

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Social Services
State of Louisiana
Baton Rouge, Louisiana

March 5, 2003



Financial and Compliance Audit Division

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DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

Management Letter
Dated February 27, 2003

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.

March 5, 2003



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February 27, 2003

DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2002, we considered the Department of Social Services' internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget (OMB) Circular A-133.

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

In our prior management letter on the Department of Social Services for the year ended June 30, 2001, we reported findings relating to insufficient controls over the Foster Care - Title IV-E Program, compliance with federal and state requirements of the Child Care Cluster, compliance with certain requirements of the Temporary Assistance to Needy Families Program, insufficient level of effort for administering the Social Security Administration - Disability Insurance Program, insufficient reimbursements from child support collections, monitoring of federal subrecipients and state contractors, child support escrow fund not reconciled, access to electronic data processing applications not properly restricted, and control weaknesses in the LaCarte Purchasing Card Program. The findings concerning compliance with federal and state requirements of the Child Care Cluster, insufficient level of effort for administering the Social Security Administration - Disability Insurance Program, access to electronic data processing applications not properly restricted, and control weaknesses in the LaCarte Purchasing Card Program have been resolved by management, although fraud in the LaCarte Purchasing Card Program is reported on page 7. The remaining findings have not been resolved and are addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2002.

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Foster Care - Title IV-E Program: Insufficient Controls Over Program Administration

For the second consecutive year, the Department of Social Services (DSS), Office of Community Services, does not have adequate internal control procedures to ensure compliance with certain grant regulations in the administration of the Foster Care - Title IV-E (CFDA 93.658) program. 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 laws, regulations, and the provisions of contracts or grant agreements.

Eligibility

A review of 30 case files of foster care children disclosed that two children (6.7%) were determined to be ineligible. One child was not eligible for a five-month period because no permanency plan was prepared for that period pursuant to 45 CFR 1356.21(b)(2). Without an adequate permanency plan the foster child is not eligible for the Foster Care - Title IV-E program. Questioned costs are \$29,476 (\$20,790 of federal funds and \$8,686 of state matching funds). The second child was not eligible for a fifteen-month period because she did not have an adequate permanency plan as determined by the Fifteenth Judicial District Court. Questioned costs are \$108,862 (\$76,593 of federal funds and \$32,269 of state matching funds).

Reporting

A review of the *Title IV-E Foster Care and Adoption Assistance Financial Report* (ACF-IV-E-1) for the quarter ended June 30, 2002, disclosed the following:

- DSS personnel prepared prior quarter adjustments increasing maintenance payments by \$961,000 for over 200 foster care children without considering the social service cost within those expenditures. A review of two children, with expenditures totaling \$66,252, disclosed \$29,117 in social service costs. The likely questioned costs could be significant based on the total adjustment amount.
- In response to a prior year audit finding, DSS personnel prepared prior quarter adjustments to adjusted social services cost relating to child specific placements affecting federal fiscal years 1999 through 2002. However, DSS personnel did not determine if prior deductions were made for the same children. As a result, the adjustment for social service costs, which is over \$800,000 for the four fiscal years, is overstated by an unknown amount.

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- In response to a prior year finding, DSS personnel prepared prior quarter adjustments to correct the misclassification of legal expenditures that were recorded as maintenance expenditures instead of administration expenditures affecting federal fiscal years 1999 through 2002. However, because of a miscalculation, the adjustment was understated by \$86,671, which represents questioned cost.
- DSS personnel use the *Restrictive Facility IV-E and XX Adjustment Report* (TIM 4093 Report) to determine the amount of social service cost to subtract from allowable expenditures. However, percentages used to calculate the unallowable cost amount are sometimes inaccurate or missing, which may result in the Foster Care IV-E program being over/under charged.
- For May 2002, DSS personnel erroneously deducted Child Welfare Services - State Grants social service cost instead of Foster Care IV-E social service costs, which caused the current quarter expenditures to be overstated by \$138,298.

Allowable Cost

- In response to a prior year finding, DSS obtained social service cost percentages from each facility that housed children requiring specific placement. The percentages are used to calculate social service costs that are deducted from program expenditures. However, since the department did not require the facilities to provide documentation supporting the percentages, the reasonableness of the percentages could not be determined.
- For 27 (38%) of the 71 expenditure transactions tested, authorization documentation was not properly signed or was missing. While ten transactions did not contain the required signatures, authorization documentation for 17 transactions could not be provided. Although audit procedures verified that the costs were allowable, failure to obtain proper approval and maintain authorization documentation increases the risk that errors and/or fraud could occur and not be detected in a timely manner.

DSS has not placed sufficient emphasis on the preparation and review of financial reports for completeness, accuracy, and compliance with program regulations. Failure to prepare and submit accurate financial reports increases the risk that future grant payments and/or awards to the department will be based on erroneous information. In addition, DSS personnel did not follow established controls over eligibility and payment authorization. Noncompliance with federal program requirements may subject the

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department to penalties or disallowed cost. As a result of the exceptions noted previously, known questioned costs are \$254,126.

Management should strengthen procedures relating to the preparation and review of financial reports for completeness, accuracy, and compliance with program regulations. In addition, management should ensure that employees follow established control procedures to ensure adherence to federal regulations and program policies. Management concurred in part with the finding and provided corrective action plans relating to eligibility, reporting, and allowable cost. Management noted that DSS personnel did take the proper steps in adjusting social services cost relating to child specific placements. In addition, management noted that requesting the providers to submit a detailed budget to assess the reasonableness of social services percentages would be rejected by the providers and jeopardize the department's ability to place children with those providers (see Appendix A, pages 1-6).

Temporary Assistance for Needy Families Program: Noncompliance with Certain Federal and State Requirements

DSS, Office of Family Support (OFS), did not comply with certain federal and state requirements for administering the Temporary Assistance for Needy Families (TANF, CFDA 93.558). OFS uses TANF funds to operate several programs, including the Family Independence Temporary Assistance Program (FITAP), Family Independence Work Program (FIND Work), and TANF Initiatives.

Audit procedures, which included tests of 30 FIND Work and TANF Initiatives contract payments and 60 FITAP client case files, disclosed the following conditions:

FIND Work/TANF Initiatives

- During fiscal year 2002, OFS paid approximately \$48.3 million to 12 TANF Initiative partners (subrecipients). OFS did not have monitoring procedures established to ensure that the partners administered the federal funds in compliance with federal requirements and/or the requirements of the memorandums of understanding between DSS and the partners.
- OFS has paid two contractors \$65,909 to provide transportation for FIND Work participants. One contractor was paid \$2,091 per month for a maximum of 90 participants. However, from June 2001 to December 2002, the contractor averaged only five clients per month. The second contractor was paid \$1,540 per month to deliver up to 15 participants. However, from July 2001 to November 2002, the contractor averaged only seven clients per month. Because OMB Circular A-87 requires that

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federal program costs must be necessary and reasonable, payments of \$65,909 represent questioned costs.

- A payment to DSS, Office of Community Services, was miscalculated and TANF was overcharged. Questioned costs are \$706.

FITAP

- For the third consecutive year, the department did not follow Louisiana Revised Statute (R.S.) 46:231.6 and the TANF State Plan that provide a family shall not be eligible for FITAP benefits if the parent has received FITAP benefits for at least 24 of the past 60 months unless hardship or other good cause exemption has been allowed. In addition, 42 USCS 608 (a)(7) prohibits assistance for more than five years. In seven of 60 cases (12%), clients exceeded the required 24-month limit on FITAP benefits by five to 19 months, while one client exceeded the 60-month limit by six months. For these clients, no allowable exemption was documented or the exemption was given in error. Questioned costs are \$18,782.
- For the fourth consecutive year, the department did not follow requirements of state law and the TANF State Plan relative to school attendance requirements. R.S. 46:231.3 and the TANF State Plan require clients to provide documentation as part of the recertification process that any school age child receiving payments has not been absent without cause from school for more than 15 days during the previous six months. Documentation in 11 case files did not exist or was not sufficient to determine if this requirement was met.
- For the fourth consecutive year, OFS failed to sufficiently document client compliance with the mandatory work requirements for the FIND Work program pursuant to 42 USCS 607. In eight of 60 cases (13%), the case file and department's database did not contain verification that the client met the participation requirements and/or that the case manager verified the hours worked.
- For the second consecutive year, case files did not contain evidence that parents under age 20 attended a parenting skills training class or were exempt with good cause pursuant to R.S. 46:231.5 and the TANF State Plan. Four of 60 cases (7%) examined had insufficient documentation.
- In five of 60 cases (8%), OFS failed to sufficiently document whether each child in the assistance unit lives in the home of a parent or a qualified relative pursuant to 42 USCS 608 (a)(1). Case documentation

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for one client provided evidence that the child did not live in the home; as a result, questioned costs are \$4,820.

- For the fourth consecutive year, documentation in the tested files was not sufficient to verify the relationship of the caretaker to the minor child as required by R.S. 46:231(3)(b) and the TANF State Plan. Three of 60 cases (5%) examined had insufficient documentation.
- One client received Post-FITAP benefits for nine months even though the client was no longer employed. According to DSS policy, G-150, an individual must be employed to be eligible for Post-FITAP assistance. Questioned costs are \$840.
- For the fourth consecutive year, certain client information in the department's databases did not agree with, or was not supported by, documentation in the client's case file. Although the errors detected in 24 cases did not affect benefits, such errors could cause a client to incorrectly receive or be denied benefits.

Audit procedures included a review of the TANF Maintenance of Effort (MOE) requirements. This review revealed that OFS entered into agreements with DSS, Office of Community Services, and the Department of Education to identify the expenditures of programs that meet the TANF MOE requirements and allow OFS to apply these expenditures toward meeting the state MOE. However, OFS does not verify that the expenditures applied are allowable. Inadequate monitoring could cause the state MOE to include unallowable expenditures, which may result in penalties by the federal government and a reduction in the federal grant.

Failure to establish and follow adequate internal control procedures to ensure compliance with federal and state regulations can result in payments made to ineligible clients, payments made in the wrong amounts, or failure to provide benefits to eligible clients. As a result of the exceptions noted previously, questioned costs total \$91,057.

Management should require all employees to adhere to federal and state regulations and established procedures in the administration of the TANF program. Management should monitor implementation of corrective procedures to ensure internal controls are in place and working as intended. Management concurred in part or did not concur with portions of the finding that related to a lack of monitoring TANF Initiative partners, unreasonable transportation costs, and monitoring MOE expenditures. However, management did concur with the remaining issues noted in the finding and provided a corrective action plan (see Appendix A, pages 7-9).

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Additional Comments: OMB Circular A-133 requires the pass-through entity to monitor subrecipient activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements. Also, since DSS is ultimately responsible for ensuring accurate federal reporting, procedures should be established to verify that all expenditures are allowable.

Audit procedures performed on Caldwell Parish Council on Aging billing forms and log sheets indicated that the actual number of one-way trips for the seventeen-month period was 1,541. During this period, Caldwell Parish Council on Aging was paid \$26,180 or \$16.99 per trip. DSS made an assumption that clients are served for approximately twenty days per month. However, this is not always the case. For instance, documentation for the May 2002 invoice of \$1,540 only supported five days and 13 one-way trips (\$118.46 per trip). Audit procedures performed on Bestway Medical Transportation could not determine the number of one-way trips because of lack of adequate documentation, as documentation did not indicate return trips or odometer readings and disclosed inaccurate service units.

Fraudulent Transactions in TANF

The director of the Find Work Program, Laura Pease, violated DSS policies, which led to fraudulent charges to the TANF program (CFDA 93.558) as well as payroll errors. The DSS *LaCarte Purchasing Card Program Procedures Manual* assigns division directors responsibilities that include review and approval of all information and documentation for purchases and the verification that purchases are for official state business and comply with appropriate rules and regulations. The manual also requires that directors approve purchase transactions input to the Integrated Statewide Information System (ISIS). In addition, DSS Computer Security Policy 5-3 prohibits the sharing of passwords regardless of the circumstances.

Based upon review of work performed by the DSS Fraud and Recovery Section and interviews with agency personnel, the following issues were identified:

- The director of the Find Work Program provided her approval user ID and password to an administrative secretary, Juaquine Pugh, who used this capability to charge \$2,013 in fraudulent purchases to the TANF program. With the ability to purchase, enter the purchase in ISIS, and approve the purchase, the employee purchased personal items that included groceries, cosmetics, electronics, and vacuum cleaners.
- We understand that the director was unaware of her responsibilities relating to LaCarte purchases, including that Bank of America sent a monthly statement to the individual cardholder, that the purchasing log should have been reconciled to the bank statement, that the purchasing

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log and all supporting receipts should be reviewed by the director, and that the director should sign the purchasing log.

Since Juaquine Pugh was also a timekeeper, audit procedures were also performed on her time records:

- In eight of the 13 pay periods reviewed, the employee was credited with overtime totaling 21.5 hours but had no overtime approval forms for six of the pay periods and unapproved forms for the other two pay periods. In addition, on one occasion the employee's time sheet had 23.5 hours of leave, her approved leave slips totaled five hours, and the payroll system indicated eight hours of leave. Although the director noted that she reviews the Time Entry Audit Report, her review must not include comparing the Time Entry Audit Report to the time sheet information or supporting documentation such as leave slips and overtime forms.
- None of the 13 Time Entry Audit Reports reviewed had the signature and date of the person reconciling the data. Departmental policy requires that each pay period the Time Entry Audit Report is reconciled to the Time Entry Sign-in sheets and supporting documentation such as leave slips and overtime forms and that the signature and title of the person reconciling the report and the date reconciled must be affixed to this form.

The director violated department policy by providing her ISIS password and user ID to another employee and by not reviewing and verifying that acceptable documentation existed for LaCarte purchases. In addition, the director did not perform a detailed comparison between the Time Entry Sign-in sheets and the Time Entry Audit Report to identify errors or lack of supporting documentation. As a result, an employee was able to charge \$2,013 in fraudulent purchases to the TANF program. Also, this same employee was able to earn overtime without proper approval and may have falsified payroll data.

Management should ensure that supervisors comply with departmental policies that (1) prohibit the sharing of passwords and user IDs; (2) require the review and verification of LaCarte purchases; and (3) require the reconciliation of Time Entry Sign-in sheets and supporting documentation to the Time Entry Audit Report. Management concurred with the finding and recommendations and outlined plans of corrective action (see Appendix A, pages 10-11).

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Noncompliance With Federal Property Regulations

DSS does not have internal controls over movable property acquired in whole or in part with federal funds and therefore is in violation of federal regulations. The federal departments of Agriculture [7 CFR 3016.32(d)(e)], Education [34 CFR 80.32(d)(e)], and Health and Human Services [45 CFR 92.32(d)(e)] require the following relating to equipment:

- Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, **percentage of federal participation in the cost of the property**, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.
- For items of equipment with a current per-unit fair market value over \$5,000, the awarding agency shall have a right to an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

Audit procedures performed regarding property acquired with federal funds disclosed the following:

Office of Community Services (OCS)

- Of the 15 items tested that were acquired with federal funds, none had the federal participation noted in the Louisiana Property Assistance Agency (LPAA) system. All 15 items were eventually transferred, but only three BF-11s (LPAA form used to transfer/disposed items) noted the federal participation. However, the agency could not support the federal percentage noted on the three BF-11s.
- Without properly identifying the federal participation at the time of acquisition or on a BF-11, numerous movable property items have lost their federal designation. During fiscal year 2002, OCS transferred approximately \$7 million of its \$15 million of movable property. Six million dollars was transferred to the Office of the Secretary (OS) to consolidate the DSS Information Technology function while \$1 million went to LPAA as surplus property. The property control manager noted that she did not know she was required to identify federal property and did not know the percentage of federal funds used to acquire property.

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Office of Family Support

- Although the agency noted the federal participation for all three items tested, all items were eventually transferred to OS without indicating federal participation on the BF-11s.
- The property control manager was not including the federal participation on the BF-11s that transferred items to OS, but she did identify the federal participation on BF-11s that transferred items to LPAA. During fiscal year 2002, approximately \$300,000 of movable property was transferred to OS.

Louisiana Rehabilitation Services (LRS)

- Of the three items tested that were acquired with federal funds, none had the federal participation noted in the LPAA system. However, the BF-11s associated with these items had the federal percentage properly documented.
- The property control manager noted that since all LRS property is acquired with federal funds no identification is noted in the LPAA system.

Office of the Secretary

- Of the 21 items tested, 15 items were transferred to OS; however, since no federal designation was included on the BF-11s, OS did not record the property in LPAA as federal when accepting the property. Also, OS surplused four of the items without indicating that the property was partially federal. None of the items were sold for more than \$5,000.

Departmental personnel responsible for tracking movable property failed to adhere to federal regulations regarding equipment acquired in whole or in part with federal funds. Failure to establish and maintain controls over property increases the risk that errors and/or fraud could occur and remain undetected. In addition, because of the consolidation of the DSS Information Technology section, numerous items have been transferred and have lost their federal designation, which is against federal regulations. Since the property has lost its federal designation, the department cannot ensure that property will be disposed according to federal regulations.

Management should ensure that all property acquired in whole or in part with federal funds is identified by documenting the percentage of federal participation in the LPAA system and maintaining the federal identity of the property until disposed. In addition, the department should ensure department personnel are fully aware of the federal

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property regulations. Management concurred with the finding and recommendations and outlined a corrective action plan (see Appendix A, page 12).

Noncompliance With State's Movable Property Regulations

DSS does not have adequate internal control over movable property and may be in violation of movable property laws and regulations. The department has approximately \$51.6 million in movable property as of June 30, 2002. Good internal control requires that adequate control procedures be in place to ensure that (1) the acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records; (2) property is safeguarded against loss; (3) movement of items from one location to another is properly recorded; and (4) errors in processing transactions are recognized and corrected in a timely manner. Furthermore, R.S. 39:324(B) and 39:325 and Louisiana Administrative Code Title 34 Part VII Section 307(A) and Section 313(A) require the following:

1. Property managers are required to update the master inventory listing on a monthly basis by submitting all property transactions to the commissioner of administration.
2. Upon completion of the annual inventory, each property manager is required to submit a certified report to the commissioner containing all exceptions or discrepancies found when comparing the results of the physical inventory to the perpetual inventory records.
3. Acquisitions are tagged and information is forwarded to LPAA within 45 days after receipt of these items. In a May 14, 2002, LPAA memo to state property managers, the required 45 days to tag and forward all pertinent information to LPAA was changed to 60 calendar days.
4. Property managers are required to take a complete physical inventory of all property at least once each fiscal year and record the true and actual results of the physical inventory.

Tests of movable property transactions and controls identified the following deficiencies:

- As of August 19, 2002, movable property (285 items) totaling \$921,432 was not reported on LPAA records. OCS transferred ownership of computer equipment to the OS. The OS property manager signed the BF-11 accepting the property without physically locating and re-tagging the property with an OS property tag. The items were deleted from OCS master file inventory listing from 221 to 272 days prior to June 30, 2002.

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- The OS property control manager quit accepting the property by signing the BF-11 upon receipt and only accepted the property once it was located and re-tagged. As a result, there are numerous BF-11s that LPAA has approved to be transferred but have not yet been accepted by OS.
- The accuracy and completeness of the OCS annual physical inventory and annual certification is doubtful because of the following:
 - The OCS property control manager did not verify existence before transferring ownership of all computer equipment to OS. The OCS property control manager prepared a BF-11 to transfer all computer equipment listed on the Master File Inventory Listing (except for the Orleans Region office, the Orleans Parish office, and the Jefferson Region office) to OS before the annual physical inventory was completed.
 - A physical inventory was not performed on one property location that had 292 items totaling approximately \$1.1 million.
 - Computer equipment totaling approximately \$339,000 (over 100 items) could not be verified as being located by the property liaisons during the annual physical inventory. However, the items were not reported to LPAA as being unlocated. Since BF-11s had already been prepared to transfer the property, there is an increased risk that unlocated property was transferred to OS.
 - The OCS property control manager erroneously identified three pieces of property totaling \$10,590 as unlocated in 2002. However, these items were transferred and re-tagged by OS.
- Monthly reconciliations between department records and LPAA records were not properly performed to ensure accurate movable property records.
 - The property control managers for LRS and OCS are not reconciling LPAA monthly property reports to departmental records. The OFS property control manager only reconciles acquisitions.
 - As of July 2002, the property control manager for OS is about four months behind reconciling the LPAA reports to property records.

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- Eight of 12 (67%) tested acquisitions for OCS were not tagged and added to the inventory system until 63 to 917 days after receipt of the property.
- OCS, OS, and OFS are not reconciling the MV-3 Update Report, which lists vehicle information entered into LPAA, to ensure that fleet records are properly updated. In addition, LRS and OCS have not notified LPAA that the contact person for fleet management has changed. LPAA delivers reports and other information to the contact person for each agency.

These deficiencies occurred because agency personnel responsible for movable property did not exercise sufficient due care in performing their duties and management failed to emphasize the importance of maintaining adequate internal control over movable property and movable property records. Failure to maintain adequate internal control over property increases the risk that errors and/or fraud could occur and remain undetected. In addition, the department may be subjected to provisions of R.S. 39:326(D), which provides the commissioner with the authority to invoke sanctions upon an agency that is in noncompliance with movable property regulations, including the restriction of property acquisitions by that agency.

Management should take the necessary measures to ensure that the department maintains adequate internal control and accurate records over movable property to comply with state movable property regulations as prescribed by the commissioner of administration and Louisiana Law. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, pages 13-14).

Subrecipient Monitoring - Noncompliance With Federal and State Regulations

DSS did not comply with certain federal and state regulations in its monitoring of federal subrecipients and state contractors. OMB Circular A-133 Section 400(d) requires the pass-through entity identify for the awards it makes to subrecipients the CFDA title and number, the award name and number, and the award year and advise the subrecipient of requirements imposed on them by federal laws, regulations, and the provisions of contract or grant agreements. The circular also requires the pass-through entity to monitor the activities of subrecipients and ensure that each subrecipient expending federal pass-through funds totaling \$300,000 or more has an annual audit. Department policy, established in accordance with Louisiana Administrative Code 34:V:134, requires state contractors that receive \$100,000 or more in state funds to have a financial and compliance audit performed in accordance with *Government Auditing Standards*.

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Audit procedures performed on the department's monitoring function disclosed the following:

- For the fifth consecutive year, the department did not ensure that the federal award information and applicable compliance requirements were provided to the subrecipient. A test of 25 contracts disclosed that 12 contracts (48%) did not include the CFDA program name, 4 contracts (16%) did not include the CFDA program number, and 25 contracts (100%) did not advise the subrecipients of the requirements imposed by laws, regulations, and the provisions of contract or grant agreements.
- As of September 2002, the department failed to designate 85 contracts with fiscal 2002 payments as vendor or subrecipient. Seven contracts were later determined to be subrecipients. Timely designation is necessary to ensure proper monitoring and reporting.
- For four (20%) of 20 entities identified as subrecipients, the department could not provide the audit reports for three federal subrecipients and one state contractor.
- For the third consecutive year, the department did not comply with R.S. 39:1500, which requires a state agency to file a final report with the Office of Contractual Review within 60 days of the completion of a professional, consulting, or social service contract. A review of 30 contracts disclosed that 20 final evaluation reports (67%) were not submitted within 60 days. Although contract end dates were March 31, 2002 and June 30, 2002, nineteen reports had not been provided to the Office of Contractual Review as of October 8, 2002. The remaining report was 130 days late.
- Eighteen of the 20 entities that have delinquent final reports have entered into contracts with the department totaling over \$12 million. This is a violation of R.S. 39:1500(D), which states that "no contract shall be entered into by a using agency with any contractor for which a delinquent final evaluation report remains outstanding for a contract with such using agency."

The department has not implemented the necessary controls to ensure compliance with OMB Circular A-133 and the revised statute. Failure to ensure federal subrecipients and state contractors receive federal program information and requirements, receive audits, and are properly monitored increases the risk of noncompliance with applicable program regulations. In addition, failure to comply with the revised statute denies the Office of Contractual Review timely information on contract performance.

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Management should ensure monitoring procedures are established to comply with OMB Circular A-133 requirements and that final reports are filed with the Office of Contractual Review pursuant to R.S. 39:1500. Management concurred in part with the finding but provides a corrective action plan for each issue (see Appendix A, pages 15-17).

Temporary Assistance for Needy Families Program: Inaccurate Reporting

DSS does not have adequate control procedures to ensure federal reports for the TANF Program (CFDA 93.558) are accurate, complete, and in compliance with program regulations. 45 CFR 265.7 requires that reports must be complete and accurate and filed by the due date. A complete and accurate report means that the reported data accurately reflects information available to the state in the case records, financial records, and automated data systems; the data are free from computational error and are internally consistent; and the state reports data for all required elements.

Audit procedures included tests of the TANF ACF-196 Financial Report for the quarter ending June 30, 2002, the Federal Cash Transactions Report (PMS-272) for each quarter in state fiscal year 2002, and the Annual Report on State Maintenance-of-Effort Program (ACF-204) for federal fiscal year 2001. These procedures disclosed the following deficiencies:

TANF ACF-196 Financial Report

For the second consecutive year, DSS erroneously included administration cost as program cost. In addition, certain program expenditures were included in the state's maintenance of effort (MOE) that was unallowable. As a result, the following errors were identified:

- For the 2002 federal grant award, the state MOE program costs were overstated by \$128,824 while the state MOE administration costs, federal administration costs, and federal program cost were understated by \$120, \$73,006, and \$55,698, respectively.
- For the 2001 federal grant award, the state MOE program costs and federal program costs were overstated by \$550,694 and \$893,883, respectively, while the state MOE administration costs and federal administration costs were understated by \$415,064 and \$1,029,513, respectively.
- For the 2000 federal grant award, the federal program costs were overstated and the federal administration costs were understated by \$370,997.

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Federal Cash Transactions Report (PMS-272)

DSS failed to properly reconcile the PMS-272 reports to the final TANF ACF-196 Financial reports and did not accurately reflect Child Care expenditures from TANF transfers in the PMS-272 report. As a result, the following errors were identified:

- For the 2001 federal grant award, disbursements were overstated by \$3,301,013 for the quarters ending September 30, 2001, and December 31, 2001, and understated by \$4,653,264 and \$30,400,263 for quarters ending March 31, 2002, and June 30, 2002, respectively.
- For the 2000 federal grant award, disbursements were understated by \$4,126,985 for the quarters ending September 30, 2001, and December 31, 2001, and overstated by \$4,653,264 and \$30,400,263 for quarters ending March 31, 2002, and June 30, 2002, respectively.

Annual Report on State Maintenance-of-Effort (MOE) Program (ACF-204)

DSS included expenditures for the Teen Pregnancy Prevention program and the Father Initiative program as a part of state's MOE. However, these programs do not meet the income and resource standards pursuant to 45 CFR 263.2 and cannot be funded by state MOE. As a result, state MOE expenditures for the Family Independence Temporary Assistance Program and Family Independence Work Program were overstated by \$576,471 and \$1,175,623, respectively.

DSS has not placed sufficient emphasis on the preparation and review of federal reports for completeness, accuracy, and compliance with program regulations. Failure to prepare and submit accurate federal reports places the department in noncompliance with program regulations and increases the risk that penalties will be assessed by the federal grantor agency.

Management should establish procedures to ensure that federal reports are prepared in accordance with program requirements and are properly reviewed before submission to the federal grantor agency. Management concurred with the finding and outlined a corrective action plan (see Appendix A, page 18).

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Vocational Rehabilitation: Noncompliance With Federal Requirements

DSS, LRS did not comply with certain federal requirements for administering the Rehabilitation Services - Vocational Rehabilitation Grants to States Program (CFDA 84.126). Rehabilitation Services Administration (RSA) Policy Directive (01-01) dated October 26, 2000, states, "Program income may be obligated in the year in which it is received or in the subsequent year (the carry-over year), whether or not Federal funds have been carried over during that same time period. However, by the close of the carryover year, the carried-over program income must be either deducted from total outlays to be claimed under the formula grant for the fiscal year that generated the income or obligated for additional program expenditures, whichever alternative applies." Also, 34 CFR 80.20 requires federal award reports to be accurate, current, and disclose the complete financial results in accordance with financial reporting requirements of the grant.

Period of Availability - Program Income

Although an annual average of \$1.6 million in program income has been received over the past three federal fiscal years, LRS could not provide documentation to support compliance with the period of availability requirements relating to program income.

Federal Financial Reporting

A review of four *Financial Status Reports* (SF-269) and one *Program Cost Report* (RSA-2) disclosed the following:

- On the SF-269 for the 2001 grant award report at September 30, 2001, unliquidated obligations were overstated by \$6.7 million. Audit procedures determined that there was insufficient support for the reported \$10.8 million of unliquidated obligations. LRS personnel submitted a revised report after being notified of the error.
- On the SF-269 for the 2002 grant award report at March 31, 2002, unliquidated obligations were understated by \$134,991, and program income was overstated by \$150,894. LRS personnel submitted a revised report adjusting the unliquidated obligation amount after being notified of the error.
- On the RSA-2 for federal fiscal year 2001, expenditures were overstated by approximately \$2.8 million. Schedule I of the report included expenditures through December 31, 2001, when the federal fiscal year ended on September 30, 2001, program income was misstated, and the schedule excluded some minor expenditure amounts. In addition,

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Schedule II of the report excluded expenditures of \$925,838 relating to books, supplies, and training.

Noncompliance with federal program requirements may subject the department to reduced federal funding, penalties, or disallowed cost that must be funded with state funds. In addition, failure to prepare and submit accurate financial reports increases the risk that future grant payments and/or awards to the department will be based on erroneous information.

Management should ensure that compliance with period of availability requirements relating to program income is properly supported and documented and that written procedures are established to ensure reports are accurately prepared and properly reviewed before submission to the federal funding agency. Management concurred with the finding and recommendations and outlined plans of corrective action (see Appendix A, pages 19-20).

Foster Care: Insufficient Reimbursements From Child Support Collections

For the second consecutive year, DSS, OCS did not distribute all child support payments received on behalf of children in the foster care program in accordance with federal regulations. The Office of Family Support, Support Enforcement Services, transfers to OCS any collections of child support for children that are/were in foster care. U.S. Code, Title 42, Section 657 requires a state to retain, after specified distributions, child support collections received on behalf of a child for whom the state made foster care maintenance payments. The collections can be used to reimburse the state and federal governments for their share of maintenance expenditures made on behalf of the foster child. Maintenance expenditures represent a variety of expenditures relating to the care of a foster child including, but not limited to, payments to foster parents, clothes, doctor visits, et cetera.

In a review of 375 children for whom child support collections were received during May 2002, audit procedures were performed on 194 children (52%) that had revenue balances (unallocated child support receipts) totaling \$71,878. OCS manually allocated \$9,584 for 43 children leaving \$62,294 in revenue balances for 151 children. Of the remaining 151 children, 148 children (98%) had expenditures in previous months that were not considered by OCS for allocation to the appropriate federal program. Although the other three children had no maintenance expenditures, they had been referred to the Department of Corrections, Office of Youth Development, and any collections should have been remitted to that office.

OCS had no procedures to identify unreimbursed foster care maintenance expenditures from prior months and insufficient procedures to ensure child support collections are properly reimbursed to the state and federal government programs for those

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expenditures. As a result, OCS allowed a total of \$95,024 of child support collections to revert to the state General Fund during fiscal year 2002. Based on the audit procedures performed, these funds should have been used to reimburse federal programs for expenditures that support the foster care program. Federal programs affected may include the Foster Care IV-E program (CFDA 93.658), Child Welfare Services - State Grants (CFDA 93.645, Title IV-B), and Social Services Block Grant (CFDA 93.667). Total questioned costs for these programs are \$95,024.

Management should establish procedures to ensure that child support collections received on behalf of foster care children are used to fully reimburse the federal programs that participated in financing the maintenance expenditures for those children. Management concurred in part with the finding noting that no federal reimbursement is due to the Child Welfare Services - State Grants (IV-B) and the Social Services Block Grant (see Appendix A, pages 21-24).

Additional Comments: During fiscal year 2002, the department allocated approximately \$174,000 in child support collections to the Foster Care IV-B program. Audit procedures performed on the OCS Statement of Expenditures and supporting documentation confirmed that grant funds (Child Welfare Services - State Grants and Social Services Block Grant) were used for foster care maintenance expenditures.

Failure to Disclose Related Party Transactions

DSS did not disclose the existence of contracts with Dryades YMCA (Dryades) as related party transactions in the Annual Fiscal Report (AFR) of the OFS, and a DSS deputy assistant secretary may have violated R.S. 42:1113(A). The Office of Statewide Reporting and Accounting Policy (OSRAP) requires related party transactions to be disclosed in the agency's AFR. In addition, R.S. 42:1113(A) states in part that no public servant, . . . , or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

Audit procedures performed regarding related party transactions disclosed the following:

- The Deputy Assistant Secretary of OFS, Mary Joseph, is a member of the board of directors of Dryades.
- OFS had two contracts with Dryades during fiscal year (FY) 2002 and two contracts that started in FY 2003. The total base contract amount for the four contracts is \$1,481,133, and as of September 2002, payments on these contracts total \$347,025.

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- The Department of Education (DOE) has two TANF contracts with Dryades. OFS oversees the TANF program, and the DOE is an OFS subrecipient. The total base contract amount for the two contracts is \$214,274, and as of September 2002, payments on these contracts total \$199,576.

Management does not have the proper procedures in place to identify related party transactions within the department. Failure to properly disclose the related party transactions is not compliant with OSRAP's requirements for financial statement disclosure and the transactions may be in noncompliance with R.S. 42:1113(A).

The department should place more emphasis on properly reporting related party transactions in the AFR and should consider obtaining an opinion from the Board of Ethics regarding these transactions. Management partially concurred with the finding noting that this issue was addressed in Ethics Advisory Opinion 1999-870 (see Appendix A, page 25).

Additional Comments: Ethics Advisory Opinion 1999-870 was issued based on information that is no longer current. Ms. Joseph has become the Deputy Assistant Secretary of OFS, which oversees the six contracts noted above. Management should seek a new ethics advisory opinion based on the current relationship.

Child Support Escrow Fund Not Reconciled

For the third consecutive year, DSS is not reconciling the Child Support (Title IV-D) Escrow Fund to the client accounts on a periodic basis. Good internal control includes periodic reconciliations of cash accounts (such as the Title IV-D Escrow Fund) to subsidiary records (such as the client accounts). A proper reconciliation provides management with a basis to ensure that errors and/or fraud are detected in a timely manner and that accounting data are both accurate and reliable.

The Title IV-D Escrow Fund is the clearing account that is used to process child support receipts and payments. Child support receipts from non-custodial parents are deposited into the fund and credited to the accounts of custodial parents. Distributions are then made to the custodial parents and/or to the state General Fund, depending on the status of each parent's account. During fiscal year ended June 30, 2002, total additions and deletions of the escrow fund were \$278 million or approximately \$23.2 million monthly. The balance in the account at June 30, 2002, is approximately \$2.6 million.

Failure to reconcile the Title IV-D Escrow Fund cash to subsidiary client accounts could lead to the misuse of funds and increases the risk that fraud and/or computer programming or operating errors could occur and not be detected in a timely manner. A reconciliation would detect errors such as undistributed amounts payable to custodial

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parents, undistributed amounts payable to the state General Fund, and failure to post a receipt to a client account.

Management should require monthly reconciliations of the Title IV-D Escrow Fund to the client accounts to ensure that the accounting records are both accurate and reliable and that child support receipts and related distributions to both the state and custodial parents have been appropriately recorded. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 26).

Access to Property and Payroll System Not Properly Restricted

DSS does not have sufficient user access controls for the LPAA system that records the movable property information for the state. In addition, several weaknesses were noted in user access to the state's payroll system (ISIS/HR). Good internal control would provide that employees are permitted business-need-only access to data files and functions necessary to perform their duties, the timely deletion of user ID codes, and user IDs and passwords should not be shared with other employees. Also, the DSS Computer Security Policy (5-3) prohibits the sharing of passwords regardless of the circumstances.

Audit procedures performed on LPAA system access disclosed the following weaknesses:

- Eight of 26 (31%) employees tested were no longer employed by the DSS for periods of up to 52 months.
 - Of the 18 employees still employed, six (33%) employees tested did not have a legitimate business need for the level of access granted. Three of the six had transferred to other agencies within DSS for periods of up to 49 months.
- Eight of 167 (4.8%) employees with LPAA access have two active user IDs.
- Five employees were sharing user IDs and passwords.
 - One employee, who does not have a user ID, was using one of the two user IDs assigned to the employee's supervisor, with the knowledge and approval of the supervisor.
 - Two employees were allowing an employee to use their user ID to enter fleet management information even though the employee had a user ID.

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Audit procedures performed on the payroll system access disclosed the following weaknesses:

- An IT Application Project Leader has Organization Structure access to all agencies. Organization Structure allows the user to add new positions and change/add/delete cost centers. Agency personnel noted that the access was necessary during the beginning stages of ISIS/HR, but currently is unnecessary. However, good internal control usually restricts IT personnel access or grants very limited access to the production environment (i.e., ISIS/HR).
- An OFS parish manager had numerous access capabilities including the ability to change personnel file information, change benefit information, change salary amounts and all other payroll information, enter merit increases, and complete retroactive calculations.
- Three OS Human Resource managers have Organization Structure access to all agencies.
- An OFS Administrative Secretary and two OFS Office Coordinators have the ability to enter merit increases.

The employees responsible for the issuance and deletion of user IDs neglected to review User ID or Separation reports, delete duplicate user IDs, delete user IDs for terminated or transferred employees in a timely manner, or determine if the type of access was necessary. Also, while DSS has an ISIS Program Policy (Policy 1-13) regarding access controls, this policy does not address access to the LPAA system. Failure to establish and follow control procedures for on-line data processing systems could result in the loss of data and the failure to prevent or detect errors or fraud in transactions.

Management should (1) develop and implement LPAA system access policies; (2) restrict employee access to on-line data systems to employees with a business-need-only basis; and (3) immediately delete user ID codes upon the termination and/or transfer of employees. Management concurred with the finding and recommendations and outlined plans of corrective action (see Appendix A, pages 27-28).

Control Weaknesses Over Time and Attendance Data

DSS did not consistently follow state or departmental control procedures relating to time and attendance data. DSS Policy 4-2, Time and Attendance, requires that for each pay period the Time Entry Audit Report (ZT02) is to be reconciled to the Time Entry Sign-in sheets and supporting documentation, such as leave slips and overtime forms. The signature and title of the person reconciling the report and the date reconciled must be

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affixed to this form. In addition, the policy requires that supervisors immediately sign and date DSS Report of Overtime Worked Forms. Also, Civil Service Rules Chapter 15.2 states, in part, "The appointing authority or his agent designated for this purpose shall certify on each payroll or subsidiary documents the fact of the actual rendering of service in the position, the actual number of hours of attendance on duty, and the number of hours of absence from duty.

DSS Bureau of Audit Services issued five audit reports during fiscal year 2002 relating to time and attendance controls. Among the weaknesses noted by the audits were:

- The Time Entry Audit Reports were not audited, signed, and dated by the approving authority or designee.
- Authorization of Overtime Worked Forms were not found or not signed by the approving authority.

Audit procedures performed during the financial audit supported the findings of the DSS Bureau of Audit Services and disclosed the following:

- Four of the nine offices tested were not properly reconciling the Time Entry Audit Report to the Time Entry Sign-in sheets and supporting documentation, and/or the reports did not include the signature and title of the person reconciling the report and the date reconciled.
- Nine (11.1%) of 81 overtime forms tested could not be provided by the department. Four of these exceptions related to a Family Support Program Director.

Although time and attendance control procedures are established, departmental personnel are either unaware of the policies or are choosing not to follow them. Failure to comply with state and departmental policies relating to time and attendance controls could result in the failure to prevent or detect errors or fraud in payroll transactions.

DSS management should ensure supervisors comply with state and departmental policies relating to the certification of time and attendance data. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, page 29).

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

This letter is intended for the information and use of the department and its management 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,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with the first name "Grover" and last name "Austin" clearly distinguishable.

Grover C. Austin, CPA
First Assistant Legislative Auditor

DLB:EFS:RCL:dl

[DSS02]

Appendix A

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

M. J. "MIKE" FOSTER, Jr.
GOVERNOR

**State of Louisiana
Department of Social Services**

OFFICE OF COMMUNITY SERVICES

333 LAUREL STREET
P. O. BOX 3318 - PHONE - 225/342-5334
BATON ROUGE, LOUISIANA 70821

**Gwendolyn P. Hamilton
SECRETARY**

February 12, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of the Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

This is in response to Ernest Summerville's letter of January 27, 2003 to Mr. Ron Patty of the Department of Social Services. This letter relates to the finding in Mr. Summerville's draft audit report regarding Foster Care - Title IV-E Program: Insufficient Controls Over Program Administration in the Office of Community Services (OCS). The following addresses each component of that finding:

Eligibility

Statement of Concurrence or Non-Concurrence: We concur in part (see clarification below) that the two cases cited (of 30 cases reviewed) lacked all necessary elements for satisfying Title IV-E eligibility requirements.

One child was ineligible because no permanency hearing was held by the court, not because no permanency plan was prepared for the child. The agency determines the permanency plans for all children in care and prepares case plans for all but has not been successful in getting the responsible court to hold permanency hearings in all cases. When children are not available for adoption and have a parent's worker, the parent's worker who usually works in the parish of the court of origin schedules these hearings. When the children are made available for adoption, the parent's case is closed. Then it is the adoption staff who works in the region where the child is placed, not the parish of the court of origin, who must schedule these hearings.

It is very difficult for the adoption staff to make arrangements with the courts in all parts of the state and that has contributed to children not having timely permanency hearings.

In case #1, the permanency hearing was not held until September 11, 2001 which resulted in IV-E ineligibility for the period April 1, 2001 through August 31, 2001. Title IV-E eligibility was restored on September 1, 2001.

In case #2, ineligibility was due to the permanency hearing document lacking required wording. The permanency order with the required language was not received until June of 2002, but at this time the client was on runaway status which extended the period of ineligibility. Title IV-E eligibility was restored on July 12, 2002.

Corrective Action: Requests for appropriate fiscal adjustments have been initiated to reimburse Title IV-E for expenditures charged to the Title IV-E federal funding source for these two clients during the periods of ineligibility.

Anticipated Completion Date: The fiscal adjustments should be included in the Title IV-E 1 report for the quarter ending March 31, 2003 and shall be identified as resolving the \$108,862 questioned cost (\$76,593 federal, \$32,269 state) as per the SFY 2001-02 Audit review.

Reporting

Bulleted Item

#1) **Statement of Concurrence or Non-Concurrence:** OCS concurs with the finding that prior quarter adjustments in the Title IV-E Foster Care and Adoption Assistance Financial Report (ACF-IV-E-1) for the quarter ending June 30, 2002 reflected increases in Title IV-E maintenance payments without always considering ineligible social service cost that may have existed within those expenditures.

Corrective Action: Efforts have been initiated to review all individual IV-E fiscal adjustments represented in the \$961,000 combined increases and to calculate the correct expenditure amounts (exclusive of social services costs) which were eligible to be met through Title IV-E funding. Current and future fiscal adjustments will reflect only Title IV-E eligible expenditures.

Anticipated Completion Date: The corrected prior quarter adjustments for the two cases reviewed in the audit sample shall be included in the Title IV-E 1 report for the quarter ending March 31, 2003 and shall be identified as resolving the \$29,117 known questioned cost as per the SFY 2001-2 Audit review. We anticipate to complete the other necessary corrections in time for inclusion in the IV-E-1 report for the quarter ending June 30, 2003.

Reporting

Bulleted Item

- #2) **Statement of Concurrence or Non-Concurrence:** From the information provided on "prior period adjustments to adjusted social services cost relating to child specific placements affecting fiscal years 1999 through 2002", OCS does not at this time concur that DSS personnel did not take steps to determine if prior deductions were made for the same children.

The programming criteria of the TIPS report which was used to prepare the prior period adjustments was designed to ensure the exclusion of social services costs that may have already been deducted for the same children.

- #3) **Statement of Concurrence or Non-Concurrence:** OCS concurs with the finding that prior quarter adjustments to correct the misclassification of legal expenditures that were recorded as maintenance instead of administration expenditures were miscalculated.

Corrective Action: An adjustment to correct the miscalculation will be included in the next Title IV-E-1 report.

Anticipated Completion Date: It is anticipated that the correction will be recorded in the Title IV-E-1 report for the quarter ending March 31, 2003 and shall be identified as resolving the \$86,671 questioned cost as per the SFY 2001-2 Audit review.

- #4) **Statement of Concurrence or Non-Concurrence:** OCS concurs that there is a problem with the programming specifications/parameters of the *Restrictive Facility IV-E and XX Adjustment Report* (TIM 4093 Report).

Corrective Action: The flaws in the programming parameters of the report are being corrected.

Anticipated Completion Date: It is anticipated that the necessary action to correct the parameters, etc. for the TIM 4093 report will be completed by June 30, 2003.

Reporting

Bulleted Item

- #5) **Statement of Concurrence or Non-Concurrence:** We concur that for the month of May 2002, DSS personnel erroneously deducted Child Welfare Services - State Grants social service cost instead of Foster Care IV-E social service costs. This was a mathematical miscalculation on the part of DSS personnel.

Corrective Action - The error has been realized and an adjustment will be made in the next Title IV-E-1 Foster Care and Adoption Assistance Financial Report.

Anticipated Completion Date: The adjustment correction shall be included in the quarterly ACF-IV-E-1 report for the quarter ending March 31, 2003 and identified as resolving the May 2002 overstatement error of \$138,298 per the SFY 01-2 Audit review.

Allowable Cost

Bulleted Item

- 1) **Statement of Concurrence or Non-Concurrence:** OCS does not concur with the observation that additional documentation is required to assess the reasonableness of the social services percentages provided by facilities for child specific placements.

Office of Community Services, Residential and Foster Care Section is responsible for securing specialized placements for clients who cannot be served by one of the residential providers who have a current residential agreement. When such a placement is located, the facility is requested to advise OCS of the current standard per diem rate. The standard per diem is the per diem charged to a private pay client seeking their services. Furthermore, the facility is asked to breakdown into a percentage the amount of the standard per diem which can be assigned to administrative, program and therapy costs. Requesting a detailed budget was considered but we believe that such a request would be rejected by our providers and jeopardize our ability to continue to place children with them. OCS pays a much lower per diem (in some instances less than 50 % of the standard per diem rate) for the services than are charged to other potential users of the requested bed.

Allowable Cost

Bulleted Item

- 2) **Statement of Concurrence or Non-Concurrence:** OCS concurs that authorization documentation for expenditure transactions during the period of review, July 17, 2001 until January 31, 2002, was deficient in the cited instances but qualifies its concurrence as follows:

OCS has in place and has strengthened its policies and procedures for internal control over accurate draw down of federal funds and payment for services. For example, in following up on exceptions and issues cited in the previous IV-E audit, TIPS payment procedures were reviewed and updated or amended as indicated to address noted areas for improvement. OCS TIPS Procedural Manual Revision No. 02-03 was issued June 21, 2002 (subsequent to the dates of expenditure transactions reviewed in the above audit sample) transmitting revised policy and forms effective August 2002 to incorporate the recommendations of the Legislative Auditor's report. The policy modifications specified that the OCS unit submitting the TIPS 211 for payment will be responsible for comparing the TIPS 211 form copy with the TIPS Validation Report and documenting on the 211 form that the comparison was made and with what results. The approving worker's supervisor will be required to sign to demonstrate supervisory oversight of job performance and accuracy and validity of the payment to be made.

Considering the large number of transactions we authorize and pay every year and the available administrative staffing resources allocated to our agency, it is our considered opinion that the agency and its staff are maintaining a satisfactory level of compliance with federal regulations and program policies in relation to accepted tolerance levels and performance indicators, particularly when taking into account limitations imposed by work demands, time constraints, and factors unique to child welfare program operations. Our agency's application to be granted national accreditation status through the Council on Accreditation (COA), as well as preparations for the federal Children and Family Services Review (CFSR), have placed more emphasis on case record documentation and accordingly our personnel have become even more conscious and committed to appropriate standards for administrative management as well as casework procedures.

Please contact my office should you have questions or require additional information.

We appreciate the consultation and technical assistance offered by Office of Legislative Auditor staff during the performance of the DSS/OCS audit review.

Sincerely,



Carmen D. Weisner
Assistant Secretary

CDW:SW:sw

Attachments

cc: Gwen Hamilton, Secretary

Joel B. Hincks, Undersecretary, OM&F

Al Sanford, Deputy Undersecretary, OM&F

Ronald Patty, Fiscal Services Director, OM&F



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M. J. "MIKE" FOSTER, JR.
GOVERNOR

GWENDOLYN P. HAMILTON
SECRETARY

MEMORANDUM

February 12, 2003

TO: Grover C. Austin, First Assistant Legislative Auditor
Office of Legislative Auditor

FROM: Ann S. Williamson, Assistant Secretary *asw*
Office of Family Support

RE: Legislative Audit - 2002

Please refer to your correspondence date January 31, 2002. Below is our response to the audit findings from the Office of the Legislative Auditor:

Finding Title: Temporary Assistance for Needy Families Program: Noncompliance with Certain Federal and State Requirements

FIND Work/TANF Initiatives

OFS concurs in part with the finding that the agency did not have monitoring procedures established to ensure that TANF Initiative partners administered the federal funds in compliance with federal requirements and/or the requirements of the Memorandums of Understanding between DSS and the TANF Initiative partners. Although other state departments receive direct appropriation for TANF funds, the Department of Social Services, DSS, is ultimately accountable for TANF spending as OFS is the Federally designated TANF agency. All Memorandums of Understanding between DSS and other state departments or entities have specific language regarding the partner's responsibility for directly monitoring their programs. Also, each partner will be held accountable for any misappropriation and contractual obligations. The TANF Office of Evaluation and Oversight, in the Division of Administration, also monitors all state departments and entities that receive TANF funds.

The agency does not concur with the finding listed for DBA Bestway Medical Transportation, contract #556360. This contractor transports an average of 5 clients every day, 2 times a day, 20 days per month, or 200 one-way trips per month. The contractor picks up clients if ill, transports children to child care, and transports clients to and from work, training, school or OFS. The contractor drives 33 miles between Newellton, Waterproof and St. Joseph. At 200 trips per

month for \$2,091, contract cost is \$10.45 per trip. This is less than the state rate of \$.32 per mile x 33 miles for \$10.56. The contractor also incurs cost for the driver(s), vehicle and insurance. The Agency feels the standard for reasonable and necessary is being met.

The agency does not concur with the finding listed for Caldwell Parish Council on Aging, contract #568850. The contract specifies destination point rather than odometer readings. The agency disputes the questioned cost of \$26,180 and cancellation. The contract calls for paying \$1,540 per month for up to 15 participants. Caldwell is a very rural parish with no transportation. Travel is required for an average of seven clients, who ride daily to/from the site 20 days per month for a total of 280 one-way trips. In addition, 1-2 children are taken to and picked up from childcare. At \$1,540/month, 280 trips cost \$5.50 each, which the agency considers to meet the reasonable and necessary standard.

The agency concurs with the finding listed for Office of Community Services, contract #578283. Appropriate corrective action measures will be taken to recoup the amount of overcharge. Staff is being instructed to more closely monitor invoices prior to approving payment.

FITAP

OFS concurs with these findings, and has ongoing corrective action and four workgroups to address repeated deficiencies cited in prior audits. The Policy Simplification/Work Streamlining workgroup was established to focus on evaluating policy and procedures in terms of necessary changes. Due to their work, the time limit policy was revised effective 02/01/03. The exemption based on actively seeking employment was changed from 20 job contacts each month to work registration through the Department of Labor and satisfactory participation in an approved FIND Work activity. This policy change should result in improved administration by staff. In addition, and more importantly, this change will be a more effective means of assisting our clients to achieve self-sufficiency by enhancing their employability through FIND Work participation and connection with the Dept of Labor.

The agency will issue a formal Corrective Action Memorandum to staff providing a synopsis of the findings of the TANF Legislative Audit for FY 2002. The document will address correct policies and procedures. OFS Regional Administrators will continue to be charged with intensive monitoring of the Corrective Action.

The Department is evaluating the current policies and legislation regarding school attendance and immunizations to determine more efficient, effective ways of managing this service. As these policies are currently outlined, there is a duplication of effort with the Department of Education.

We are revising our case management policies and procedures and are looking at the specialization of job duties with the assistance of management consultants. We believe that by streamlining policy and specialization of work, staff will be able to have more time to perform their job duties more effectively and accurately.

OFS does not concur with the finding regarding TANF Maintenance of Effort (MOE) requirements as it applies to the agreements entered into with DSS, Office of Community Services and the Department of Education. Louisiana exercises the option of having state entities other than the Federally designated TANF agency, in this case OFS, receive direct appropriation for TANF MOE certification. To ensure that the TANF MOE partner agencies comply with Federal guidelines, OFS enters into a Memorandum of Understanding (MOU) with each partner. The MOU also serves as the vehicle for obligating TANF funds and outlining the scope of TANF services provided. In every MOU there is specific language that speaks to the responsibility of the MOU recipient agency to monitor their TANF activities for compliance. Furthermore, as State Agencies, they too are fully subject to the reviews of the Legislative Auditor's Office.

If further information is needed, please advise.

ASW/DDS

Cc: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Ronald Patty
Mary Joseph



State of Louisiana
Department of Social Services
OFFICE OF MANAGEMENT AND FINANCE
DIVISION OF FISCAL SERVICES
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M. J. "MIKE" FOSTER, JR.
GOVERNOR

GWENDOLYN P. HAMILTON
SECRETARY

December 4, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Fraudulent Transactions in TANF

We concur that Department of Social Services (DSS) policies were violated leading to fraudulent charges in the Temporary Assistance to Needy Families (TANF) program and payroll errors.

Listed below is the corrective action implemented as a result of the this finding.

- The Program Director in question has been counseled as to the inappropriateness of the policy violation. The employee has also received training on the ISIS system and now approves all purchases for the cost center. A new password was selected and has not been shared with anyone.
- The Administrative Secretary who made the fraudulent transactions has made full restitution through the DSS Office of Management and Finance.
- The Program Director in question has been trained in responsibilities relating to LaCarte purchases and is performing all required duties including the review and verification of LaCarte purchases for the section.
- The Program Director in question is now ensuring that a detailed comparison is performed between the Time Entry Sign-In sheets and the Time Entry Audit Report to identify errors or lack of supporting documentation.

Dr. Daniel G. Kyle
December 4, 2002
Page 2

- An Administrative Memorandum is being issued to staff to remind everyone of the DSS Computer Security Policy 5-3 which prohibits the sharing of passwords regardless of the circumstances and the requirement for the auditing of time and attendance records. In addition, appropriate staff which utilize the LaCarte Purchase Card or who review and approve the purchases made with the LaCarte Purchase Card will be required to review the DSS LaCarte Purchasing Card Program Procedures manual to ensure compliance with appropriate rules and regulations.

You may contact Cathy Hyman or me at 342-4247 if additional information is needed regarding this finding.

Sincerely,



Ronald F. Patty, Director
Division of Fiscal Services

cc: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Ann Williamson



State of Louisiana
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M. J. "MIKE" FOSTER, JR.
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GWENDOLYN P. HAMILTON
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December 2, 2002

Dr. Daniel G. Kyle, CPA, CFE
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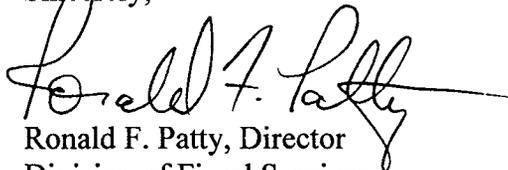
Dear Dr. Kyle:

Noncompliance with Federal Property Regulations

We concur that the Department did not exercise proper internal control over movable property acquired in whole or in part with federal funds. Property control managers have been informed of the importance of indicating the federal financial participation on BF-11s and the importance of noting it in the LPAA system. Procedures are in place at each agency (OFS, OS/OM &F, OCS, and LRS) to ensure that all property acquired in whole or in part with federal funds is identified by documenting the percentage of federal participation in the LPAA system.

You may contact Cathy Hymon or me at 342-4247 if additional information is needed regarding this finding.

Sincerely,


Ronald F. Patty, Director
Division of Fiscal Services

cc: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Ann Williamson
Carmen Weisner
James Wallace



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December 2, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Noncompliance with State's Movable Property Regulations

We concur that the Department of Social Services (Department) did not have adequate internal control over movable property.

A management decision was made to consolidate the Department's Offices of Information Services (IS) i.e. the IS sections within the Office of the Secretary/Office of Management and Finance (OS/OMF), Office of Family Support (OFS), Office of Community Services (OCS) and Louisiana Rehabilitation Services (LRS) would consolidate into one section. The decision was also made to consolidate all equipment from each office transferring it to the OS-IS by the end of fiscal year 2002. After this immense task began, it was determined that the majority of the equipment would be sent to surplus and replaced with new equipment. Therefore, to avoid duplicating work by all offices, it was again decided by management, to surplus the old equipment rather than transferring it to OS-IS only to surplus it later. We believe this process should be complete by November 2003. We are confident that upon the completion of this project all equipment, old and new, will be accounted for, properly tagged and tracked.

The Office of the Secretary did sign BF-11s accepting property without locating it. It was impossible to locate thousands of pieces of equipment and return the BF-11s to Louisiana Property Assistance Agency (LPAA) as they requested within 10 days. Concerns were expressed to LPAA's Compliance Officer about the short time period to return the BF-11s. We were informed that it was not LPAA policy to return the BF-11s within 10 days but the secretary's way of keeping track of them. At this point, OS discontinued signing the BF-

Dr. Daniel G. Kyle
December 2, 2002
Page 2

11s until after the property was located. The OS continues to accept property only after it is located.

Department Property Control managers are being instructed that reports from LPAA must be reconciled monthly. The OS property control manager is current in reconciling the monthly LPAA reports. LPAA has been notified of the correct personnel to send the MV-3 Update Reports to each month.

You may contact Cathy Hymon or me at 342-4247 if additional information is needed regarding this finding.

Sincerely,



Ronald F. Patty, Director
Division of Fiscal Services

cc: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Ann Williamson
Carmen Weisner
James Wallace



State of Louisiana
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M. J. "MIKE" FOSTER, JR.
GOVERNOR

GWENDOLYN P. HAMILTON
SECRETARY

February 11, 2003

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70821

Dear Mr. Austin:

This is the official response to the request from Mr. Ernest Summerville regarding the Single Audit of Louisiana reportable audit finding of the Department of Social Services.

Finding: **Subrecipient Monitoring – Noncompliance with Federal and State Regulations**

Agency Response: The Department concurs in part with the finding for the following reasons:

- **Failure to insure federal subrecipients and state contractors receive federal information and requirements.**

The Department concurs in part with the finding and has already taken corrective action based on prior years finding wherein the basic contract forms used by the Department were revised to include the required federal program information and requirements. These revisions were made in early 2002 and were to affect all contracts subsequent to that time. The 25 test contracts were all contracts that were executed prior to the Departments implementation of the revised contract forms and therefore would not have reflected the revision.

The various program offices will be responsible for entering the data required by the contract form on all subrecipient contracts. Contracts that were entered into prior to early 2002 will not be amended as it would be impracticable to do so.

- **Failure to designate 85 contracts.**

We concur in part with the finding. The Department enters into various types of contracts for the procurement of goods and services. Certain types of contracts are by their nature, clearly either vendor or subrecipient type contracts. Of the 85 contracts identified, 63 were of a particular type where they were clearly vendor type contracts and therefore did not need to be designated. These 63 contracts were between DSS OFS- Support Enforcement and Parish Clerks of Court for court fees collected by DSS on behalf of the Parish Clerks of Court through the Support Enforcement collection process. This group of contracts are considered to be miscellaneous contracts and do not have to have the approval of the DOA Office of Contractual Review and therefore no designation is necessary.

Of the remaining 22 contracts, 13 are miscellaneous or consultant type contracts and would by their nature be classified as vendor type contracts requiring no designation. The remaining 9 contracts appear to be subrecipient type contracts and a copy of the contract should have been sent to External Audit by the program office for designation.

The Department will remind the various program offices of the importance of forwarding a copy of all contracts (excepting certain types of contracts) to Fiscal Services, External Audit to make the vendor subrecipient determinations and to be entered into the audit report tracking system.

- **Audits Reports not Received.**

We concur in part with the finding. Of the four audit reports not received noted, three have since been received and one are still outstanding.

The Department maintains an Audit Report Tracking Systems whereby Fiscal Services External Audit Unit sends out a reminder letter to all subrecipients the month prior to the end of the subrecipient's fiscal year end requesting a copy of their audit engagement letter. This request is to insure that the subrecipient has made arrangement to have audit performed.

As audit reports are received, they are logged in and reviewed by the External Audit Unit.

Each month, a list of audit reports due is compiled by the External Audit Unit of all audits not received by the due date. Lists are prepared and sent to each program office of subrecipients with delinquent audit reports. Program offices contact the subrecipient to either obtain the required audit

Mr. Grover Austin, CPA

February 11, 2003

Page 3

report or to take appropriate action against the subrecipient for failure to submit audit reports in a timely manner.

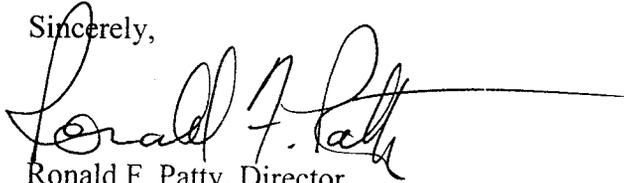
- **Final Evaluation Reports to the Office of Contractual Review.**

The Department concurs that 20 final evaluation reports were not submitted within the 60 day time period. However, 12 of the 20 final evaluation reports have since been filed with the Office of Contractual Review. The responsible program office have been notified of the remaining 8 contracts where the final evaluation reports are still due.

The various Departmental agencies will be notified and reminded of the requirements of Louisiana Revised Statute R.S 39:1500, which requires a state agency to file a final evaluation report on each professional, personal, consulting, or social service contract with the Office of Contractual Review within the 60 day timeframe. Executive management will monitor each agency to insure that procedures are in place to insure the timely submission of these evaluation reports.

If additional information is needed, please feel free to contact me.

Sincerely,



Ronald F. Patty, Director
Division of Fiscal Services

cc: Gwendolyn Hamilton, Secretary
Joel Hincks, Undersecretary
Ann Williamson, Assistant Secretary, OFS
Carmen Weisner, Assistant Secretary, OCS
James Wallace, Director, LRS
Al Sanford, Deputy Undersecretary



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M. J. "MIKE" FOSTER, JR.
GOVERNOR

GWENDOLYN P. HAMILTON
SECRETARY

February 13, 2003

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70821

Dear Mr. Austin:

Finding: Temporary Assistance for Needy Families Program: Inaccurate Reporting

We concur that the Department of Social Services did not have adequate control procedures to ensure federal reports for the Temporary Assistance for Needy Families Program (TANF) are accurate, complete, and in compliance with program regulations.

Correcting adjustments will be made on the March 2003 quarter ACF-196 financial reports for each grant year, i.e. 2002, 2001, and 2000 federal grant awards. Corrections to the federal cash transactions report, PMS-272, will be made on the February 15, 2003 submission of the report. Further, we concur with the finding as stated in your report regarding the Annual Report of State Maintenance-of-Effort (MOE) Program (ACF-204).

Agency program staff will work closely with the budget section, along with the fiscal section to ensure that the agency is in compliance with federal and state regulations.

If additional information is needed, please feel free to contact me.

Sincerely,


Ronald F. Patty, Director
Division of Fiscal Services

cc: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Ann Williamson



M.J. "MIKE" FOSTER, Jr.
GOVERNOR

State of Louisiana
Department of Social Services

GWENDOLYN P. HAMILTON
SECRETARY

LOUISIANA REHABILITATION SERVICES
8225 Florida Blvd.
Baton Rouge, LA 70806-4834
Phone: 225-925-4131 (V/TDD)
Fax: 225-925-4184

January 30, 2003

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana

Dear Mr. Austin:

This is the official response to the request from Mr. Ernest Summerville regarding the Single Audit of Louisiana reportable audit findings of the Department of Social Services, Louisiana Rehabilitation Services.

Vocational Rehabilitation: Noncompliance with Federal Requirements

► **Period of Availability – Program Income**

Agency Response: The agency concurs with this finding.

Name of the contact person responsible for corrective action: Becky Blankinship

Corrective action planned: The written procedures for documenting and tracking Program Income will be revised to include both State and Federal Years, and to ensure that reports are accurately prepared and properly reviewed prior to submission. Because there are discrepancies in the beginning balance and the adjustments made to program income during the three fiscal years cited in the audit, the agency is in the process of verifying the figures provided by the Legislative Auditor in an effort to provide accurate documentation of compliance with the period of availability requirements related to program income.

Anticipated completion date: February 28, 2003

Mr. Grover Austin, CPA
January 30, 2003

Page 2

► **Federal Financial Reporting**

Agency Response: The agency concurs with these findings.

Name of the contact person responsible for corrective action: Becky Blankinship

Corrective action planned: The written procedures for calculating unliquidated obligations will be revised to include only obligations that have been identified in ISIS or the BRIS subsystem and to ensure that reports are accurately prepared and properly reviewed prior to submission.

Anticipated completion date: February 28, 2003

If you have any questions or need further information please call.

Sincerely,



James Wallace
Director

JW:ssb

c: Ronald Patty
Gwendolyn P. Hamilton
Joel Hincks
Al Sanford



State of Louisiana
Department of Social Services

M. J. "MIKE" FOSTER, Jr.
GOVERNOR

OFFICE OF COMMUNITY SERVICES
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GWENDOLYN P. HAMILTON
SECRETARY

December 27, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Reference is made to your office's letter of December 12, 2002, by Ernest F. Summerville, Jr., Audit Manager, which communicated a reportable audit finding for the Department of Social Services (DSS) for the State Fiscal Year ending June 30, 2002. This letter contains the response of the DSS/Office of Community Services (OCS) to the finding identified as:

Foster Care: Insufficient Reimbursements from Child Support Collections

OCS Response: We concur with the finding in part and have instituted corrective action to resolve this issue.

Background:

Monetary amounts representing federal benefits, child support collections and other revenue received by DSS on behalf of foster children are accounted for through use of the DSS Child Welfare Tracking, Information and Payment System (TIPS). In accordance with requirements governing federal benefits received by the State for the needs of foster children, all revenue amounts are posted in TIPS to apply toward the "current and future costs of care" for the intended minor recipients in the custody of the State.

42 U.S.C. 657 sets forth the manner in which amounts of child support collections shall be distributed to reimburse "assistance from the State" provided to families. The term "assistance from the State" is defined to mean "foster care maintenance payments" as well as public aid to needy families. Such foster care maintenance payments are defined under 42 U.S.C. 675 (4) to mean "payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation."

For nearly 16 years, the DSS Support Enforcement Services (SES) has been collecting child support for Title IV-E foster children. The funds that are collected for these children are reported to the DSS Office of Management and Finance (OM&F) and used to offset the federal claim made on their behalf. In addition, SES collects child support for children who are XIX eligible. These collections are for children who are not otherwise IV-E eligible. Collections received for this populations are seen as State General Fund eligible. There is no federal reimbursement with any of the revenue collected on behalf of these children. DSS/OCS uses it to offset the current and future costs of care supported through State General Funds.

The DSS Office of Management and Finance (OM&F) Cash Management unit receives notification of child support deposits made by Support Enforcement Services. The Cash Management unit posts to the TIPS 802 screen by TIPS case number. This information is run in TIPS to produce the TIN8011 report.

As part of the corrective action plan implemented FY 02 in response to the previous audit finding regarding insufficient federal reimbursements from child support collections, OM&F Cash Management unit began providing a copy of the TIN8011 to the OCS Financial Management Division (Eligibility Services Unit) for identification of child support arrearages to be reimbursed to the Title IV-E funding source. This report is provided to OCS around the 20th of the month for return with the necessary information by the 10th of the following month. For those clients who were IV-E eligible, OM&F Cash Management prepares a journal voucher moving the arrearage collections to an organization and reporting category identifying the funds as IV-E. The Grants Accountant is therefore able to select this amount out of ISIS, and record the amount on the IV-E federal report. (Once the money has been journal vouchered, this revenue balance will not be used again and a refund transaction code is entered in the 802 system so that the revenue balance will reflect this decrease.) As revenues are needed to fund eligible costs as reflected on the Statement of Expenditures, the money in the means of financing is warranted and used to pay expenditures. The OM&F Appropriations Accountant is also responsible to prepare necessary ISIS documents to carry over all revenue balances in the means of financing to the next state fiscal year, and the procedures are continued on a month to month basis for applying these eligible monies to appropriate expenditures.

Corrective Action Plan:

Beginning December 2002, the OCS Eligibility Services Unit has begun to individually review all receipts of child support collections to ensure that each intended recipient is/was a foster child in DSS custody for whom foster care maintenance expenditures have being incurred and that OCS is indeed entitled to receive the funds for the child's cost of care.

Any Support Enforcement checks which are received for children who are in the custody of the Department of Public Safety and Corrections/Office of Youth Development (OYD) will be returned to the OFS Support Enforcement Services for re-issuance to OYD (rather than direct forwarding from OCS to OYD).

To facilitate the continuity of administration between the DSS Office of Family Support - Support Enforcement Services and the DSS Office of Community Services relating to child support collections, a request is being made to OFS to grant access rights for a member of the OCS Eligibility Services unit to perform inquiries to all data fields and records in the Louisiana Support Enforcement System (LASES).

To alleviate the need for manual posting of carryover balances recorded in the TIPS Client Revenue/Expenditure Report TIN 8011 from one month to the following month, a change in the TIPS programming is planned so that the client revenue balances recorded in TIPS shall be automatically carried forward from month to month.

In order to prevent future residual balances of child support collections accumulated as of the end of the State Fiscal year to revert to the state General Fund, the DSS Office of Community Services plans to submit a Budget Adjustment Request (BA7) to the Joint Legislative Committee on the Budget seeking authorization to carry over to the next state Fiscal Year the total of all revenue balances in child support collections received for foster children formerly or currently in state custody.

As previously described, we have instituted a procedure for reviewing receipts of parental contribution revenue to ensure that all child support collections and arrearages received on behalf of Title IV-E eligible foster children will be credited or reimbursed to the appropriate funding source for expenditures incurred for current and future costs of care. For amounts of child support collections for which reimbursements are due to the Foster Care program, adjustments will be made to the Title IV-E claim for the federal/state share of State provided maintenance payments for those children whose families met the eligibility criteria (AFDC means tests, etc.) under the Title IV-E Foster Care Program (CFDA 93.658).

With regard to foster children whose families were determined not to be eligible under the Title IV-E Foster Care Program, reimbursable costs of foster care are considered to be State General Fund eligible since virtually all of the maintenance costs of these "non IV-E eligible" children are principally met through the use of State General Funds. Accordingly, there is no federal reimbursement due with revenue collected on behalf of the "non IV-E eligible" children and child support collections received by DSS for these children shall be applied to reimburse foster care maintenance costs that had been supported through the use of **State General Funds**. In accordance with this analysis, no reimbursement (\$0.00) is deemed to be due for reimbursement to the

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Page 4

Child Welfare Services - State Grants Program, Title IV-B (CFDA 93.645) and no reimbursement (\$0.00) due to the Social Services Block Grant (CFDA 93.667).

If you have questions or require further information concerning this matter, please contact Keyth Devillier, OCS Financial Management Director, at (225) 342-4028.

We appreciate the consultation and technical assistance offered by Office of Legislative Auditor staff during the performance of the DSS/OCS audit review.

Sincerely,



Carmen D. Weisner
Assistant Secretary

CDW:KD:kd

cc: Gwen Hamilton, Secretary

Joel B. Hincks, Undersecretary, OM&F

Al Sanford, Deputy Undersecretary, OM&F

Ronald Patty, Fiscal Services Director, OM&F



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M. J. "MIKE" FOSTER, JR.
GOVERNOR

GWENDOLYN P. HAMILTON
SECRETARY

December 2, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Failure to Disclose Related Party Transactions

We concur in part with the finding. In 1999 OFS requested an opinion from the Ethics Board regarding Ms. Joseph's affiliation with Drayades. Ethics Advisory Opinion 1999-870 states that as long as Ms. Joseph is not receiving compensation for serving on the board, there is no Ethics Code provision which would hinder her continued services with Drayades. Additionally, Ms. Joseph has completed the "Related Party Disclosures and Compliance with the Code of Governmental Ethics" form.

You may contact Cathy Hymon or me at 342-4247 if additional information is needed regarding this finding.

Sincerely,


Ronald F. Patty, Director
Division of Fiscal Services

cc: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Ann Williamson



State of Louisiana
Department of Social Services
OFFICE OF MANAGEMENT AND FINANCE
DIVISION OF FISCAL SERVICES
ADMINISTRATIVE OFFICE

M. J. "MIKE" FOSTER, JR.
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GWENDOLYN P. HAMILTON
SECRETARY

November 20, 2002

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Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

We concur with the audit finding provided in your letter dated October 14, 2002.

Child Support Escrow Fund Not Reconciled

CORRECTIVE ACTION: The Division of Fiscal Services has begun reconciling the Child Support Escrow Fund on a monthly basis. This reconciliation, when completed, will consist of using the daily and monthly totals of the receipts and disbursements for the month of reconciliation between the ISIS and the LASES systems.

The LASES system does not have the current capability of producing reports that reflect individual client account balances. The LASES system would require major modifications to produce the type of reports that would reflect individual client account balances. We will address the production of individual client account balances in LASES at a later date.

You may contact Cathy Hyman, Assistant Director, or myself at 342-4247 if additional information is needed regarding this finding.

Sincerely,

Ronald F. Patty, Director
Division of Fiscal Services

cc: Gwendolyn Hamilton, Secretary
Joel Hincks, Undersecretary
Ann Williamson, Assistant Secretary, OFS
Al Sandford, Deputy Undersecretary



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December 2, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Access to Property and Payroll System Not Properly Restricted

We concur with the finding. The Office of Community Services and the Office of the Secretary have corrected all access problems regarding the LPAA system. Louisiana Rehabilitation Services has submitted corrections for the problems cited in the audit and the Office of Family Support expects to have correcting adjustments completed by December 31, 2002. All staff has been reminded of the importance of strict control of access to the LPAA system.

In the initial stages of the ISIS-HR implementation, it was necessary for the IT Applications Project Leader to have "update" access to the system to prevent security access errors that were being received in the reporting environment i.e. the interface with ISIS-HR. A security document has been completed to change the project leader's capability in ISIS-HR from update to inquiry only. Inquiry ability is necessary to review information when data verification or program changes are needed for reports that must be generated for all DSS offices.

We concur in part with the finding that three OS/OMF Human Resource managers have organization structure access. The OS/OMF Division of Human Resources runs various statistical reports for all of DSS. They also enter personnel actions when requested by the Department Secretary for any agency. Additionally, office HR staff often call requesting assistance with entering non-routine or difficult actions (e.g. premium pay for shelters, maintaining a substitution i.e. substituting a holiday for a work day to enter Leave Without Pay). When this occurs, an OS/OMF HR manager will enter the action at her location while the staff member views the process from their own office.

Dr. Daniel G. Kyle
December 2, 2002
Page 2

You may contact Cathy Hymon or me at 342-4247 if additional information is needed regarding this finding.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald F. Patty". The signature is fluid and cursive, with the first name "Ronald" being the most prominent.

Ronald F. Patty, Director
Division of Fiscal Services

cc: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Ann Williamson
Carmen Weisner
James Wallace



State of Louisiana
Department of Social Services
OFFICE OF MANAGEMENT AND FINANCE
DIVISION OF FISCAL SERVICES
ADMINISTRATIVE
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PHONE - 225/342-4247 - FAX - 225/342-4220

M. J. "MIKE" FOSTER, JR.
GOVERNOR

GWENDOLYN P. HAMILTON
SECRETARY

December 2, 2002

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Control Weakness Over Time and Attendance Data

We concur that the Department did not consistently follow state or departmental control procedures relating to time and attendance data. On February 27, 2002 an e-mail correspondence was transmitted to all DSS employees from the DSS Human Resource Director (i.e. OS/OMF Human Resource Director) regarding audit weakness in the time and attendance record keeping process. Offices have established additional procedures to ensure adherence to time and attendance policies, e.g. OFS staff are being required to review the time and attendance policy, a memorandum is being sent from the OCS assistant secretary to re-enforce procedures as well as performing their own semi-annual time attendance audit. The OS/OMF and LRS are also re-enforcing to staff the crucial nature of accurate time and attendance records.

You may contact Cathy Hymon or me at 342-4247 if additional information is needed regarding this finding.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald F. Patty".

Ronald F. Patty, Director
Division of Fiscal Services

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