable based on compliance with eligibility determinations. Chapter 200, Sections 202.1.B.1, 202.3.A and 202.4.C of the Title IV-E Eligibility Manual (February 2006 revision) clarify the definitions of "removal home" and "specified relative" emphasizing that the specified relative must have legal custody or the child will not be Title IV-E eligible. The February 2006 Broadcast 3627 titled "New Policy for Screening Foster Care Children for Title IV-E Foster Care" directed local departments to apply the Administration for Children and Families (ACF) policy interpretation immediately and to re-screen and close active cases found to be ineligible using the new guidelines.

CITY OF NEWPORT NEWS, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Cause:

Application of the State's 2006 clarification and redefinition of ACF policy by the State, and the additional reviews to re-screen and apply those changes, caused the closure of the two IV-E cases that were previously deemed eligible under earlier guidelines. The other payment errors appear to be of a clerical nature seen in a program with multiple placements and vendors.

Effect:

Total potential questioned costs of \$30,694 broken down as follows:

Condition a - \$26,030 (these questioned costs were also referenced in finding 2007-04)

Condition b - \$99

Condition c - \$4,565

Recommendation:

Newport News Department of Social Services should continue to emphasize the importance of timely communication of all changes, as they occur in each child's case, to allow eligibility and financial workers to make the necessary changes to comply with ACF policy and guidelines. Due to the complexity of the Title IV-E grant requirements, and the frequency of individual changes in Foster Care cases, supervisory review remains an important control to assure compliance in a changing environment.

Management Response:

Condition a – refer to management response to finding 2007-4

Condition b - Upon discovery of the duplicate payment, an immediate request was made for reimbursement from the clothing vendor. Unfortunately, the local payment system (STARS) allows duplicate payments as original edits in the system to prevent such are no longer functional. Supervisors and workers were reminded to always browse the payment screen before issuing a payment to ensure one has not already been made.

Condition c - The payment error was discovered during a review of the case prior to the audit and a request for reimbursement was made immediately to the vendor. The vendor also recognized the error and reimbursed the amount in question. Due to the lack of edits in the payment system (STARS), two payments for the same entitlement month are allowed. The Payment Accuracy Unit will use a telephone notification system so that any changes in the case (such as a placement change) will be reported immediately and the paperwork adjusted so that overlapping payments cannot be made.