

DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MAY 4, 2011

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$17.45. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 9191 or Report ID No. 80100025 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Administration Manager, at 225-339-3800.

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Our procedures at the Department of Social Services (DSS), subsequently reorganized and renamed the Department of Children and Family Services, for the period July 1, 2009, through June 30, 2010, disclosed the following:

- DSS identified fraudulent activity by its own employees in the Supplemental Nutrition Assistance Program (SNAP) Cluster and in the Child Care Development Fund Cluster.
- DSS identified instances of ineligible benefits in the Disaster Supplemental Nutrition Assistance Program, formerly the Disaster Food Stamp Program, including 46 employee cases and 58 non-employee cases in which intentional program violations were committed.
- For the sixth consecutive year, DSS did not comply with federal program requirements for administering the Child Care Development Fund Cluster by ensuring that child care provider invoices were adequately supported and verifying that all children were appropriately immunized.
- DSS's Schedule of Expenditures of Federal Awards included a material classification error in the SNAP program expenditures which was corrected with an audit adjustment.
- DSS did not comply with the suspension and debarment requirements for contractors for several federal programs including Temporary Assistance for Needy Families (TANF), State Administrative Matching Grants for the SNAP Program, Child Care and Development Fund Cluster, Child Support Enforcement and Social Services Block Grant.
- DSS did not follow program regulations and existing departmental procedures in the administration of the TANF program, resulting in ineligible payments to contractors.
- DSS erroneously paid \$12,380 to exempt employees for compensatory leave balances upon separation from DSS.
- DSS did not submit accurate and timely federal financial reports to the U.S. Department of Education for the Vocational Rehabilitation Cluster.
- DSS did not disable access to statewide financial systems in a timely manner for employees that terminated, resigned, retired, or transferred.
- Other than the findings previously noted, no significant control deficiencies, errors, or noncompliance were identified in our procedures on operating leases, note disclosures for SNAP benefits, the Schedule of Expenditures of Federal Awards, and critical information systems that would require reporting under *Government Auditing Standards*.

- Other than the findings previously noted, no significant control deficiencies or noncompliance that would require reporting under *Government Auditing Standards* and Office of Management and Budget (OMB) Circular A-133 were identified for the following federal programs for the year ended June 30, 2010:
 - SNAP Cluster (CFDA 10.551 & 10.561)
 - Vocational Rehabilitation Cluster (CFDA 84.126 & 84.390)
 - TANF Cluster (CFDA 93.558, 93.714 & 93.716)
 - Child Care Development Fund Cluster (CFDA 93.575, 93.596 & 93.713)
 - Child Support Enforcement (CFDA 93.563)
 - Foster Care - Title IV-E (CFDA 93.658)
 - Social Services Block Grant (CFDA 93.667)

This report is a public report and has been distributed to state officials. We appreciate DSS's assistance in the successful completion of our work.

Background

On July 1, 2010, subsequent to the fiscal year addressed in this management letter, the Department of Social Services was reorganized and renamed the Department of Children and Family Services (DCFS). The mission of DCFS is to ensure that Louisiana's families, children, and individuals are safe, thriving, and self-sufficient. The goals of DCFS include the following:

- Promoting and supporting safe and thriving children and families
- Encouraging and supporting individuals moving into self-sufficiency
- Improving customer service through staff productivity and satisfaction
- Reducing fraud and abuse
- Modernizing and realigning business operations and program practices
- Improving emergency preparedness, response, recovery and mitigation capacities



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 7, 2011

DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2010, we conducted certain procedures at the Department of Social Services (DSS) for the period from July 1, 2009, through June 30, 2010.

- Our auditors obtained and documented an understanding of DSS's operations and system of internal controls, including internal controls over major federal award programs administered by DSS, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations related to DSS.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using DSS's annual fiscal reports and/or system-generated reports and obtained explanations from DSS management for any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year engagement. The findings identified in our prior management letter on DSS dated March 23, 2010, relating to fraudulent billings by providers, noncompliance with Foster Care - Title IV-E program requirements, inaccurate annual fiscal reports, and ineffective internal audit function have been resolved by management. The prior findings relating to intentional program violations and ineligible benefits in the Disaster Supplemental Nutrition Assistance Program (DSNAP) and noncompliance with the Child Care Development Fund (CCDF) cluster program requirements are addressed again in this letter.
- Our auditors considered internal control over financial reporting and examined evidence supporting DSS's operating leases, note disclosure for the Supplemental Nutrition Assistance Program benefits, Schedule of Expenditures of Federal Awards, and critical information systems. We also tested DSS's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive

Annual Financial Report for the fiscal year ended June 30, 2010, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget (OMB) Circular A-133 on the following federal programs for the fiscal year ended June 30, 2010, as a part of the Single Audit of the State of Louisiana:
 - Supplemental Nutrition Assistance Program (SNAP) Cluster (CFDA 10.551 & 10.561)
 - Vocational Rehabilitation Cluster (CFDA 84.126 & 84.390)
 - Temporary Assistance for Needy Families (TANF) Cluster (CFDA 93.558, 93.714 & 93.716)
 - CCDF Cluster (CFDA 93.575, 93.596 & 93.713)
 - Child Support Enforcement (CFDA 93.563)
 - Foster Care - Title IV-E (CFDA 93.658)
 - Social Services Block Grant (CFDA 93.667)

The Annual Fiscal Reports of DSS were not audited or reviewed by us, and, accordingly, we do not express opinions on those reports. DSS's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have included all significant findings that are required to be reported by *Government Auditing Standards*. All of these findings, except for the findings on improper access to the state's financial systems and improper leave payouts, were included in the State of Louisiana's Single Audit Report for the year ended June 30, 2010. Other than the findings noted on the following pages, we found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures, including our procedures on federal programs, which should be communicated to management.

The following significant findings are included in this report for management's consideration.

Improper Employee Activity in Federal Programs

DSS, Fraud and Recovery Section, identified fraudulent activity by its own employees in two federal programs. The affected federal programs are the SNAP Cluster and the CCDF Cluster. DSS, Office of Family Support (OFS), Policy G-310 states falsification of records consists of any deliberate act of annotating an activity which in fact differs factually from the activity that actually transpired. Falsification of records is strictly prohibited. In addition, DSS, OFS Policy I-510 states that OFS employees are prohibited from taking any action on their personal case, a case involving an immediate family member, friend, or social acquaintance of himself/herself or his/her supervisor. Managers are responsible for ensuring that all employees are advised of these policies and are made aware that violation of these policies will result in disciplinary action, including suspension, reduction in pay, reassignment, demotion, or dismissal.

Certain DSS employees did not adhere to department policies and state laws, resulting in the following instances of fraud and questioned costs totaling \$18,205:

- On September 21, 2009, a Louisiana Rehabilitation Services employee pled guilty to the offense of Theft Over \$500. The employee did not report her husband or his earnings when applying for child care assistance, thereby receiving \$3,394 of ineligible child care benefits. The employee was sentenced to a two-year suspended sentence, two years of supervised probation, restitution of \$3,394, court costs, and a \$50 monthly supervision fee. The employee was removed from employment on May 9, 2009.
- On June 3, 2009, a Social Services Analyst was placed on Pre-Trial Diversion. The employee provided false information and received \$7,334 of ineligible child care benefits. The employee was ordered to pay full restitution and was placed on three years of probation. The employee resigned to avoid dismissal on December 1, 2009.
- On August 31, 2009, a Social Services Analyst was placed on Pre-Trial Diversion. The employee fraudulently certified a woman for SNAP benefits and obtained an EBT card for the employee's own use, resulting in the issuance of \$1,738 of ineligible SNAP benefits. The employee was ordered to pay full restitution. The employee resigned to avoid dismissal on August 22, 2009.
- On March 15, 2010, a Social Services Analyst pled guilty to the unauthorized use of SNAP benefits. The employee's husband, with whom she was living, received ineligible benefits totaling \$5,739 for him and two children because his income was not reported and the employee was not listed as a member of the household. The employee was sentenced to six months misdemeanor probation, full restitution, \$500 fine, \$55 per

month supervisory fee, and 40 hours of community service. The employee resigned on February 20, 2009.

Management should continue to investigate the possibility of fraudulent activity among DSS employees and strengthen existing controls within the affected federal programs to reduce the likelihood that fraudulent activities occur in the future. In addition, management should work with the grantors to resolve the questioned costs. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

**Disaster Supplemental Nutrition Assistance Program:
Intentional Program Violations and Ineligible Benefits**

DSS through its internal investigations identified instances of ineligible benefits in the DSNAP, formerly the Disaster Food Stamp Program, including 46 employee cases and 58 non-employee cases in which intentional program violations (IPV) were committed.

As a result of concerns relating to ineligible employees, the U.S. Department of Agriculture, Food and Nutrition Services (FNS), required DSS to review 100% of the employee DSNAP cases. As of August 2, 2010, DSS had determined the following:

- In addition to the 40 IPV employee cases identified in prior audits, 46 employee cases were identified in the current year as IPV. Thirty of the 46 cases involved DSS employees, while 16 cases involved relatives of DSS employees with the employee implicated in the case. These 46 individuals were determined by DSS to have understated income, overstated hurricane-related expenses, and/or misrepresented their household composition to improperly obtain DSNAP benefits. In these 46 cases, DSNAP benefits totaling \$31,383 were distributed. Twenty-one of the 46 employees are still employed by DSS with no disciplinary action occurring besides restitution of funds. The department is in the process of recouping funds related to these 46 cases.
- DSS has rendered decisions in 1,741 of 1,746 (99%) employee cases and determined that 1,134 of the 1,741 (65%) employees were not eligible to receive DSNAP benefits.
- As of August 2, 2010, DSS records indicate that DSNAP benefits totaling \$686,965 were provided to ineligible DSS employees and their relatives. DSS reports that DSNAP benefits totaling \$510,369 have been repaid to the department. Of the total \$686,965, DSS identified questioned costs of \$634,882 as of August 10, 2009, which was reported in our prior year audit report. The remaining \$52,083, including \$31,383 for the IPV cases previously noted, represents questioned costs identified by DSS since August 10, 2009.

- On March 17, 2010, a former Social Services Analyst entered into a Pre-Trial Diversion agreement because of unauthorized use of DSNAP benefits. The employee certified her husband's case then included him in her own case which duplicated benefits. The employee also falsely reported household members who were not living in her home. As a result, the employee and her spouse received \$1,000 in ineligible benefits that are not included in the IPV amounts above. In the Pre-Trial Diversion agreement, the employee was ordered to pay a \$150 fine, remain arrest and conviction free for one year, complete 30 hours of community service, and pay restitution of \$1,000. The employee was terminated on March 20, 2009. Questioned costs are \$1,000.

Between September 30, 2009, and August 17, 2010, DSS also completed the investigation of 110 non-employee cases. Of those 110 cases, all were determined ineligible to receive DSNAP benefits, with 58 cases identified as IPV. DSS records indicate that the DSNAP benefits totaling \$55,572 were provided to ineligible applicants and represent questioned costs for the current year.

The DSNAP is a part of the SNAP Cluster, which is comprised of the Supplemental Nutrition Assistance Program (CFDA 10.551) and the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA 10.561). Federal Regulation 7 CFR 273.16 defines IPV as intentionally making false or misleading statements, or misrepresenting, concealing or withholding facts; or committing any act that constitutes a violation of the Food Stamp Act, the Food Stamp Program Regulations, or any state statute for the purpose of using, presenting, transferring, acquiring, receiving, possessing or trafficking of coupons, authorization cards or reusable documents used as part of an automated benefit delivery system (access device). In addition, the FNS *Disaster Food Stamp Handbook 320* states that agencies must develop strategies to prevent fraud and ensure program integrity from the start of the disaster response. Office of Risk Management's (ORM) Insurance Notification No. 2002-2 also provides that ORM, the state's self-insurance fund, will deny any bond claim associated with employees who have previously committed any dishonest act.

DSS did not establish adequate control procedures to prevent DSNAP applicants, including DSS employees and their relatives, from obtaining ineligible benefits. Failure to establish adequate internal control procedures over the distribution of DSNAP benefits resulted in benefits made to ineligible applicants and questioned program costs. In addition, the risk exists that ORM could deny any future bond claims associated with those employees who were involved in the IPV cases and are still employed by the department.

Management should continue to investigate the possibility of additional ineligible DSNAP benefits, including those obtained through intentional program violations, and should work with the grantor to resolve any questioned costs. In addition, DSS should take steps to ensure that those employees who were involved in the IPV cases are not in position to cause any further losses to the department. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 2-3).

Child Care Cluster: Noncompliance With Program Requirements

For the sixth consecutive year, the DSS did not comply with certain federal and state requirements for administering the federal child care cluster. The child care cluster is comprised of the Child Care and Development Block Grant (CFDA 93.575), the Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596) and ARRA - Child Care and Development Block Grant (CFDA 93.713) programs. OMB Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with grant provisions. Proper administration would include controls for ensuring expenditures are supported by adequate documentation and eligibility criteria are met.

The cluster included approximately 3,272 providers that received reimbursements totaling in excess of \$109,677,122 during the fiscal year ended June 30, 2010. Audit procedures performed on the cluster disclosed the following:

- DSS did not compare provider reimbursement requests to supporting documentation such as provider attendance logs before making payments, thereby increasing the risk of errors, fraud, and/or abuse. For 33 of 33 (100%) child care provider invoices tested, the agency, by policy, did not obtain attendance logs to verify the number of days present and absent on the child care invoices. Questioned costs totaled \$6,455.
- DSS did not consistently follow established controls over immunization, resulting in possible noncompliance with 45 CFR 98.41(a)(1)(i), Section 6.7 of the State Plan and department policy No. 08.B-710. For two of 30 (7%) child immunization case files tested, there was no documentation verifying the child was age-appropriately immunized. Questioned costs totaled \$557, which is included in the questioned cost amount noted above.
- DSS did not adequately follow up on results from Contract Accountability Review Team (CART) reviews and did not adequately review invoices to ensure correct rates were used. For two of 20 CART on-site reviews tested, DSS identified overpayments to providers where invoiced days did not agree with the attendance logs, but did not take sufficient action to recover these overpayments. In addition, even when the results of these two CART reviews indicated exception rates as high as 80% for the sampled children, no additional procedures were performed to determine if the results were indicative of a larger problem or fraud. DSS also used the incorrect reimbursement rate for three of 20 provider invoices tested. Questioned costs totaled \$510.

DSS management should not make payments to child care providers without verifying supporting documentation such as attendance logs. In addition, DSS should collect provider overpayments and follow up on exceptions identified by CART reviews.

Finally, DSS should verify immunizations in accordance with program requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 4-5). Management noted that federal regulations, state law, and departmental policy do not require providers to send in attendance logs, but they are required to be maintained on-site. New attendance verification procedures have been developed starting August 2010.

Inaccurate Schedule of Expenditures of Federal Awards

DSS included a material classification error on its Schedule of Expenditures of Federal Awards (SEFA). Specifically, DSS did not consider current federal reporting guidance when it disaggregated the total SNAP benefit expenditures and separately identified \$149,448,196 in SNAP benefits funded by ARRA.

The 2010 OMB Circular A-133 *Compliance Supplement* states that memoranda issued by the U.S. Department of Agriculture, FNS on October 23, 2009, and July 23, 2010, preclude a state from disaggregating total SNAP benefit expenditures into regular and ARRA components. Errors on the SEFA may delay the compilation and issuance of the state's Single Audit Report. In addition, inadequate SEFA compilation and review procedures may result in additional undetected errors on the SEFA.

Management's SEFA compilation and review process should include consideration of current federal reporting guidance. Management concurred with the finding and recommendation and provided a corrective action plan (see Appendix A, page 6).

Noncompliance With Suspension and Debarment Requirements

DSS did not comply with the suspension and debarment requirements for the TANF (CFDA 93.558), State Administrative Matching Grants for the SNAP, CCDF cluster, Child Support Enforcement and Social Services Block Grant programs. Although required by 2 CFR 180.300, for 11 of 30 (37%) covered transactions (contracts) tested, DSS did not verify that the contracting entity was not suspended, debarred, or otherwise excluded from participation in federal or state programs by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the contract with the entity certifying that the entity has not been excluded from participation. In the remaining 19 (63%) contracts tested, DSS inserted the necessary clauses into the contracts or obtained certifications; however, this practice was not required by department-wide policy.

The lack of a formal department-wide policy to comply with the federal suspension and debarment requirements increases the risk of DSS contracting with an excluded party which could result in unallowable costs that would need to be returned to the federal grantor. DSS management should establish a department-wide policy to comply with federal regulations and ensure that its contracting entities are not suspended, debarred, or otherwise excluded from participation in federal or state programs. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 7-8).

Ineligible Payments in the Temporary Assistance for Needy Families Program

DSS did not follow program regulations and existing departmental procedures in the administration of the TANF program. In five of 30 (17%) contract payments reviewed, we noted questioned costs totaling \$6,274 for costs specifically disallowed in the contract, unreasonable charges from contractors, and mathematical errors on invoices.

OMB Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with grant provisions. Proper administration would include controls for ensuring that expenditures are supported by adequate documentation. In addition, OMB Circulars A-87 and A-122 provide that to be allowable under federal awards, costs must be adequately documented, necessary, and reasonable.

Management should implement a review process to ensure adherence to program regulations and established departmental procedures in administering the TANF program. Management should also recover the funds from the contractors and return them to the federal grantor, if required. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 9).

Improper Leave Payouts

DSS, Office of Community Services (OCS), erroneously paid \$12,380 to exempt employees for compensatory leave balances upon separation from the department. DSS policy 4.15 states that unused compensatory leave will not be paid to exempt employees upon transfer or separation from the department. Good internal control includes reviewing and reconciling leave payouts on a regular basis to ensure that errors and overpayments are detected in a timely manner. The payments occurred because OCS did not monitor the leave payout reports from the Integrated Statewide Information System/Human Resources (ISIS/HR) system for the fiscal year ended June 30, 2010. Since the affected employees' salaries were charged to federal programs, the payments represent questioned costs to the U.S. Department of Health and Hospitals' Social Services Block Grant, Foster Care, and Promoting Safe and Stable Families programs.

DSS management should implement policies to ensure that reviews of leave payouts in the ISIS/HR system are performed on a regular basis. DSS management should also recoup the overpayments and return the funds to the federal grantor. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 10).

Inaccurate and Untimely Federal Financial Reports

DSS, Louisiana Rehabilitation Services (LRS), did not submit accurate and timely federal financial reports to the U.S. Department of Education for the Vocational Rehabilitation Cluster. DSS is required to submit quarterly financial status reports (SF-269 or SF-425)

for each grant award and an annual cost report (RSA-2). A review of the four financial status reports for the 2009 grant and the annual cost report revealed that all five reports were submitted between 32 and 101 days past the federal deadlines. In addition, a test of the annual cost report and one of the quarterly financial status reports revealed the following errors:

- LRS understated the amount of total unliquidated obligations by \$1,210,000 on the SF-269 for the quarter ending September 30, 2009.
- LRS reported inaccurate information in two of the three amounts tested, including an overstatement of \$1,530,000 in indirect costs, on the RSA-2 report.

OMB Circular A-133 *Compliance Supplement*, Part 3, Section L states that reports for federal awards shall include all activity of the reporting period, be supported by applicable accounting records, and be fairly presented in accordance with program requirements. The U.S. Department of Education's instructions for the SF-269 and SF-425 require that quarterly financial reports be submitted within 30 days after the end of the quarter. The instructions for the RSA-2 state that the cost report is due by December 31. Inaccurate federal financial reporting increases the risk that the federal grantor and DSS management will not be able to effectively monitor funding levels and may result in a loss or delay in future funding.

DSS management did not adequately review these reports before submitting them to the federal grantor and did not ensure that the reports were submitted timely. Management should perform a more thorough review of federal financial reports and hold its personnel accountable for accurate and timely filing. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 11).

Access to Financial Systems Not Properly Restricted

DSS did not disable access to the Integrated Statewide Information System (ISIS) in a timely manner for employees that terminated, resigned, retired, or transferred. In addition, DSS assigned duplicate ISIS access for one employee.

Audit procedures performed on the Advantage Financial System (AFS), the Advanced Governmental Purchasing System (AGPS), and the Contract Financial Management System (CFMS) components of ISIS disclosed the following:

- Nine of 83 (11%) AFS user IDs for employees that had terminated, resigned, retired, or transferred were not disabled in a timely manner. Two of the nine user IDs had more than "inquiry-only" access. The length of time between separation dates and our test date ranged from 20 days to 157 days.
- Eleven of 93 (12%) AGPS/CFMS user IDs for employees that had terminated, resigned, retired, or transferred were not disabled in a timely

manner. All 11 user IDs had more than “inquiry-only” access. The length of time between separation dates and our test date ranged from 20 days to 256 days.

- One employee had two AGPS/CFMS user IDs because of the misspelling of the employee's name.

The DSS ISIS Userid Program Policy (Policy 1-13) includes written procedures requiring timely disabling of user IDs and verification that new users do not already have an existing user ID. However, employees responsible for issuing and disabling user IDs did not comply with this departmental policy. Failure to promptly disable user IDs of separated employees increases the risk that unauthorized access to the ISIS systems could occur, data could be compromised, and/or assets could be misappropriated. Issuing multiple IDs to a user could result in employees with incompatible duties.

DSS management should ensure employees comply with existing policy so that user IDs are disabled immediately upon the resignation, termination, retirement, or transfer of employees and multiple user IDs are not issued to one user. Management concurred with the finding and recommendation and provided a corrective action plan (see Appendix A, page 12).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of DSS. The nature of the recommendations, their implementation costs, and their potential impact on the operations of DSS should be considered in reaching decisions on courses of action. The findings relating to DSS’s compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of DSS and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

DG:BDC:kg

DSS 2010

Management's Corrective Action
Plans and Responses to the
Findings and Recommendations



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Bobby Jindal, Governor
Ruth Johnson, Secretary

December 14, 2010

Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Attn: Dawn Guedry, CPA
Audit Manager

RE: Improper Employee Activity in Federal Programs

Dear Mr. Purpera:

The following is submitted in response to your request dated November 19, 2010 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), Fraud and Recovery Section, identified fraudulent activity by its employees in two federal programs.

All cases identified were previously investigated by the DCFS Fraud and Recovery Unit and pursued criminally resulting in convictions in each case. Investigative findings have been submitted to DCFS Management for possible disciplinary action. As such, the following steps have been and/or will be taken:

- Each employee of DCFS as a new hire and then annually beginning January 1 with a deadline of January 31 of each year must sign and date form DCFS CS 04 (Acknowledgement of Agreement to Comply with DCFS Policy Regarding Prohibited Activities and Employees Working on Cases of Relatives, Friends and/or Acquaintances). The form states in-part, "By signing below I acknowledge that I have read and understand DCFS Policy regarding Prohibited Activities and Employees Working on Cases of Relatives, Friends, and/or Acquaintances. Specifically, I understand that I am prohibited from taking any action on my own personal public assistance case, a case involving an immediate family member, friend, or social acquaintance of myself."
- Presently, the Fraud and Recovery Unit has collected \$11,038.08 of the \$18,205 questioned cost and will continue to pursue recovery of the remaining \$7,166.92.

Please advise in the event that additional clarification and/or information are required.

Sincerely,

Richard "Dickie" Howze
Undersecretary

RJ/DDS/GB/dja

c: Ruth Johnson, Secretary
Brent Villemarete, Deputy Secretary – Programs
Sammy Guillory, Deputy Assistant Secretary – Programs
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
David Sigue, Director Program Integrity & Improvement, Programs Division Audit Liaison
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February 16, 2010

Daryl G. Purpera, CPA, CFE
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Attn: Dawn Guedry, CPA
Audit Manager

RE: Disaster Supplemental Nutrition Assistance Program: Intentional Program Violations & Ineligible Benefits

Dear Mr. Purpera:

The following is submitted in response to your request dated January 31, 2010 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), through its internal investigations identified and reviewed 1,746 DCFS employee applications taken during the Department's operation of a Disaster Supplemental Nutrition Assistance Program (DSNAP) for Hurricanes Katrina and Rita in 2005, and Hurricanes Gustav and Ike in 2008. These reviews were initiated by DCFS, and during the process DCFS contacted and confirmed with United States Department of Agriculture (USDA), that a 100% review of employee DSNAP cases was required as a matter of USDA SNAP Disaster Procedures. As such, the following steps have been and/or will be taken:

Two years prior to Hurricane Katrina, DCFS put into place an automated system check to cross reference human resource records with DSNAP records, in order to identify employees applying for DSNAP benefits.

As of 02/08/11, the DCFS Fraud Unit has completed 1,756 employee reviews/investigations and has collected \$538,628.60. We will continue to seek full restitution of ineligible DSNAP benefits received by employees in accordance with Federal Regulations (7FUSC 273.18).

For future DFSP programs, the agency has developed strategies, improved policy/procedures, developed specific guidance and procedures for processing of employee DFSP applications to prevent fraud and to ensure program integrity:

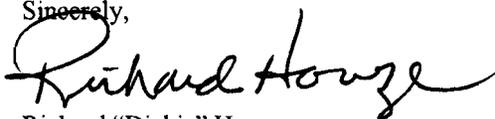
- Effective January 1, 2010 revisions to Chapter 4, Section O-380 included processing criterion for DCFS employees and DSNAP workers who experience a loss due to a disaster. These applicants must complete a DSNAP application form and be interviewed consistent with all DSNAP applicants. Parish Managers or designees must sign and approve any DSNAP applications for households containing a DCFS employee or DSNAP worker, and must enter case information in the LAMI Disaster Subsystem for these households prior to issuance of benefits. The designee must be a DCFS Parish Manager or Social Services Analyst Supervisor. Issuance of Electronic Benefit Transfer (EBT) cards and entry of EBT card data for these households are to be handled in accordance with established procedures. In no circumstance shall a DCFS employee or DSNAP worker enter case information in the LAMI Disaster Subsystem or issue EBT cards for their own case, a case of their own family members or a case in which the employee is named as authorized representative.
- Disaster data system was upgraded to include identifying information on all household members.
- Fraud and Recovery, and/or Quality Control Staff, with the Program Integrity and Improvement Section will be located at every DSNAP site and will be conducting ongoing monitoring of operations.



- Fraud and Recovery, and/or Quality Control Staff will review all DCFS employee and DSNAP worker applications subsequent to approval and benefit issuance, as defined in the aforementioned revised policy to ensure program compliance.
- Application forms and all other case information for a household containing a DCFS employee or DSNAP worker must be kept in confidential files separate and apart from other cases. These files must be kept in the appropriate Regional Office. The Regional Administrator or designee must assure that these files are not accessible to other staff members.
- Mandatory DSNAP Training is conducted yearly. Most recent training statewide took place on May 26, 2010 through May 29, 2010.
- Training statewide took place on May 26 through May 29, 2010
- Lastly, in response to the questioned cost of \$1000, the employee in question was investigated, terminated and referred for prosecution. Restitution of \$1000 has been made by the ex-employee to the SNAP program.

Please advise in the event that additional clarification and/or information are required.

Sincerely,



Richard "Dickie" Howze
Undersecretary

RDH/DDS/dja

- c: Ruth Johnson, Secretary
Brent Villemarette, Deputy Secretary – Programs
Sammy Guillory, Assistant Deputy Secretary – Programs
David Sigue, Executive Director, Program Integrity & Improvement
Jesse Wright, Director, Fraud & Recovery
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
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December 15, 2010

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Attn: Dawn Guedry, CPA
Audit Manager

RE: Child Care Cluster: Noncompliance with Program Requirements

Dear Mr. Purpera:

The following is submitted in response to your request dated November 17, 2010, further revised on December 15, 2010; in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), did not comply with certain federal and state requirements for administering the federal child care cluster program. The audit cited 100% non-compliance; due to lack of attendance logs with the child care invoices. Federal regulations, state legislation, and DCFS policy does not require child care providers to send in their attendance logs monthly with their invoices. Policy does require that attendance logs be maintained onsite. As such, the following steps have been and/or will be taken to achieve this goal:

- Effective August 2010, DCFS implemented the Tracking of Time Services (TOTS), automated child care time and attendance system for CCAP providers. With implementation of TOTS, DCFS has improved its review and monitoring procedures to ensure CCAP provider payments are accurate and supported. TOTS is an electronic system that provides accurate and timely capturing, tracking, and reporting of time and attendance data. This system will promote payment accuracy and reduce fraud and abuse. This system utilizes finger imaging and IVR (Interactive Voice Response) as a mechanism for capturing this data. Finger imaging is a measurement of physical characteristics of a finger for use in personal identification.
- With utilization of TOTS, DCFS has also identified reports, to be implemented in the near future, which will help DCFS identify potential problems & help prevent fraudulent activity. These reports include:
 - Care Provided Outside the Hours of Operation: this report will capture check-ins and check-outs that occur outside the provider's hours of operation as reported on TIPS and the TOTS activity file.
 - Time & Attendance Data Exceeds License Capacity – Class-A Providers: This report will capture Class-A provider's which exceed CCAP capacity allowances.
 - Household Designee in Multiple Cases: This report will capture Household Designee's for three or more cases, in addition to capturing check-ins and check-outs for the respective cases.
 - Class-U Provider for Multiple Cases: This report will provide a listing of Class-U Providers which care for children in multiple households.



- Procedures were put in place to ensure that noted findings are addressed timely by parish office staff. Compliance Services (CS), formerly Contract Account Review Team (CART), Policy (Chapter 13) was revised to require Child Care Provider's submittal of Corrective Action Plans within 30 days from the date of the CS/CART Review findings and/or notification of TOTS reporting of potential noncompliance. Failure to respond may result in withholding of invoice payments.
- The Department will continue to have supervisors and specialists verify immunizations documentation, while conducting case file reviews. The Department will also continue to promote the use of the Louisiana Immunization Network for Kids Statewide (LINKS) to verify immunization. Further, a bulletin on immunization will be sent to staff advising of the need to determine and verify age-appropriate immunizations.

Sincerely,



Richard "Dickie" Howze
Undersecretary

RJ/DDS/GB/dja

c: Ruth Johnson, Secretary
Brent Villemarette, Deputy Secretary – Programs
Sammy Guillory, Deputy Assistant Secretary – Programs
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
David Sigue, Director Program Integrity & Improvement, Programs Division Audit Liaison
Stacy Cefalu, CPA, LLA Auditor-In-Charge





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December 20, 2010

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Attn: Dawn Guedry, CPA
Audit Manager

RE: Inaccurate Schedule of Expenditures of Federal Awards (SEFA)

Dear Mr. Purpera:

The following is submitted in response to your request dated December 6, 2010 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), included a classification error on its SEFA. As such, the following steps have been and/or will be taken:

- The DCFS, Fiscal Services Section will perform an annual review of the OMB Circular A-133 Compliance Supplement to ensure compliance with current federal reporting guidelines when completing the Schedule of Expenditures of Federal Awards.
- The DCFS, Fiscal Services Section will perform a dual review process when completing the Schedule of Expenditures of Federal Awards. The dual review process will consist of final reviews conducted by the Assistant Director of Fiscal Services and the Director of Fiscal Services.

Please advise in the event that additional clarification and/or information are required.

Sincerely,

Richard "Dickie" Howze
Undersecretary

RJ/MS/DD/dja

c: Ruth Johnson, Secretary
Martina Stribling, Director, Fiscal Services
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
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February 16, 2010

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Attn: Dawn Guedry, CPA
Audit Manager

RE: Noncompliance with Suspension and Debarment Requirements

Dear Mr. Purpera:

The following is submitted in response to your request dated January 31, 2010 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), did not comply with the suspension and debarment requirements for the Temporary Assistance for Needy Families (CFDA 93.558), State Administrative Matching Grants for Supplemental Nutrition Assistance Program (CFDA 10.561), Child Care and Development Fund Cluster (CFDA 95.575, 93.596 & 93.713), Child Support Enforcement (CFDA 93.563), and Social Services Block Grant (CFDA 93.667) programs. As such, the following steps have been and/or will be taken:

- A revision to DCFS' standard contract form, the CF-1, to include language which incorporates certification statements into the contract as recommended under 2 CFR 180.300. It should be noted that any changes to DCFS CF-1 is subject to review and approval by the Louisiana Division of Administration, Office of Contractual Review (OCR). Proposed changes will be submitted to OCR for approval immediately. It is proposed that the CF-1 be revised as follows

Certification Regarding Debarment, Suspension, and Other Responsibility Matters
Primary Covered Transactions

1. The primary contractor certifies to the best of its knowledge and belief, that it and its principals:
 - (a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
 - (b) Have not within a three-year period preceding this contract been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - (c) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
 - (d) Have not within a three-year period preceding this contract had one or more public transactions (Federal, State or Local) terminated for cause of default.



2. Where the primary contractor is unable to certify to any of the statements in this certification, such participant shall attach an explanation to this proposal.
- DCFS Policy 1-06 governing contracts will be revised to include a policy statement regarding the federal suspension and debarment requirements as defined in 2 CFR 180.300 and further approved by the Louisiana Division of Administration, Office of Contractual Review. It is proposed that Section X.A.6. (page 26) be revised as follows (proposed change is italicized):

Contracts funded fully or in part by Federal funds shall meet all applicable Federal standards and shall contain all necessary clauses required by Federal statutes, rules, or regulations. *This shall include, but is not limited to, Certification Regarding Debarment, Suspension, and Other Responsibility Matters for both contractors and sub-contractors.* The burden of assuring compliance with Federal regulations shall rest with the contracting Office of the Department. This requirement shall be in addition to meeting all contract content guidelines in R.S. 39:1481-1526 and LAC 34:V.109.

- Additionally, DCFS Administrative Services, Contract Management Unit will establish policy and procedural enhancements to include verification that the contracting entity is not suspended, debarred, or otherwise excluded from participation in federal or state programs by checking the Excluded Parties List System.

Please advise in the event that additional clarification and/or information are required.

Sincerely,



Richard "Dickie" Howze
Undersecretary

RDH/MS/DP/LA/dja

- c: Ruth Johnson, Secretary
Martina Stribling, Deputy Undersecretary
Diane Pfeifer, Director, Administrative Services
Amy Colby, Executive Counsel
Lane Ardoin, Deputy General Counsel
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
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Attn: Dawn Guedry, CPA
Audit Manager

RE: Ineligible Payments in the TANF Program

Dear Mr. Purpera:

The following is submitted in response to your request dated February 9, 2010 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), did not follow program regulations and existing departmental procedures in the administration of the Temporary Assistance for Needy Families Program (CFDA 93.558). As such, the following steps have been and/or will be taken:

- DCFS – Division of Programs, Contract Unit will establish procedural enhancements to the current DCFS policy governing internal controls for ensuring expenditures for TANF Programs are support by adequate documentation, necessary, and reasonable in accordance with OMB Circular A-133, Subpart C, Section 300(b), A-87 and A-122. Specifically, these revisions will include a reconciliation and dual review by programmatic staff; prior to submission to DCFS Fiscal Services for payment issuance. Additionally, DCFS Fiscal Services will establish policy and procedural enhancements to include review and verification that payments are not issued in violation of contractual terms, agreements, deliverables, and budgetary funding guidelines.
- Further, specific invoice, supporting documentation, reconciliation, and review training will be established and implemented to all DCFS – Division of Programs, Contract Unit staff. Acknowledgement of the procedural enhancements, and program regulations for administering TANF Programs, will be documented for compliance.
- Lastly, disallowance will be recovered from the Contractor and returned, by means of recoupment invoicing or demand request; as required by the federal grantor.

Please advise in the event that additional clarification and/or information are required.

Sincerely,

Richard "Dickie" Howze
Undersecretary

RDH/MB/dja

c: Ruth Johnson, Secretary
Brent Villemarete, Deputy Secretary – Programs
Sammy Guillory, Asst. Deputy Secretary – Programs
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
Stacy Cefalu, CPA, LLA Auditor-In-Charge
Martina Stribling, Deputy Undersecretary
Duane Dufrene, Director, Fiscal Services





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Attn: Dawn Guedry, CPA
Audit Manager

RE: Improper Leave Payout

Dear Mr. Purpera:

The following is submitted in response to your request dated January 28, 2010 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), erroneously paid \$12,380 to exempt employees for compensatory leave balances upon separation from the Department. As such, the following steps have been and/or will be taken:

- A recoupment letter has been issued to each inactive employee, identifying that their LL payout was in error and informing them that the amount is owed back to the agency. The matter will be forwarded to our legal counsel for further collection efforts, if there is failure to respond on behalf of the inactive employees.
- To avoid this error in the future, DCFS/HR has added the ISIS-HR ZT12 report to its operational procedures. This enhanced procedure will include reconciling this report three (3) times per pay period: once each week prior to payroll processing and once after processing is transmitted; to ensure that errors in payment are detected and addressed in a timely manner.

Please advise in the event that additional clarification and/or information are required.

Sincerely,

Richard "Dickie" Howze
Undersecretary

RDH/WR/JT/dja

c: Ruth Johnson, Secretary
Martina Stribling, Deputy Undersecretary
Wanda Raber, Director, Human Resources
Joy Thibodeaux, Assistant Director, Human Resources
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
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Attn: Dawn Guedry, CPA
Audit Manager

RE: Inaccurate and Untimely Federal Financial Reports

Dear Mr. Purpera:

The following is submitted in response to your request dated January 31, 2010 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), did not submit accurate and timely federal financial reports to the United States Department of Education for the Vocational Rehabilitation Cluster (CFDA 84.126). As such, the following steps have been and/or will be taken:

- The DCFS Fiscal Services Section will perform quarterly and annual reviews of reporting instructions to ensure compliance with current federal guidelines and reporting deadlines when completing the Quarterly Financial Status Report SF-269 and the Annual Cost Report RSA-2.
- Additionally, DCFS Fiscal Services Section will perform a dual review process when completing the Quarterly Financial Status Report SF-269 and the Annual Cost Report RSA-2. The dual review process will consist of final reviews conducted by the Assistant Director of Fiscal Services and the Director of Fiscal Services.

Please advise in the event that additional clarification and/or information are required.

Sincerely,

Richard "Dickie" Howze
Undersecretary

RDH/DD/dja

c: Ruth Johnson, Secretary
Martina Stribling, Deputy Undersecretary
Duane Dufrene, Director, Fiscal Services
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
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Attn: Dawn Guedry, CPA
Audit Manager

RE: Access to Financial Systems Not Properly Restricted

Dear Mr. Purpera:

The following is submitted in response to your request dated December 6, 2010 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), did not disable access to the Integrated Statewide Information Systems (ISIS) in a timely manner for employees that terminated, resigned, retired, or transferred. As such, the following steps have been and/or will be taken:

- An internal training module will be posted to the DCFS intranet to instruct supervisors on their reporting responsibilities with regard to ISIS User ID's as identified in DCFS Administrative/Fiscal Policy 1-13 DCFS ISIS User ID Program Policy. The training module will be posted during the second half of SFY 2011 and will be reviewed annually for possible update.
- The Human Resources Section will provide bi-weekly separation reports to the ISIS Agency Security Administrator. The Administrator will cross-reference the separations to the active ISIS User ID list within three (3) business days of receipt and all terminated, resigned, or transferred employees' accesses will be disabled if no prior supervisory notice was received. This corrective action has already begun.
- The Department's Policy Manual Section 1-13/ISIS User ID Program Policy is being revised to incorporate changes referenced in # 2 above. The proposed changes will be submitted for management review on or before December 30, 2010.

Please advise in the event that additional clarification and/or information are required.

Sincerely,

Richard "Dickie" Howze
Undersecretary

RJ/DCP/dja

c: Ruth Johnson, Secretary
Diane Pfeifer, Director, Administrative Services
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
Stacy Cefalu, CPA, LLA Auditor-In-Charge

