

DEPARTMENT OF CHILDREN AND FAMILY SERVICES -
STRATEGIES TO EMPOWER PEOPLE (STEP) PROGRAM



PERFORMANCE AUDIT
ISSUED JUNE 6, 2012

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 6, 2012

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives

Dear Senator Alario and Representative Kleckley:

This report provides the results of our performance audit on the Department of Children and Family Services' (DCFS) oversight over the Strategies to Empower People (STEP) program's transportation costs and services and to determine whether the program is meeting its goal of employment for participants.

The report contains our findings, conclusions, and recommendations. Appendix A contains DCFS' response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of DCFS for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

DCFS-STEP

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Children and Family Services Strategies to Empower People (STEP) Program

June 2012

Audit Control # 40110005

Executive Summary

This report provides the results of our performance audit of the Strategies to Empower People (STEP) program administered by the Department of Children and Family Services (DCFS). The purpose of the audit was to determine if DCFS has provided sufficient oversight over the STEP program to ensure that its transportation costs are reasonable and services are provided appropriately. We also evaluated whether the program is meeting its goal of employment for participants. Overall, we found that lack of oversight over the program has resulted in the following:

- STEP transportation costs were higher than other states and other state agencies we reviewed.
- Some transportation costs and services were not supported with documentation.
- Currently, most STEP participants do not obtain employment after leaving the program.

Appendix A contains DCFS' response and Appendix B contains our scope and methodology. Our objectives and specific findings are summarized below.

Objective 1: Has DCFS provided sufficient oversight over the STEP program to ensure that transportation costs are reasonable and services are provided appropriately?

Results: DCFS has not provided sufficient oversight over the STEP program to ensure that transportation costs are reasonable and services are provided appropriately. DCFS provides STEP participants with transportation to their required work activities either through contracted transportation services or through reimbursing participants for using personal vehicles. However, we found that rates allowed by DCFS are often higher than other states and state agencies, that some costs are not supported with sufficient documentation, and that DCFS lacks an effective monitoring process to comprehensively detect when services are not provided appropriately. Specifically, we identified the following issues with STEP transportation costs and services:

- Rates paid to contract providers are high because DCFS did not use a formal process to select providers or evaluate the reasonableness of their rates.

- DCFS' rates paid to its contract providers average 62% higher than the rates these providers customarily charge the public for transportation.
- DCFS' rate is 51% higher than rates the Department of Health and Hospitals (DHH) charges in its Non-Emergency Medical Transportation (NEMT) program. If DCFS used DHH's rate, it could have saved approximately \$3.4 million over the last three years.
- DCFS reimbursements to STEP participants who use their own vehicle for transportation to work activities are higher than other states surveyed. During our audit period, DCFS paid a maximum reimbursement amount of \$500 per month for mileage whereas the average maximum amount from the six states surveyed was \$180 per month. DCFS could have saved approximately \$5 million over the last three years if it used \$180 per month as its maximum reimbursement amount. Since December 2011, DCFS was forced to reduce its maximum amount to \$300 because of budget issues.
- DCFS does not have a process to evaluate the reasonableness of rates paid to STEP participants when they use a friend or family member's vehicle to transport them to work activities. DCFS policy allows parish case workers to negotiate a reasonable rate with the participant but does not provide any criteria for what constitutes reasonable.
 - In fiscal year (FY) 2011, the average monthly rate that DCFS paid to friends and family was \$141.26, which is 23% higher than DHH's rate of \$109.25 in the NEMT program.
- DCFS has not developed adequate review procedures to ensure that transportation logs tracking ridership and costs submitted from contract providers are accurately completed and calculated. As a result, we found numerous inconsistencies and errors on the logs.
- Analysis of a sample of files showed that DCFS has not ensured that contracted and personal transportation services are needed, that participants attend work activities, and that costs are supported with sufficient documentation.
- DCFS has not developed sufficient processes to ensure that electronic transportation payment data is accurate. DCFS allows case workers in the parish offices to authorize electronic payments to STEP participants without supervisory review prior to payments being processed. In addition, DCFS does not conduct data analysis to monitor transportation for the appropriateness of these payments. Because of this, we identified

approximately 584 individuals who received questionable amounts in mileage reimbursements for having only one day of service.

- DCFS' system for monitoring case worker files is ineffective at detecting all potential errors in files. The system is not effective because reviews are not comprehensive enough to detect all potential errors. In addition, DCFS has not charged anyone at the state level with overseeing the entire process for all programs to ensure it is operating effectively.

Objective 2: Has the STEP program achieved its goal of employment for participants?

Results: Although the STEP program was at one time meeting its goal of employment for participants, it currently does not meet this goal. DCFS' target is for 40% of STEP participants to obtain employment. According to performance indicator data¹ reported in the executive budget, 61% of STEP participants left the program in FY 2008 with employment. However, this percentage decreased to 25% in FY 2011. In addition, approximately 21% of participants who left the program with employment from 2008 to 2010 subsequently returned to the program.

¹ We did not audit the reliability of this performance indicator data.

Background

R.S 46:231.1 establishes the Family Independence Temporary Assistance Program (FITAP), which is Louisiana's program to administer Temporary Assistance to Needy Families (TANF) funds. FITAP, sometimes referred to as welfare, provides cash assistance to needy families with dependent children to help pay for basic needs. The overall purpose of FITAP is to decrease a person or family's long-term dependency on welfare by promoting job preparation and work. For FY 2011, the average payment to the 7,327 FITAP participants was \$188.74 per month.

The STEP program was created by the Louisiana Legislature through the Personal Responsibility and Universal Engagement Act of 2003. The purpose of the program is to provide opportunities for work eligible families of FITAP to receive job training, employment, and supportive services to enable them to become self-sufficient. All work-eligible individuals on FITAP must participate in approved work activities in order to receive benefits. In FY 2011, approximately 2,856 FITAP participants (39%) were in STEP. Exhibit 1 shows the average monthly number of STEP participants in work activities in FY 2011.

Exhibit 1	
Participation in Work Activities	
Average Number of STEP Participants² per Month	
Fiscal Year 2011	
Work Activity	Average Number of Participants per Month
Unsubsidized Employment	740
Vocational Education	655
Other Training Activity	484
Job Search Readiness	218
Work Experience Program	251
Assessment	294
Secondary/GED Preparation	190
Parenting Skills	106
Community Service	140
Drug/Alcohol Rehab	31
Post-Secondary Training	13
Mental Health Counseling	12
Post-Secondary Training	13
Job Skills	11
Employment Education	10
Subsidized Public Employment	9
On the Job Training	5
Subsidized Private Employment	4
Provision of Child Care	0
Source: Prepared by legislative auditor's staff using information from DCFS.	

² Participants include the qualifying individual and his/her dependents.

STEP Funding

STEP is funded by federal funds. To receive the block grant, Louisiana must contribute maintenance of effort (MOE) funds. The state's MOE is 75% of total TANF expenditures in 1995. However, the MOE may be increased to 80% if the state fails to meet its work participation requirements. In FY 2011, the state received \$163,971,985 in TANF block grant funds and contributed \$55,415,288 in MOE funds for a total of \$219,387,273 in TANF funds. DCFS spent approximately \$8.9 million (4%) of its TANF funds for STEP. The majority of STEP-related funds, \$5.4 million (61%), went towards transportation costs.

Transportation Services and Costs

The state funds different modes of transportation to help STEP participants get to their work activities. The primary modes are contracted providers and a participant's use of their personal vehicle or a family member's vehicle. These methods are described in more detail below.

Contract Transportation Providers. DCFS contracts with various non-profit and for-profit providers to provide transportation to and from work activities for STEP participants. DCFS also pays for transportation for children of STEP participants to and from child care. These contracts include unit cost and flat rate contracts, contracts with mass transit entities, and Job Access Reverse Commute contracts (JARC), which are contracts jointly administered by DCFS and the Department of Transportation and Development (DOTD).³ In FY 2011, DCFS spent \$2,003,972 on its 49 transportation contracts. Appendix C provides more detail about the contracts.

Personal Vehicles. DCFS also reimburses participants for using their own vehicle or a friend or family member's vehicle. STEP participants must submit documentation of mileage. DCFS then reimburses participants at 48 cents per mile if the participant drives their own car and pays a negotiated rate if a family member or friend provides the ride. DCFS will also pay for supportive services on a case by case basis, such as car repairs and registration renewal fees for either the STEP participant or their friend or family member. In addition, DCFS provides \$120 per month in transportation payments to STEP participants for a lifetime maximum up to 12 months after the participants leave the program and obtain employment.⁴ In FY 2011, DCFS spent \$3,483,733 or 63% of all transportation costs on services involving use of personal vehicles. Exhibit 2 shows a breakdown of these expenditures for personal vehicles.

³ These contracts assist states and localities in developing new or expanded transportation services that connect welfare recipients and other low income persons to jobs and other employment-related services. DCFS provides TANF funds and DOTD provides Federal Transit Authority funds to provide this service. We did not conduct detailed audit work on these contracts. These contracts were terminated in December 2011 because of a lack of funds.

⁴ However, these post-FITAP payments were discontinued in December 2011 due to a lack of funds.

Exhibit 2				
Amount Spent by Activity for Personal Vehicles				
FY 2011				
Transportation Type	Description	Number of Participants	Amount Spent	Amount Per Participant
Supplemental Transportation	DCFS uses this category to correct payment errors.	139	\$25,086	\$180.47
Mileage Incurred	DCFS reimburses participants at \$0.48 per mile.	1,819	\$1,784,359	\$980.96
Expense Incurred	DCFS reimburses participants a negotiated rate ⁵ per day when friend/family provides transportation.	1,050	\$512,058	\$487.67
Supportive Services Transportation	DCFS uses this category to pay for supportive services, such as driver's license renewal fees and car repairs.	420	\$162,346	\$386.54
Post FITAP	DCFS pays participants a flat rate of \$120 per month for up to 12 months after they obtain employment.	1,465	\$999,885	\$682.52
Total			\$3,483,733	
Source: Prepared by legislative auditor's staff using data from DCFS.				

⁵ This negotiated rate is discussed further on page 12.

Objective 1: Has DCFS provided sufficient oversight over the STEP program to ensure that transportation costs are reasonable and services are provided appropriately?

DCFS has not provided sufficient oversight over the STEP program to ensure that transportation costs are reasonable and services are provided appropriately. DCFS provides STEP participants with transportation to their required work activities either through contracted transportation services or through reimbursing participants for using personal vehicles. However, we found that rates allowed by DCFS are often too high compared to other states and state agencies, that some costs are not supported with sufficient documentation, and that DCFS lacks an effective monitoring process to comprehensively detect when services are not provided appropriately. Specifically, we identified the following issues with STEP transportation costs and services:

- Rates paid to contract providers are higher than other state agencies such as DHH because DCFS did not use a formal process to select providers or evaluate the reasonableness of their rates.
- DCFS reimbursements to STEP participants who use their own vehicle for transportation to work activities are higher than other states surveyed.
- DCFS does not have a process to evaluate the reasonableness of rates paid to STEP participants when they use a friend or family member's vehicle to transport them to work activities.
- DCFS has not developed adequate review procedures to ensure that transportation logs tracking ridership and costs submitted from contract providers are accurately completed and calculated.
- DCFS has not ensured that contracted and personal transportation services are needed, that participants attend work activities, and that costs are supported with sufficient documentation.
- DCFS has not developed sufficient processes to ensure that electronic transportation payment data is accurate.
- DCFS' system for monitoring case worker files is ineffective at detecting all potential errors in files.

Rates paid to contract transportation providers are excessive because DCFS does not have a formal process to select providers or evaluate the reasonableness of their rates.

DCFS relies on the parish offices in each region to suggest contract transportation providers. According to DCFS management, it relies on the parish office to recommend providers because parish case workers are more familiar with the providers in their area. In addition, although some negotiation is involved, DCFS generally accepts rates proposed by transportation providers without formally evaluating their reasonableness. The Office of Contractual Review (OCR) requires the completion and documentation of a cost-effectiveness analysis for contracts that do not have to follow a competitive bid process.⁶ According to DCFS program management, it reviews the contracts for reasonableness; however, this analysis is not formal or documented.

As of February 2011, DCFS has unit cost contracts with 35 providers. As shown in Appendix C, these providers charged rates ranging from \$12 to \$45 per one way trip. Since most of these same providers also serve the general public and accept cash for transportation, we compared DCFS' current rates to the rates that five of its providers charge for cash customers. We found that DCFS' unit costs were an average of 62% higher than what their providers charged cash costumers, as shown in Exhibit 3.

Exhibit 3			
Unit Cost Comparison Between DCFS and Rates Charged to the Public			
	Average Provider Amount Per One Way Trip for Public	DCFS Amount Per One Way Trip	Percent Difference
Provider 1	\$5.00	\$24.00	79%
Provider 2	14.29	20.00	29%
Provider 3	12.14	24.38	50%
Provider 4	4.00	20.00	80%
Provider 5	9.00	30.00	70%
Average	8.89	23.68	62%
Source: Prepared by legislative auditor's staff using data from providers and from DCFS.			

We also compared DCFS rates to the Non-Emergency Medical Transportation (NEMT) program within DHH and found that the rates DCFS paid to contract providers are higher than what DHH pays their contracted transportation providers. The NEMT program provides transportation to Medicaid participants to and from their medical appointments. DHH has flat rates, negotiated rates, and capitated rates. DHH's flat rates range from \$7.13 for a one way trip from a non-profit provider to \$9.16 for a one way trip from a for-profit provider.⁷

⁶ OCR does not require a competitive bid process for contracts under \$250,000. All of DCFS' transportation contracts are under \$250,000.

⁷ DHH pays a higher flat rate for those providers who are wheelchair accessible from \$24.43 to \$30.53 round trip; however, these rates are also lower than what DCFS pays.

On average, DCFS pays \$18.79 for one way trips to its 35 transportation providers, which is \$9.63 (51%) more than DHH's rate to private providers. Exhibit 4 summarizes the ranges DCFS pays its 35 contract providers who have unit cost (rate-based) and flat-rate contracts.

Exhibit 4	
Number of Contractors by Rate Charged	
Rate	Number of Contracts
Less than \$15	3
Between \$15 and \$20	18
Between \$21 and \$25	11
Greater than \$25	3
Average Rate	\$18.79
Source: Prepared by legislative auditor's staff using data from DCFS.	

In addition, DHH does not pay for trips when clients do not show up (called "dry runs"), while DCFS pays for two consecutive dry runs. According to DCFS management, it pays for dry runs in order to fairly compensate providers for making trips when the participants do not show, which is often since STEP participants do not always want to attend their required work activities. In FY 2010, DCFS spent \$184,000 on dry runs, 6.5% of the total amount spent on contract transportation.

We conducted analysis to determine how much DCFS would have spent if it used DHH's rate of \$9.16 and did not pay for dry runs. As shown in Exhibit 5, DCFS would have saved nearly \$3.4 million if it adopted similar rates and procedures as DHH.

Exhibit 5				
Potential Transportation Cost Savings Using DHH-NEMT Procedures and Costs				
	Amount Spent on STEP Transportation Contracts*	STEP Transportation Costs Using DHH's Method	Percent Difference	Potential Savings
FY 2009	\$1,891,842	\$678,343	64%	\$1,213,498
FY 2010	2,145,800	796,058	63%	1,349,741
FY 2011	1,455,213	627,285	57%	827,927
Total	\$5,492,855	\$2,101,688	62%	\$3,391,166
*This amount does not include JARC or mass transit contracts.				
Source: Prepared by legislative auditor's staff using data from DHH and DCFS.				

Another option that would save money is for DCFS to coordinate transportation services with DHH. For FY 2011, 13 (37.1%) of the 35 STEP transportation providers also provided transportation in DHH's NEMT program. DHH contracts with a dispatcher who receives clients' calls for transportation and pairs them with the most cost-effective provider. The dispatcher has agreements with various certified transportation providers in the state who are all generally charged the same rate, whereas DCFS has contracts with one provider in each area who charges variable rates.

According to DCFS management, coordination with DHH would be difficult since STEP participants are more difficult to serve than NEMT clients and it would be difficult to allocate costs between the programs. Because of the potential of reducing costs and increasing efficiencies in the provision of transportation services, House Concurrent Resolution (HCR) 131 of the 2011 Legislative Session recently required DCFS, and other state agencies, to begin working on a study on potential coordination of transportation for all state agencies.

Recommendation 1: DCFS should develop a formal process for selecting transportation providers and formally document the selection process and reasoning.

Summary of Management's Response: DCFS agrees with this recommendation and states that it will implement a periodic Request for Information process to offer market assessments of transportation providers. This process will formally document solicitations, analysis, cost-effectiveness, and selection of contract providers.

Recommendation 2: DCFS should either determine the rates they will pay to transportation contractors or develop a process to determine whether potential contractor rates are reasonable.

Summary of Management's Response: DCFS disagrees with this recommendation and states that it is not reasonable for DCFS to determine rates paid to transportation contractors as the services vary depending on a number of factors. Some factors include the volume of ridership, the size of the parish, and the average distance traveled from the participant's homes to the work activities. DCFS also states that it does have a process to determine whether contractor rates are reasonable.

LLA Additional Comments: Although DCFS states it has a process to determine the reasonableness of contractor rates, it had no documentation to support this process. In compliance with OCR requirements, DCFS should document the process.

Recommendation 3: DCFS should evaluate the feasibility and cost-effectiveness of potential coordination with other state agencies that provide transportation services.

Summary of Management's Response: DCFS disagrees with this recommendation and states that it has representation on the Human Services Coordinated Transit Work Group as established in 2011 by HCR 131 and will continue to work on this committee and consider all recommendations submitted by the committee.

Recommendation 4: If coordination is not a feasible or cost-effective option, DCFS should adopt similar procedures and costs used in the DHH's NEMT program or other similar programs.

Summary of Management's Response: DCFS disagrees with this recommendation and states that various differences exist between NEMT and STEP transportation providers which contribute to the cost differential, including multiple stops, vehicle capacity, distance, and commitment.

LLA Additional Comments: While there are some differences in the STEP and NEMT programs, the differences should not prevent DCFS from comparing rates between the programs in an effort to find ways to reduce costs as an agency. In addition, as stated in the report, 13 of DCFS' current providers are also NEMT providers.

DCFS reimbursements to STEP participants who use their personal vehicles is higher than other states surveyed.

We surveyed 11⁸ states to determine the method they used to provide transportation to TANF participants. Six of the states set a maximum amount that could be spent on transportation. The remaining states either did not respond or were not comparable because they either did not have a maximum amount or had programs that were administered at the county level. DCFS reimburses participants a maximum of \$500 per month for transportation costs. The average of the other states' maximum amounts was \$180, which is \$320 (64%) less than DCFS. Exhibit 6 summarizes each state's maximum amount.

Exhibit 6 Other State's Maximum Amount for Mileage Reimbursement	
State	Maximum Amount
Georgia	\$350.00
Mississippi	300.00
Arkansas	200.00
Massachusetts	80.00
South Carolina	75.00
Wyoming	75.00
Average	\$180.00
Source: These amounts were obtained either from phone interviews or survey responses.	

We applied the \$180 to the number of participants who utilized STEP transportation (including contract services and reimbursements to participants). As shown in Exhibit 7, DCFS would have spent \$7.1 million if it paid participants a rate of \$180 per month, for a savings of \$5 million.

⁸ We chose states based on their geographic proximity to Louisiana (other southern states) and high-performing states based on their participation rates and high employment retention rates.

Exhibit 7				
Potential Transportation Cost Savings				
	Amount Spent on STEP Transportation*	STEP Transportation Costs Using the Average of Other States' Rates	Percent Difference	Potential Savings
FY 2009	\$3,779,134	\$2,107,260	44%	\$1,671,873
FY 2010	4,613,468	2,632,500	43%	1,980,968
FY 2011	3,776,716	2,374,110	37%	1,402,606
Total	\$12,169,317	\$7,113,870	42%	\$5,055,447
*This amount does not include JARC or mass transit contracts.				
Source: Prepared by legislative auditor's staff using data from DCFS.				

According to DCFS, it has recently lowered the maximum monthly amount from \$500 to \$300 due to federal budget cuts. Our report and this analysis reflect the rates in place during our audit.

Recommendation 5: DCFS should consider reducing the maximum amount paid to STEP participants to be more comparable with what other states provide.

Summary of Management's Response: DCFS disagrees with this recommendation and says that the states we used are not comparable to Louisiana.

LLA Additional Comments: We used a combination of southern states and other states considered high-performers based on their high participation rates. Customarily in audits we include best practice states as well as southern states.

DCFS does not have a process to determine the reasonableness of rates paid to STEP participants when they use a friend or family member's vehicle for transportation.

DCFS policy requires that parish case workers choose the most cost-effective form of transportation for participants. If a more cost-effective form is not available, DCFS allows participants to use a friend or family member's vehicle. The rate paid cannot exceed \$500 per month and is negotiated between the parish case worker, the participant, and the friend or family member. However, the policies do not specify a set rate or guidance for what constitutes a reasonable rate. In addition, DCFS does not review these rates as part of its case review system. As a result, parish case workers have discretion in the rate amounts they charge and may be charging excessive amounts.

DHH's NEMT program sets consistent rates for friends and family members who transport Medicaid participants to medical appointments. DHH pays a flat rate of \$7.13 per round trip to friends and family members or a monthly rate of \$109.25. In FY 2011, the average monthly rate that DCFS paid to friends and family was \$141.26, which is 23% higher than DHH's rate.

Recommendation 6: DCFS should determine an acceptable rate that it will pay when participants use their friends or family members to provide transportation to work activities.

Summary of Management's Response: DCFS disagrees with this recommendation and states that it has determined that \$300 is an acceptable maximum payable for transportation services. Contract transportation is not widely available and reimbursing a participant for transportation to an activity they are required to attend is mandated by federal regulations.

LLA Additional Comments: At the time of our audit, the maximum monthly amount was \$500. This amount was decreased to \$300 in December 2011 because of budget cuts.

DCFS does not have adequate procedures for how transportation logs submitted by contract providers are reviewed for accuracy.

DCFS has not developed a formal process to review transportation logs submitted by contract providers to document ridership and calculate transportation costs. In addition, the process is manual, which increases the risk of errors. Currently, STEP transportation contractors submit copies of handwritten transportation logs to DCFS' Contract Services and their local DCFS parish office. These logs are used to track ridership. Providers calculate the amount owed to them by tallying the total number of trips and DCFS pays the providers based on the calculated amount. Both state office staff and the parish case workers are responsible for reviewing the logs and verifying the providers' calculations. However, although DCFS has issued an administrative memorandum that requires the review of these files, we found that providers were inconsistently and incorrectly completing the logs. Specifically, we found the following:

- **DCFS did not ensure that contract providers included the required reauthorizations on the logs.** Providers did not always indicate on the logs whether a participant was reauthorized after two consecutive dry runs (when clients do not show for the scheduled ride). According to DCFS policy, it does not pay for more than two consecutive dry runs unless the participant was reauthorized.

- **DCFS did not ensure that contract providers included the correct rates on the logs.** Providers that charge multiple rates for different participants⁹ did not always specify the rate actually charged on the log. Therefore, it is difficult to determine which rate to use to re-calculate their calculations. For example, the rate one provider charged varied from \$18.00 per one way trip to \$47.50 per one way trip. That provider did not consistently indicate on the logs which rate was charged. Due to the missing rate information, the state office staff cannot accurately determine that the correct rate was billed.
- **DCFS did not ensure that contract providers completed the logs correctly.** Some providers used shorthand that was inconsistent with the log's legend. Therefore, it was difficult to determine the meaning of information on the logs. Providers are supposed to use the legend on the log and use "1" for one-way trip; "D" for dry runs; and "C" for children riders. However, we found that some providers were using the following to complete the logs:
 - R, 2, or "TW" for round trip
 - Check marks for trips
 - "NS" for dry runs
 - "NS" for not scheduled

Recommendation 7: DCFS should develop standardized, formal, and written procedures for its review of transportation information from contract providers, including guidance for providers on how to accurately and consistently complete logs.

Summary of Management's Response: DCFS disagrees with this recommendation and states that it has an administrative memorandum that outlines such procedures.

LLA Additional Comments: Although DCFS has issued an administrative memorandum that outlines the process for submitting logs and invoices, this memorandum does not provide specific procedures that outline what case workers are required to review on the logs. Specific procedures on how case workers should review the logs would help ensure consistency and accuracy of the logs and help prevent the errors identified above.

Recommendation 8: DCFS should automate the process of submitting and reviewing transportation costs by collecting electronic information from contract transportation providers. This, in addition to formal procedures, would help eliminate accuracy errors on transportation logs, help eliminate the inconsistencies in the ways providers complete forms, and enable DCFS to complete a utilization analysis to determine the cost-effectiveness of STEP transportation contracts.

⁹ Providers may charge multiple rates depending on the distance traveled.

Summary of Management's Response: DCFS disagrees with this recommendation and states that implementation of this recommendation would not prove cost-effective as they have over 40 transportation contracts with respective contracts as minimal as \$10,000.

In a sample of files we reviewed, DCFS did not ensure that contracted and personal transportation services were documented as needed, that participants attended work activities, and that costs were supported with sufficient documentation.

We reviewed a sample of 37 files¹⁰ from three parishes and found various instances in the files where DCFS did not obtain sufficient documentation to support the need for certain contracted and personal vehicle transportation costs. In addition, DCFS did not obtain sufficient attendance documentation for 24 of the 37 (65%) of the files in our sample. Specifically, we identified the following:

DCFS reimbursed contract providers and participants for transportation services when participants did not attend work activities for 8 of the 37 (21.6%) files reviewed. For example:

- In three files, DCFS paid contractors for dry runs even though the participant knew in advance that they would not use the transportation provider for that day(s). For example, we identified instances where participants work activities were closed because of holidays and the provider still billed for dry runs.
- In four files, DCFS paid for occasions when the participant had a doctor's excuse and left early or did not attend their scheduled work activity.
- In one file, DCFS paid for rides for a child when the documentation did not include the child.

DCFS reimbursed contract providers and participants when different forms of transportation were used at the same time in 3 of the 37 (8.1%) files reviewed. For example:

- In one file, the participant utilized contract transportation and was also reimbursed for mileage. This happened over a period of at least seven months for at least 100 rides at \$23 per ride, for a total of at least \$2,300.

¹⁰ We judgmentally selected 66 files, which we requested from the parish offices. However, the parish offices could not locate 10 of the files. We reviewed a total of 37 files. The sample was judgmental in order to obtain a sufficient mix of different types of transportation payments. The sample included eleven contract transportation files, sixteen personal vehicle usage files, five bus pass files, and five files that were pulled from the Case Review System, meaning they were reviewed previously by a supervisor.

- In one file, a participant was reimbursed for mileage when other forms of transportation were also provided, such as bus passes.
- In one file, a participant was paid a transportation reimbursement for the same day more than once.

DCFS paid for transportation when there were documentation errors in 12 of the 37 (32.4%) files reviewed. For example:

- In six files, the transportation reimbursement forms were not completed; therefore, we could not check the accuracy of the reimbursement amount for these files.
- In one file, the parish case worker was reimbursed at a rate per mile that was higher than the rate quoted by DCFS Headquarters.
- In three files, the parish case worker entered the wrong code for transportation payments.
- In seven files, the transportation reimbursement forms contained addition and/or totaling errors.

DCFS paid for transportation services when the file was missing attendance documentation in 24 of the 37 (64.86%) files reviewed. Policies require that parish case workers obtain various forms of attendance documentation. This information allows DCFS to verify that participants are attending their assigned work activity. The participation rate, which is the basis of STEP funding, is based on the number of participants who attend work activities for a certain number of hours. Without attendance documentation, DCFS cannot ensure the accuracy of the participation rate.

DCFS paid for supportive services when there was no documentation for the service in 11 of 37 (29.7%) files reviewed. Supportive services include transportation reimbursements and miscellaneous payments for eyeglass uniforms, childcare, etc. Without documentation of these services, DCFS cannot verify if supportive service payments should have been made or if they were made accurately.

We followed up with DCFS parish managers on each of the issues above. In most cases, parishes agreed that these were errors. The primary reason these errors occurred was because DCFS allows all case workers to authorize and approve transportation payments without supervisory review and DCFS has not established a sufficient process to review case workers for compliance with policies and procedures. These issues are discussed in more detail in the next two sections.

Recommendation 9: DCFS should evaluate its case monitoring system (case review system) and ensure it includes a review to ensure the following:

- Participants do not receive payment for overlapping transportation services.
- Providers are not paid for days when participants did not attend a work activity.
- Participants are properly authorized to receive transportation.
- Transportation reimbursement forms are completed.
- Providers and participants are paid the correct amount.

Summary of Management's Response: DCFS agrees with this recommendation and states that it will work with the IT contractor responsible for the case review system as DCFS Supervisors and Case Managers are charged with ensuring that supportive services are determined, authorized, and reimbursed correctly.

DCFS has not established sufficient processes to ensure electronic transportation payment data is accurate.

DCFS captures payments made to STEP participants who use their personal vehicles in a system called Jobs Automated System (JAS). All parish case workers, regardless of their experience, are granted the authority to initiate and approve payments to STEP participants in this system without supervisory review of their data entry. In addition, DCFS does not analyze payment data to evaluate trends and patterns in payments to participants or to detect potential anomalies or outliers with payments.

We conducted analysis of payments to STEP participants in FY 2010 and FY 2011 and found some participants had high payment amounts for mileage for only having one day of service. Specifically, DCFS reimbursed 39 people the maximum amount of \$500 for only one day of service without analyzing the reasonableness or accuracy of the data. Exhibit 9 shows the number of people who were reimbursed questionable amounts for only having one day of service.

Exhibit 9			
Excessive Mileage Payments for One Day of Service			
FY 2010 and FY 2011			
Amount	Number of Payments		
	FY 11	FY 10	Total
\$500	28	11	39
\$400 to \$499	49	11	60
\$300 to \$399	56	32	88
\$200 to \$299	73	46	119
\$100 to \$199	178	100	278
Total	384	200	584
Source: Prepared by legislative auditor's staff using data from JAS.			

According to DCFS, these instances of high payments may have resulted from parish case workers coding these payments incorrectly in the system. Had DCFS supervisors approved this data or reviewed it for reasonableness they would have likely detected these issues. Since we brought this to their attention, DCFS has implemented a policy requiring a second-level review at the parish level for transportation payments.

Recommendation 10: DCFS should periodically analyze payment data for anomalies and outliers, such as participants receiving large amounts of funds with only one day of service.

Summary of Management's Response: DCFS agrees with this recommendation and states that it will work with Performance Measure Consultants and ES Program Coordinators to monitor payment reports.

Recommendation 11: DCFS should continue to implement a second-level review of transportation payments that would check for reasonableness of the payment and if the correct code was entered.

Summary of Management's Response: DCFS agrees with this recommendation and states that DCFS Corrective Action memo (C-093) issued September 15, 2011 implemented second-level reviews for supportive service payments.

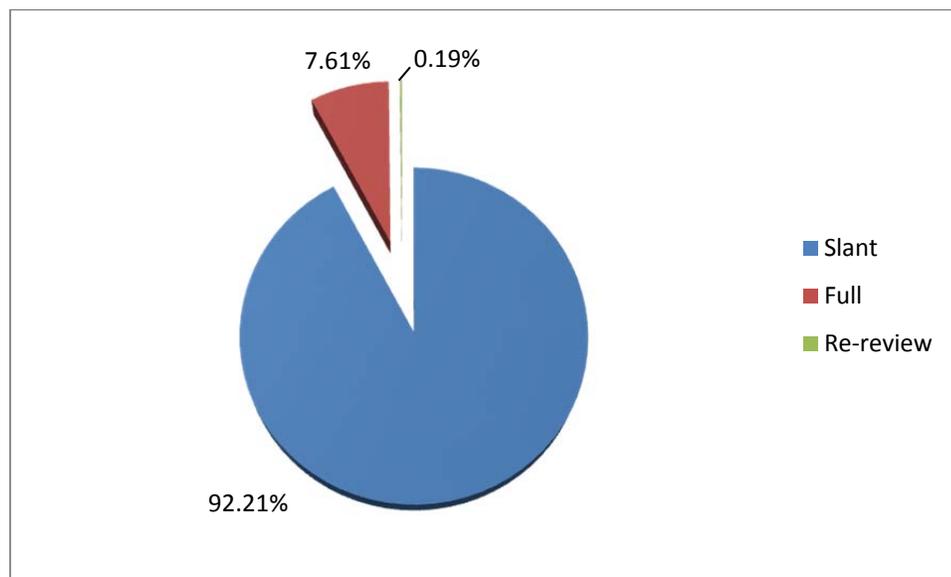
DCFS' system for monitoring STEP case files is ineffective at detecting all potential errors in files.

As mentioned in a previous audit of DCFS' Childcare Assistance Program (CCAP) issued April 23, 2012, DCFS has an online case review system that allows different levels of management to monitor the accuracy of participants' information and documentation, document results, and produce various statistical reports on error rates. However, we found that most of the reviews were not comprehensive to detect all errors in the files. In addition, DCFS has not charged anyone at the state level with overseeing the entire system. As a result, DCFS may not identify systemic issues, such as insufficient or incomplete documentation in applicants' files or errors in contract and personal vehicle transportation costs as detailed in the previous section. A summary of issues with the case review system is summarized below.

DCFS conducted more slant reviews which do not look at all potential errors. The majority of reviews conducted by DCFS are slant reviews (92%). A slant review only encompasses the top three errors identified from the prior quarter; whereas, full reviews encompass all factors. Although DCFS policy allows slant reviews, these reviews do not include a review of all potential errors with a case. In addition, since the slant reviews are based on the top three errors of the previous quarter and since most reviews are slant reviews, this means that the errors reviewed will always be the same each quarter. Since April 2009, only 8% of all reviews of the STEP program have been full reviews.

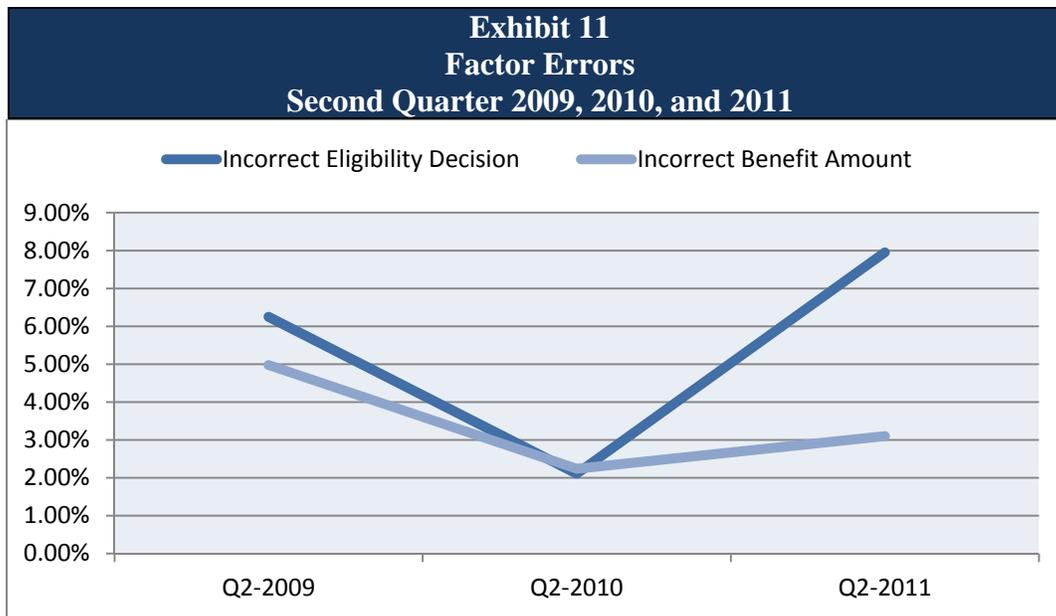
DCFS also rarely conducted case re-reviews. A re-review of a case is when a regional coordinator reviews case reviews that have already been reviewed by parish supervisors. This practice helps ensure that supervisors are conducting reviews correctly. However, we found that DCFS has only conducted 25 (<1%) re-reviews since April 2009. Although there is no specified number of re-reviews required by policy, without re-reviews, DCFS cannot ensure that parish supervisors are conducting sufficient case reviews. Exhibit 10 summarizes the number of full, slant, and re-reviews since the implementation of the case review system.

**Exhibit 10
Percentage of Slant, Full, and Re-Reviews Performed
April 2009 to June 2011**



Source: Prepared by legislative auditor’s staff using data from the case review system.

DCFS has not conducted analysis to determine if the case review system is effectively achieving its goals. The system was designed to ensure correct application by staff members of program policy and to detect trends or policy areas that may need improvement. According to DCFS, it will use the system to identify employees who may need additional guidance and regional administrators will evaluate parish trends. However, DCFS is not analyzing the system as a whole and using it as a tool to reduce overall errors in the program. Exhibit 11 shows the errors for eligibility and benefit amounts.



Source: Prepared by legislative auditor's staff using data from the case review system.

As the exhibit shows, error factors decreased from 2009 to 2010 but increased again in 2011. One reason error rates may have increased is because no one has been charged with overseeing the entire system from a management perspective. As a result, the case review system is generally used to correct individual cases and not as a means to correct behavior through additional training or procedures.

Recommendation 12: DCFS should charge someone with the responsibility of overseeing the case review system for all its programs in order to ensure that the system is operating effectively.

Summary of Management's Response: DCFS disagrees with this recommendation and states that DCFS Program Operations Managers are responsible for ensuring the required number of case reviews in their local office is completed, identified error trends are addressed, and applicable corrective action plans are implemented.

LLA Additional Comments: Although DCFS has assigned various managers to oversee the case management system in their respective offices, there is no one at the state office level who is overseeing the system as a whole to ensure that required reviews are completed and that the system is operating effectively.

Recommendation 13: DCFS should conduct more comprehensive reviews and re-reviews of cases to ensure that all potential errors are detected.

Summary of Management's Response: DCFS disagrees with this recommendation and states that slant reviews are as effective as full reviews but can be completed in significantly less time, allowing DCFS to conduct more reviews. In addition, each case review offers two fundamental oversights: accuracy of eligibility determination and benefit issuance. DCFS states that the reviewer must look at the case as a whole to determine if these criteria are met and slant reviews offer this governance.

LLA Additional Comments: According to DCFS policy, slant reviews can consist of any number of factors as long as they include the top three errors from that parish. According to DCFS' response, reviewing only a few factors enables them to determine whether the correct eligibility decision was made and the correct benefit amount was issued. However, since there are 39 factors included in a full case review of a STEP case, we question how a reviewer can fully assess whether eligibility and benefit amounts were correct using only a few factors.

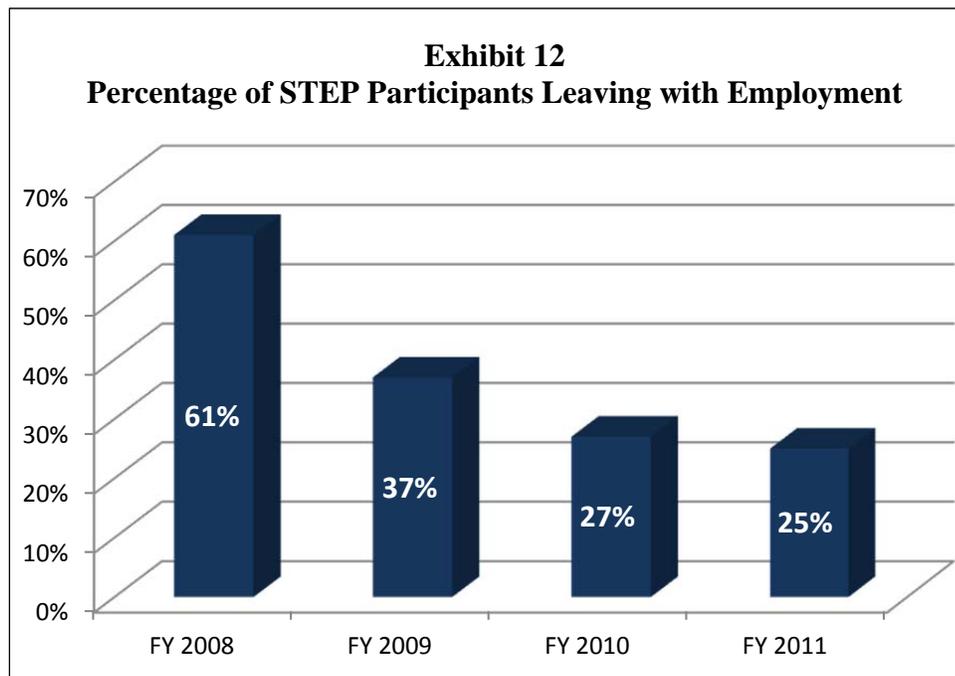
Recommendation 14: DCFS should periodically use the results of the case review system to determine if overall errors are reduced. In areas where errors are not reduced, DCFS should determine the cause of the errors and determine whether policy changes or additional training is needed.

Summary of Management's Response: DCFS disagrees with this recommendation and states that it has developed reports to identify error trends and opportunities for mitigating errors and to assess training needs.

LLA Additional Comments: The reports that DCFS generates to identify training needs is primarily done at the parish or regional level. We recommend that this be done at a higher level in order to assess the effectiveness of the case management system as a whole.

Objective 2: Has the STEP program achieved its goal of employment for participants?

Although the STEP program was at one time meeting its goal of employment for participants, it currently does not meet this goal. DCFS' target is for 40% of STEP participants to obtain employment. According to performance indicator data¹¹ reported in the executive budget, 61% of STEP participants left the program in FY 2008 with employment. However, this percentage decreased to 25% in FY 2011. Exhibit 12 shows how this percentage has changed since FY 2008.



Source: Prepared by legislative auditor's staff using data from DCFS' executive budgets.

As the exhibit shows, the percentages have steadily decreased since FY 2008. According to DCFS, the economy and decreases in funding to the STEP program have contributed to the lower percentage of participants who obtain employment.

We also analyzed data on participants who received post-FITAP benefits during calendar years 2008 to 2010 to determine how many participants who left the program with employment subsequently returned. According to DCFS, participants who receive post-FITAP benefits have left the program with verified employment. We found that of the 2,249 participants who left with a job during 2008 to 2010, 470 (21%) subsequently returned to the program.

¹¹ We did not audit the reliability of this performance indicator data.

Recommendation 15: DCFS should evaluate why the program is no longer meeting its target on the percentage of STEP participants who leave the program with employment.

Summary of Management's Response: DCFS disagrees with this recommendation. DCFS is aware of the decline in percentage of STEP participants who leave the program without employment and it is further assessing the root causes of failure to meet the required target percentages through monthly meetings and through the use of performance measures consultants.

APPENDIX A: MANAGEMENT'S RESPONSE



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Secretary

April 11, 2012

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Legislative Auditor
Office of the Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Attn: Nicole B. Edmonson, CIA, CGAP, MPA
Director of Performance Audit Services

RE: DCFS Strategies to Empowering People (STEP) Program

Dear Mr. Purpera:

The following is submitted in response to your request dated March 13, 2012 in reference to the aforementioned Audit. The Department of Children & Family Services (DCFS) concurs-in-part with regard to the recommendations set forth in the Audit. Further, DCFS has addressed some noteworthy opinions as reflected in the audit report. As such, the following discloses DCFS's opinions, concurrences, non-concurrence and corrective actions as applicable:

LLA Audit Statement:

Overall, we found the following:

- **Lack of oversight over the program has resulted in STEP transportation costs being higher than other states and other state agencies.**

DCFS Response: While some of the STEP transportation costs may be higher than other state agencies, this is not a result of a lack of oversight of the program. Higher transportation costs for STEP transportation reflect differences between STEP requirements and the requirements of other transportation programs.

LLA Audit Statement:

- **DCFS's rate is 51% higher than rates DHH charges in its Non-Emergency Medical Transportation (NEMT) program. If DCFS used DHH's rate it could have saved approximately \$3.4 million over the last three years.**

DCFS Response: Transportation rates for the DHH NEMT program and the rates for the DCFS STEP Supportive Services program are not comparable. The higher level of expectations for STEP transportation providers, as noted below, suggest that a 51% higher fee for DCFS STEP transportation providers is reasonable.

Four significant differences in requirements and expectations between NEMT and STEP transportation providers contribute to the cost differential are as follows:

- **Multiple Stops:** DHH NEMT provider fees represent transporting a single individual to a single destination. DCFS STEP provider fees frequently represent transporting the identified Work Eligible Individual (WEI) to a work or training location and transporting that WEI's child(ren) to the child care provider.
- **Vehicle Capacity:** DHH NEMT providers may be able to transport several clients in the same vehicle at the same time. Because of the responsibility of DCFS STEP providers to



- transport the child(ren) as well as the WEI, their capacity may be limited to one WIE and children in a single trip.
- Distance: Medical providers exist in almost every community, no matter how small the community might be. WEI's living in small rural communities must be transported greater distances to access education, training and work locations. Thus, DCFS STEP transportation providers must travel greater distances than DHH NEMT providers and incur greater vehicle maintenance and operation expenses.
- Commitment: DHH NEMT providers have greater flexibility in their schedules. DCFS STEP transportation providers must make a commitment to transport STEP clients according to their work or school schedules.

LLA Audit Statement:

DCFS does not have a process to evaluate the reasonableness of rates paid to STEP participants when they use a friend or family member's vehicle to transport them to work activities. DCFS policy allows parish case workers to negotiate a reasonable rate with the participant but does not provide any criteria for what constitutes reasonable.

- **In FY 11, the average monthly rate that DCFS paid to friends and family was \$141.26 which is 22% higher than DHH's rate in the NEMT program**

DCFS Response: DCFS policy states "workers shall determine and document the most cost effective means of transportation on a case-by-case basis, considering all transportation sources, and the amount of transportation required to meet the participant's attendance needs." If a more cost effective means of transportation is unavailable (contract transportation), the participant may be reimbursed for the use of their own vehicle, or a vehicle that they use to transport themselves, or they may be reimbursed for the amount they have to pay someone to transport them to their activity.

DCFS Form STEP 17 is used to document the odometer readings when a client uses their own vehicle. The STEP 17 is also used to document the amount of money a person charges the client to transport to and from their work activity. The case worker does not negotiate the rate nor do parish workers set rates or allow excessive amounts to be charged. If the amount seems high, the case worker may remind the client of the transportation maximum, but the client is responsible for the transportation arrangements and discussing the amount they are willing to pay with the provider.

The average of \$141.26 per month per participant is well below the current allowable maximum of \$300 and significantly below the former maximum of \$500. Moreover, STEP transportation averages substantially more trips per month; which is not comparable to trips offered under DHH's NEMT Program due to the diversity of program service delivery.

LLA Audit Statement:

DCFS has not developed adequate review procedures to ensure that transportation logs tracking ridership and costs submitted from contract providers are accurately completed and calculated. As a result, we found numerous inconsistencies and errors on the logs.

DCFS Response: The review procedures in place at the time of the audit are outlined in Administrative Memo A-1742-02, issued February 6, 2008, which establishes that the parish office is responsible for reviewing the invoices and signed boarding logs to ensure that the individuals listed are STEP clients and authorized for transportation to a STEP activity.

It was noted as an observation in an Internal Audit report dated 5/6/11 from the DCFS Bureau of Audit and Compliance Services that this procedure was a potential weakness in internal controls since there was no standardized sampling process to assure the parish office employees were accurately reviewing and verifying the STEP transportation contract invoices to the actual supporting documentation before confirming accuracy.



Subsequent to the referenced DCFS Internal Audit, Contract Managers began reviewing a sample of the sign-in sheets reviewed and validated monthly by DCFS Operations staff. The following language was added to the standard monitoring tool for STEP Transportation contracts: "Review sign-in sheets and logs for two months on site. Ensure totals from sign-in sheets are correct and match logs and invoices. Ensure that dry runs are reported and counted appropriately. Ensure that contractor is documenting according to the legend on the STEP Transportation Log Sheet. Document the two months reviewed and findings."

LLA Audit Statement:

STEP Funding

...In FY 2011, the state received \$163,971,985 in TANF block grant funds and contributed \$55,415,288 in MOE funds for a total of \$219,387,273 in TANF funds. DCFS spend approximately \$8.9 million (4%) of its TANF funds for STEP. The majority of STEP-related funds, \$5.4 million

DCFS Response: In FY 2011 DCFS received a total of \$163,971,985 in TANF block grant funds. The additional \$55,415,288 in MOE funds does not represent an increase in TANF funding; rather it represents other state expenditures (i.e. state matching funds) representing approximately (5.43%) of TANF funding.

LLA Audit Statement:

Personal Vehicles. DCFS also reimburses participants for using their own vehicle or a friend or family member's vehicle. STEP participants must submit documentation of mileage. DCFS then reimburses participants at 48 cents per mile if the participant drives their own car and pays a negotiated rate if a family member or friend provides the ride. DCFS will also pay for supportive services on a case by case basis, such as car repairs and registration renewal fees for either the STEP participant or their friend or family member.

DCFS Response: Supportive services paid to family members or friends are paid on a very limited case-by-case basis based on the frequency of use of the vehicle by the participant for vehicles made available for participation in mandatory STEP activities.

LLA Audit Statement:

In addition, DCFS provides \$120 per month in transportation payments to STEP participants for a lifetime maximum up to 12 months after leave the program and obtain employment.

DCFS Response: The \$120 per month transportation payment was made to participants who left the program as a result of gained employment, not because they left the program, unemployed; and later obtained employment. Participants who leave the program for any reason other than gaining employment, are not eligible for a Post-FITAP transportation payment. The purpose of this payment is to ease the STEP participant's transition into the workforce and complete self-sufficiency. Moreover, this component of the STEP Program has been eliminated effective SFY 2012.

LLA Audit Statement:

In addition, although some negotiation is involved, DCFS generally accepts rates proposed by transportation providers without formally evaluating their reasonableness.

DCFS Response: All DCFS contracts are negotiated and evaluated. Although each step of the evaluation process is not formally documented; DCFS does evaluate costs, ridership, and availability of services for the specific area.

LLA Audit Statement:

Another option that would save money is for DCFS to coordinate transportation services with DHH. For fiscal year 2011, 13 of the 35 STEP transportation providers also provided transportation in DHH's NEMT program. DHH contracts with a dispatcher who receives clients' calls for transportation and pairs them with the most cost-effective provider.



DCFS Response: DCFS STEP participants generally use transportation services on a daily basis. It would not be cost effective to pay for a service on a daily basis as opposed to having a contracted service. Additionally, this would also require participants call every day to arrange for transportation services.

Recommendation #1: DCFS should develop a formal process for selecting transportation providers and formally document the selection process and reasoning.

DCFS concurs with this recommendation. DCFS will implement a periodic Request for Information (RFI) process to offer market assessments of transportation providers. This process will formally document solicitations, analysis, cost effectiveness, and selection of transportation providers.

Recommendation #2: DCFS should either determine the rates they will pay to transportation contractors or develop a process to determine whether potential contractor rates are reasonable.

DCFS does not concur with this recommendation. It is not reasonable for DCFS to determine rates paid to transportation contractors, as the services vary, depending on a number of factors. Some factors include: the volume of ridership, size of the parish, and average distance traveled from the participant's homes to the work activities. Moreover, some nonprofit contractors have other funding sources and are able to provide the service at lower costs. Additionally, established contractors with a greater capacity can normally provide the services at lower costs, as well.

DCFS currently has a process to determine whether potential contractor rates are reasonable. Most contractors are nonprofit entities; therefore offering reduced pricing. Further, when contracts are negotiated or when the contractor requests an increase to the unit cost, the contractor is required to provide a budget to justify the unit cost charged.

Recommendation #3: DCFS should evaluate the feasibility and cost-effectiveness of potential coordination with other state agencies that provide transportation services.

DCFS does not concur with this recommendation. The Department has representation on the Human Services Coordinated Transit Work Group; as established in 2011 by HCR 131. DCFS will continue to work with this committee and will consider all recommendations submitted by the committee.

Recommendation #4: If coordination is not a feasible or cost-effective option, DCFS should adopt similar procedures and costs used in the DHH's NEMT program or other similar programs.

DCFS does not concur with this recommendation. Four significant differences exist between requirements and expectations of NEMT and STEP transportation providers; which contribute to the cost differential:

- **Multiple Stops:** DHH NEMT provider fees represent transporting a single individual to a single destination. DCFS STEP provider fees frequently represent transporting the identified Work Eligible Individual (WEI) to a work or training location and transporting that WEI's child(ren) to the child care provider.
- **Vehicle Capacity:** DHH NEMT providers may be able to transport several clients in the same vehicle at the same time. Because of the responsibility of DCFS STEP providers to transport the child(ren) as well as the WEI, their capacity may be limited to one WEI and children in a single trip.
- **Distance:** Medical providers exist in almost every community, no matter how small the community might be. WEI's living in small rural communities must be transported greater distances to access education, training and work locations. Thus, DCFS STEP transportation providers must travel greater distances than DHH NEMT providers and incur greater vehicle maintenance and operation expenses.
- **Commitment:** DHH NEMT providers have greater flexibility in their schedules. DCFS STEP transportation providers must make a commitment to transport STEP clients according to their work or school schedules.



Recommendation #5: DCFS should consider reducing the maximum amount paid to STEP participants to be more comparable with what other states provide.

LLA Audit Statement:

DCFS reimburses participants a maximum of \$500 per month for transportation costs. The average of the other states' maximum amounts was \$180, which is \$320 (64%) less than DCFS. Exhibit 6 summarizes each state's maximum amount. *We chose states based on their geographic proximity to Louisiana (other southern states) and high-performing states based on their participation rates and high employment retention rates.*

DCFS does not concur with this recommendation. DCFS contacted the states reference in Exhibit 6 and deem them incomparable as follows:

- Massachusetts is not a southern state
- Wyoming is not a southern state and has only 101 participants
- None of the states contacted track recidivism which is a key indicator of program success
- South Carolina has a monthly maximum of \$150 per participant (up to \$75 for a personal vehicle and up to \$75 for bus tokens, cabs, etc.)

Inclusion of truly only southern states increases the average from \$180 to \$250 per month; which is in line with other southern states. Moreover, if applied to coastal states, Louisiana's maximum per month is less than that average.

LLA Audit Statement:

In addition, DCFS does not review these rates as part of their case review system. As a result, parish case workers have discretion in the rate amounts they charge and may be charging excessive amounts.

DCFS Response: This statement is a misrepresentation; as parish workers do not charge for services.

Recommendation #6: DCFS should determine an acceptable rate that it will pay when participants use their friends or family members to provide transportation to work activities.

DCFS does not concur with this recommendation. DCFS has determined \$300/ month as an acceptable maximum payable for transportation services. Contract transportation is not widely available and reimbursing a participant for transportation to an activity, they are required to attend, is mandated by federal regulations.

DCFS Policy states, "workers shall determine and document the most cost effective means of transportation on a case-by-case basis, considering all transportation sources, and the amount of transportation required to meet the participant's attendance needs." If a more cost effective means of transportation is unavailable (contract transportation), the participant may be reimbursed for the use of their own vehicle, or a vehicle that they use to transport themselves, or they may be reimbursed for the amount they have to pay someone to transport them to their activity.

Recommendation #7: DCFS should develop standardized, formal, and written procedures for its review of transportation information from contract providers, including guidance for providers on how to accurately and consistently complete logs.

DCFS does not concur with this recommendation. DCFS Administrative Memo A-1742-02, effective February 6, 2008; outlines such procedures.



Recommendation #8: DCFS should automate the process of submitting and reviewing transportation costs by collecting electronic information from contract transportation providers. This, in addition to formal procedures, would help eliminate accuracy errors on transportation logs, help eliminate the inconsistencies in the ways providers complete forms and enable DCFS to complete a utilization analysis to determine the cost effectiveness of STEP transportation contracts.

DCFS does not concur with this recommendation. Implementation of this recommendation would not prove cost effective as DCFS currently has over forty (40) transportation contracts, with respective contracts as minimal as \$10,000.

Recommendation #9: DCFS should evaluate its case monitoring system (case review system) and ensure it includes a review to ensure the following:

- **Participants do not receive payment for overlapping transportation services**
- **Providers are not paid for days when participants did not attend a work activity**
- **Participants are properly authorized to receive transportation**
- **Transportation reimbursement forms are completed**
- **Providers and participants are paid the correct amount**

DCFS concurs with this recommendation and will work with the IT contractor responsible for the case review system; as DCFS Supervisors and Case Managers are charged with ensuring that supportive services are determined, authorized, and reimbursed correctly.

LLA Audit Statement:

... All parish case workers regardless of their experience are granted the authority to initiate and approve payments to STEP participants in this system without supervisory review of their data entry.

DCFS Response: DCFS staff is trained to interview and make eligibility determinations independently. As the Economic Stability (ES) Program is broad, dynamic, and serves a voluminous client base; ES case workers decision all programs, including STEP. Moreover, case workers have the authority to initiate payments to STEP participants; however secondary approvals are authorized at a secondary/supervisory level.

Recommendation #10: DCFS should periodically analyze payment data for anomalies and outliers, such as participants receiving large amounts of funds with only one day of service.

DCFS concurs with this recommendation. DCFS will work with Performance Measure Consultants and ES Program Coordinators to monitor payment reports.

Recommendation #11: DCFS should continue to implement a second level review of transportation payments that would check for reasonableness of the payment and if the correct code was entered.

DCFS concurs with this recommendation. DCFS Corrective Action memo (C-093), issued September 15, 2011 implemented second level reviews for supportive service payments.

Recommendation #12: DCFS should charge someone with the responsibility of overseeing the case review system for all its programs in order to ensure that the system is operating effectively.

DCFS does not concur with this recommendation. DCFS Program Operations Managers and Regional Administrators are both responsible for ensuring the required number of case reviews are completed and identified error trends is addressed and applicable corrective actions plans are implemented.



Recommendation #13: DCFS should conduct more comprehensive reviews and re-reviews of cases to ensure that all potential errors are detected.

DCFS does not concur with this recommendation. Slant reviews are completed based on significant error elements; as determined by both case reviews and Quality Control re-reviews. Slant reviews are as effective as full reviews but can be completed in significantly less time (as documentation requirements are less stringent), allowing Supervisors, Regional Program Coordinators, and other reviewers the ability to complete more reviews. Each case review (full and slant) offers two fundamental oversights: accuracy of eligibility decision & accuracy of benefit issuance. The reviewer must look at the case as a whole to determine if these two criteria are met; slant reviews offer this governance.

Recommendation 14: DCFS should periodically use the results of the case review system to determine if overall errors are reduced. In areas where errors are not reduced, DCFS should determine the cause of the errors and determine whether policy changes or additional training is needed.

DCFS does not concur with this recommendation. DCFS currently evaluates its case review system periodically. DCFS Regional Administrators and Program Operations Managers have been trained to generate reporting; which identify case review error trends. There are also numerous automated reports, generated monthly; which identify error trends for the case review system. Additionally, DCFS Economic Stability Performance Measures Consultants and Regional Program Coordinators also generate these reports periodically, to assess training needs. Further, Economic Stability Performance Measures Consultants and Regional Administrators hold monthly meetings, in each region, to discuss error trends and identify opportunities for mitigating errors and training needs.

Recommendation 15: DCFS should evaluate why the program is no longer meeting its target on the percentage of STEP participants who leave the program with employment.

DCFS does not concur with this recommendation. DCFS is aware of the decline in percentage of STEP participants who leave the program without employment. Much of the influx as noted during the audited period is attributed to the glaring economic downturn and reflective impact of employment rates. Further, assessment of root causes of failure to meet the required target percentage of STEP participants who leave the program with employment is ongoing in two forums:

1) Monthly Joint Executive Meetings: Each month the DCFS Secretary holds a Joint Executive Meeting which includes the Department's Executive Team, leadership of all program areas and all Regional Administrators. Key performance indicators, including STEP employment levels and recidivism are agenda items at each meeting.

A very significant factor in improving STEP outcomes is engagement. The Administration for Children and Families cited a concern in its Report to Congress for the period of April through June 2011 that WEI's are individuals with very different barriers to employment. Overcoming these barriers requires intensive individual casework for many TANF participants.

2) Performance Measures Consultants: The commitment of DCFS administration to improved outcomes for service recipients is reflected in the established role of Performance Measures Consultant (PMC) in each region. The PMC is supervised by the Regional Administrator but receives technical assistance biweekly and as needed, from the Systems Research and Analysis Unit in DCFS State Office, on methods of using data to identify performance problems and to develop mechanisms for improving performance. The PMC meets with the Regional Management Team in monthly Performance Measures Meetings where barriers and progress toward improving all programs, including STEP, are discussed. Additionally, the Deputy Secretary of Operations holds monthly Performance Measures conference calls that are attended by all Regional Administrators and Performance Measures Consultants. During these calls, the regions are afforded an opportunity to share information about successful improvement strategies.

In addition to the two ongoing methods of identifying barriers to successful STEP outcomes, the Department is implementing a Performance and Quality Improvement (PQI) process to serve the entire Department. PQI will operate through regional and state level teams that evaluate of the effectiveness and efficiency of the Department's programs and develop mechanisms for improvement when indicated. PQI Teams supplement the work of the PMCs, streamlining efforts and traditional Quality Control by engaging all levels of staff and external stakeholders. PQI Teams review data and feedback from multiple sources to identify areas needing improvement and develop



program improvement and corrective action plans to achieve performance targets, program goals, client satisfaction and positive client outcomes. The primary focus of PQI is improving outcomes for service recipients. The PMC will be a mandatory member of the PQI team in each region.

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

Sincerely,



Richard "Dickie" Howze
Undersecretary

RDH/KM/GK/KB/CG/dja

- c: Ruth Johnson, Secretary
- Brent Villemarete, Deputy Secretary-Programs
- Sammy Guillory, Assistant Deputy Secretary-Programs
- Denise Fair, Deputy Secretary-Operations
- Connie Wagner, Assistant Deputy Secretary-Operations
- Kaaren Hebert, Policy Advisor
- Amy Colby, Executive Counsel
- Trey Williams, Director, Bureau of Communications & Governmental Affairs
- Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
- Karen Leblanc, CIA, CGAP, LLA Performance Audit Manager



APPENDIX B: SCOPE AND METHODOLOGY

R.S. 24:513 (D) (4) directs the Louisiana Legislative Auditor to conduct performance audits, program evaluations, and other studies to enable the legislature and its committees to evaluate the efficiency, effectiveness, and operations of state programs and activities. In accordance with this legislative mandate, we scheduled a performance audit of the Department of Children and Family Services, STEP program. Our audit focused on transportation costs, monitoring, and program effectiveness. The scope of our audit was July 2008 to February 2011.

We conducted this performance audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. To answer our objectives, we performed the following audit steps:

- Researched and reviewed federal and state laws and DCFS' internal policies and procedures.
- Interviewed various DCFS state and parish office personnel to develop an understanding of program operations.
- Interviewed DCFS Contract Services to gain an understanding of the contracting process.
- Contacted the Office of Contractual Review to obtain procurement requirements for STEP transportation contracts and compared to what DCFS requires.
- Obtained copies of STEP transportation contracts and the accompanying transportation logs for July 2009 – February 2011.
- Input and analyzed information from transportation logs.
- Obtained spreadsheet from DCFS that detailed how much was paid to each STEP transportation provider per month for July 2009 – February 2011 for comparison with Louisiana Legislative Auditor input transportation logs.
- Contacted five STEP providers to obtain the rate they charge for cash customers.

- Interviewed Department of Health and Human Services (DHH) – Non-Emergency Medical Transportation’s (NEMT) manager to identify possible areas for improvement and to determine the feasibility of coordination with DCFS.
- Obtained and analyzed mileage reimbursement data from JAS for July 2009 – February 2011 and reviewed its reliability.
- Reviewed a sample of files from three parishes to assess compliance with policies and procedures.
- Surveyed other states to determine how each state provides for TANF transportation, monitors TANF participants, and determines TANF effectiveness.
- Conducted an analysis to determine how much DCFS would have spent on transportation if they used other state’s methods.
- Interviewed appropriate DCFS personal and reviewed DCFS policy to gain an understanding of the Case Review System and how DCFS uses it.
- Obtained and analyzed data from the DCFS Case Review System.
- Obtained participant information for the last six years from DCFS and conducted a recidivism analysis of this information.

APPENDIX C: TRANSPORTATION CONTRACTS

	Provider	Amount Contracted	Unit Cost*	
			Low	High
1	Allen Council on Aging	\$28,500.00	\$25.00	
2	Avoyelles Council on Aging	162,390.00	25.00	
3	Claiborne Parish Policy Jury - Office of Community Services	72,000.00	17.50	\$32.50
4	DeSoto Council on Aging	40,500.00	15.00	
5	Evangeline Council on Aging	41,668.00	18.75	30.00
6	Family First Medical Transportation	135,000.00	15.00	
7	Jefferson Davis Council on Aging	31,590.00	16.00	
8	LaSalle Community Action Association - Catahoula and Concordia	65,000.00	13.00	
9	LaSalle Community Action Association - Grant, Rapides, Winn	33,000.00	13.00	14.00
10	Lincoln Parish Police Jury - Humanitarian Enterprises of Lincoln Parish	205,000.00	20.00	
11	Love Missionary Full Gospel Baptist Church	21,600.00	12.00	
12	Magnolia Transit	200,000.00	25.00	30.00
13	Morehouse Council on Aging	109,000.00	15.00	
14	Ouachita Multi-Purpose Cap, INC****			
15	Pine Belt Multi-Purpose Community Action Agency, Inc. (Jackson)	43,200.00	25.00	
16	Pine Belt Multi-Purpose Community Action Agency, Inc. (Sabine, Natchitoches)	97,000.00	15.00	25.00
17	Pine Belt Multi-Purpose Community Action Agency, Inc. (Winn Parish)	72,000.00	15.00	
18	Pointe Coupee Council on Aging	45,000.00	15.00	
19	Quad Area Community Action Agency (East Feliciana)	198,000.00	25.00	
20	Red River Council on Aging	44,631.00	15.00	

Provider		Amount Contracted	Unit Cost*	
			Low	High
21	Smile Community Action Agency (Lafayette) 667545	\$140,000.00	\$23.00	
22	Smile Community Action Agency (St. Martin Parish) 667548	75,000.00	24.00	
23	Smile Community Action Agency (Iberia Parish, New Iberia and Jeanerette) 667544	210,000.00	26.00	
24	St. Landry Parish Community Action Agency	130,000.00	20.00	
25	St. Mary CAA	71,910.00	17.00	
26	Tangipahoa Voluntary Council on Aging	180,000.00	30.00	
27	Taurus Transportation Bossier Parish	249,999.00	25.00	\$35.00
28	Taurus Transportation Caddo Parish	249,999.00	25.00	35.00
29	Vermilion Council on Aging (Vermilion, Lafayette and Iberia)	39,445.00	35.00	45.00
30	Vernon Council on Aging Serving Vernon	70,000.00	15.00	25.00
31	Vernon Council on Aging	78,000.00	30.00	40.00
32	Washington Parish Council on Aging	99,360.00	24.00	
33	Webster Parish Police Jury - Office of Community Services	60,000.00	17.50	32.50
34	West Carroll Council on Aging	34,200.00	15.00	
35	Yellow Checker of Cenla LTD Rapides Parish	103,000.00	24.00	
Total Unit Cost Contracts		\$3,435,992.00		
Flat Amount Contracts**				
36	Community Transport Service (Franklin)	\$30,000.00	15.98	
Total Flat Amount Contracts		\$30,000.00		
Mass Transit				
39	City Alexandria Serving Rapides	\$40,950.00	N/A	N/A
40	Jefferson Parish Government	62,000.00	N/A	N/A
41	Lafayette City Parish Consolidated Government	8,000.00	N/A	N/A
42	Monroe Transit System	73,000.00	N/A	N/A
43	Regional Transit Authority	246,250.00	N/A	N/A
44	Shreveport Transit Management	105,000.00	N/A	N/A
Total Mass Transit Contracts		\$535,200.00	N/A	N/A

Provider		Amount Contracted	Unit Cost*	
			Low	High
JARC***				
45	Avoyelles Parish Police Jury 666505	UTD	N/A	N/A
46	Calcasieu Parish Police Jury - Office of Community Services 664565	UTD	N/A	N/A
47	City of Franklin (St. Mary) 675990	UTD	N/A	N/A
48	DeSoto Parish Police Jury 694481	UTD	N/A	N/A
49	Washington Parish Government 697328	UTD	N/A	N/A
Total JARC Contracts		UTD	N/A	N/A
Total All Contracts for FY 2011 (Through Feb. 2011)			N/A	N/A
*Some contract transportation providers charge more than one unit cost. The above is the range of the unit cost charged.				
**Flat amount contracts' unit costs were calculated by dividing the total amount spent by the total number of rides.				
***DCFS does not maintain logs for JARC or Mass Transit Contracts; therefore, we were unable to determine the unit cost.				
****DCFS could not provide a copy of this contract, but we identified payments in ISIS for this contract.				
Source: Prepared by legislative auditor's staff using information from DCFS contracts.				