

DEPARTMENT OF SOCIAL SERVICES  
STATE OF LOUISIANA



MANAGEMENT LETTER  
ISSUED APRIL 7, 2010

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
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DARYL G. PURPERA, CPA

**DIRECTOR OF FINANCIAL AUDIT**

PAUL E. PENDAS, CPA

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

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$17.60. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 9191 or Report ID No. 80090048 for additional information.

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

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA

March 23, 2010

**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, 2009, 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 were not audited or reviewed by us, and, accordingly, we do not express an opinion on those 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, 2008, we reported findings relating to fraudulent billings by providers, improper employee activity in federal programs, intentional program violations and ineligible benefits in the Disaster Food Stamp Program, noncompliance with program requirements of the Child Care Cluster, noncompliance with program requirements of the Foster Care - Title IV-E Program, internal control weaknesses over program requirements in the Temporary Assistance for Needy Families Program, inaccurate annual fiscal reports, ineffective internal audit function, control weaknesses over information technology, and access to electronic data processing not properly restricted. The findings relating to internal control weaknesses over program requirements in the Temporary Assistance for Needy Families Program, control weaknesses over information technology, and access to electronic data processing not being properly restricted have been resolved by management. 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* have also been included in the State of Louisiana's Single Audit Report for the year ended June 30, 2009.

### **Fraudulent Billings by Providers**

Based upon work performed by the Department of Social Services' (DSS), Fraud and Recovery Section (FRS), DSS identified instances of fraudulent billings by providers in the Child Care and Development Fund Cluster (CFDA 93.575 and 93.596). Child Care Assistance Program (CCAP) payments are made to daycare centers based in part on attendance provided by the daycare center in monthly invoices. State and federal regulations prohibit the misappropriation of these program funds.

The instances of fraudulent billings identified by DSS-FRS are as follows:

- On June 30, 2009, the owner of a child care facility in Ferriday, Louisiana, pled guilty to mail fraud. Based on information from FRS, from January 2002 until July 2007, the owner filed false and fraudulent invoices seeking funds from CCAP. The owner claimed reimbursement for daycare services for children who did not attend the daycare center and over-billed for those children who did not attend as frequently as claimed. Questioned costs are \$220,697. On November 5, 2009, the owner was sentenced to 37 months in prison followed by three years of supervised probation. She must also pay restitution of \$220,697 to DSS.
- On April 1, 2009, the owner of a Baton Rouge daycare facility pled guilty to one count of making a fraudulent claim against the federal government. Based on information from FRS, from 2003 through 2008, the owner submitted false and fraudulent invoices seeking funds from CCAP. Questioned costs are \$298,248. On October 1, 2009, the owner was sentenced to 15 months in prison followed by three years of supervised release. She must also pay \$298,248 in restitution.

Certain DSS providers failed to comply with their agreements with DSS by submitting fraudulent vouchers. In addition, existing controls were not sufficient to prevent the fraudulent activity from occurring or to identify the fraudulent activity in a timely manner. Failure to establish and follow adequate internal control procedures increases the risk that federal program benefits are made to ineligible applicants and that errors and/or fraud could occur and not be detected in a timely manner. For these instances identified above, no restitution has been paid as of December 16, 2009.

Management should continue its efforts to detect fraudulent activity committed by DSS providers and strengthen its existing controls within the affected federal program to reduce the likelihood that fraudulent activities occur in the future. In addition, management should work with the grantor to resolve the questioned costs. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

### **Disaster Food Stamp Program: Intentional Program Violations and Ineligible Benefits**

DSS through its internal investigations identified instances of ineligible benefits in the Disaster Food Stamp Program (DFSP) including 16 employee cases and 34 nonemployee cases in which intentional program violations (IPV) were committed. The DFSP is a part of the Supplemental Nutrition Assistance Program Cluster, which is comprised of the Supplemental Nutrition Assistance Program (CFDA 10.551) and the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA 10.561). Federal Regulation 7 CFR 273.16 defines IPV as intentionally making false or misleading statements, or misrepresenting, concealing or withholding facts; or committing any act that constitutes a violation of the Food Stamp Act, the Food Stamp Program Regulations, or any state statute for the purpose of using, presenting, transferring, acquiring, receiving, possessing or trafficking of coupons, authorization cards or reusable documents used as part of an automated benefit delivery system (access device). In addition, the U.S. Department of Agriculture, Food and Nutrition Services (FNS) *Disaster Food Stamp Handbook 320* states that agencies must develop strategies to prevent fraud and ensure program integrity from the start of the disaster response. Office of Risk Management's (ORM) Insurance Notification No. 2002-2 also provides that ORM, the state's self-insurance fund, will deny any bond claim associated with employees who have previously committed any dishonest act.

As a result of concerns relating to ineligible employees, the FNS required DSS to review 100% of the employee DFSP cases. As of July 9, 2009, DSS had determined the following:

- In addition to the 24 IPV cases identified in prior audits, 16 cases were identified in the current year as IPV. Fourteen of the 16 cases involved DSS employees, while two cases involved relatives of DSS employees. These 16 individuals were determined by DSS to have understated income, overstated hurricane-related expenses, and/or misrepresented their household composition to improperly obtain DFSP benefits. In these 16 cases, DFSP benefits totaling \$6,863 were distributed. Eleven of the 14 employees are still employed by DSS with no disciplinary action occurring besides restitution of funds. The department is in the process of recouping funds related to these 16 cases.
- DSS has rendered decisions in 1,417 of 1,428 (99%) employee cases and determined that 1,002 of the 1,417 (71%) employees were not eligible to receive DFSP benefits.

As of August 10, 2009, DSS records indicate that DFSP benefits totaling \$634,882 were provided to ineligible DSS employees and their relatives. DFSP benefits totaling \$401,751 have been repaid to the department. Of the total \$634,882, DSS identified questioned costs of \$597,543, as of January 5, 2009, which was reported in our prior year auditor's report. The remaining \$37,339, including \$6,863 for the IPV cases previously noted, represents questioned costs identified by DSS since January 5, 2009.

Since the completion of the prior year audit, DSS has also completed the investigation of 153 nonemployee cases. Of those 153 cases, 98 (64%) cases were determined ineligible to receive DFSP benefits with 34 cases identified as IPV. DSS records indicate that the DFSP benefits totaling \$54,275 were provided to ineligible applicants with DSS recouping \$16,644. The remaining \$37,631 is questioned costs for the current year.

On April 21, 2009, a Social Services Analyst pled guilty to one count of theft from a program receiving federal funds. Following hurricanes Katrina and Rita, the employee performed unauthorized transactions on Disaster Food Stamp applications of friends and acquaintances and intentionally included household members who did not reside in the homes of these individuals to increase their benefits, which resulted in ineligible DFSP benefits totaling \$8,679. The employee was terminated on April 1, 2008. On July 14, 2009, the employee was sentenced to five years' probation, full restitution, a \$1,000 fine, and 150 hours of community service.

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

Management should continue to investigate the possibility of additional ineligible DFSP benefits paid, including those obtained through intentional program violations, and should work with the grantor to resolve any questioned costs. Management should consider the circumstances leading up to this noncompliance and develop models with controls for future disasters. In addition, the department should take steps to ensure that those employees who were involved in the IPV cases are not in position to cause any further losses to the department. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

**Child Care Cluster: Noncompliance  
With Program Requirements**

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

Audit procedures performed on the child care cluster disclosed the following:

- For 40 of 40 (100%) child care provider invoices tested, the agency, by policy, did not obtain attendance logs to verify the number of days present and absent on the child care invoices. Questioned costs totaled \$8,512.
- For two of 30 (7%) children tested, case files did not have documentation verifying the child was age-appropriately immunized in accordance with 45 CFR 98.41(a)(1)(i), Section 6.7 of the State Plan and department policy No. 08.B-710. Questioned costs totaled \$616, which is included in the questioned cost amount noted above.

During 2009, the DSS Contract Accountability Review Team (CART) conducted on-site reviews on “Class A” child care providers. For each on-site review, CART selected a sample of approximately five children and compared the attendance logs to the invoiced days for the sampled children. In nine of the 37 CART on-site reviews that we tested, CART identified overpayments to providers because invoiced days did not agree with the attendance logs. However, DSS did not take sufficient action to recover overpayments for seven of the nine cases. In addition, even when the results of the CART reviews indicated exception rates as high as 100% for the sampled children, no additional procedures were performed on the reviews of the child care providers to determine if the results were indicative of a larger problem or fraud. Questioned costs totaled \$1,027.

DSS procedures for validating provider reimbursement requests are inadequate because the children’s attendance is not verified to supporting documentation (attendance logs) before a payment is made. The program included approximately 3,529 providers that received reimbursements totaling in excess of \$112,260,000 during the fiscal year ended June 30, 2009. Considering that the agency did not obtain attendance logs to verify invoiced attendance, the risk exists that significant amounts may not be adequately supported, which increases the risk of error, fraud, and/or abuse. In addition, controls established for verification of immunization and recovery of provider overpayments were not followed.

DSS management should improve its review and monitoring procedures to ensure provider reimbursement requests are accurate and supported. In addition, DSS personnel should follow established controls over verifying immunization and collecting provider overpayments to ensure compliance. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 5-6).

#### **Foster Care - Title IV-E: Noncompliance With Program Requirements**

For the fifth consecutive year, DSS did not comply with certain requirements for administering the Foster Care - Title IV-E Program (CFDA 93.658). 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 provisions of contracts or grant agreements.

While substantial improvements have been made on this program by the department, audit procedures performed on the Foster Care - Title IV-E Program disclosed certain foster care expenditures were not properly authorized. For two of 30 (7%) foster care expenditures tested, the service authorization form was not found in the client's file.

DSS, Office of Community Services personnel did not consistently follow program regulations and existing procedures in the administration of the Foster Care - Title IV-E Program. Failure to follow adequate control procedures to ensure compliance with federal regulations may result in disallowed costs. As a result of the exceptions noted previously, questioned costs totaled \$4,305 (\$3,387 - federal funds and \$918 - state funds).

DSS management should require all employees to adhere to program regulations and established procedures in administering the Foster Care Title IV-E Program. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 7-8).

### **Inaccurate Annual Fiscal Reports**

For the third consecutive year, DSS did not submit accurate Annual Fiscal Reports (AFR) to the Division of Administration. As authorized by Louisiana Revised Statute 39:79, the commissioner of administration through the Division of Administration's Office of Statewide Reporting and Accounting Policy (OSRAP) prescribes the content and format for the preparation of each agency AFR, which is then used in the compilation of the state's Comprehensive Annual Financial Report (CAFR) and Schedule of Expenditures of Federal Awards (SEFA). Good internal control includes establishing a process to ensure that these fiscal reports are accurately prepared and reviewed. In addition, Federal Regulations [2 CFR 176.210(b)] require that expenditures funded by the American Recovery and Reinvestment Act (ARRA) be separately identified on the SEFA.

The AFRs for the Office of Family Support and the Office of Community Services that were submitted to OSRAP on September 4, 2009, included the following errors:

- The department's combined SEFA (Schedule 8) did not separately identify expenditures funded by ARRA from the regular grant award expenditures as required by federal regulations and OSRAP. The ARRA funding totaled \$33,698,143 for the Supplemental Nutritional Assistance Program; \$11,330,969 for the Child Support Enforcement Program; \$1,685,569 for the Foster Care - Title IV-E Program; and \$1,039,213 for the Adoption Assistance Program. The department also incorrectly included \$100,083 of expenditures in the Child Support Enforcement Program instead of the Child Support Enforcement Research Program on the department's SEFA and on the Office of Family Support's Schedule 8.

- The Schedules of State Agency, Hospital, College, and University Sub-recipients of Federal Programs (Schedule 8-5) were understated by \$5,825,434 (or 6%) in the aggregate as follows:
  - The Office of Family Support understated the funds disbursed by \$5,040,364.
  - The Office of Community Services understated the funds disbursed by \$785,070.
- The department misstated its Schedule of GASB 34 Revenue Accruals (Schedule 14) and Schedule of GASB 34 Expenditure Accruals (Schedule 14A) for the Office of Family Support and did not prepare Schedule 14 or Schedule 14A for the Office of Community Services even though it reported elsewhere in its AFR revenues and expenses totaling \$7,217,113 and \$11,627,720, respectively, that met the requirements for inclusion. The Office of Family Support failed to reverse the prior year receivable modified accrual adjustment totaling \$16,824,076 and the prior year accounts payable modified accrual adjustment totaling \$15,622,102.

Department personnel made errors in interpreting the payment data in its system reports when determining the disbursements to be reported on Schedule 8-5. In addition, the supervisory review process was not effective in identifying errors in the schedules. Failure to submit accurate AFRs can delay the compilation and issuance of the state's CAFR and Single Audit Report, which includes the SEFA. Misstatements from errors may occur and remain undetected.

DSS management should ensure that its AFRs are properly prepared and should review the schedules in its AFRs to identify and correct errors before submitting them to OSRAP. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 9).

### **Ineffective Internal Audit Function**

For the third consecutive year, DSS does not have an effective internal audit function to examine, evaluate, and report on its internal controls, including information systems, and to evaluate compliance with the policies and procedures that comprise controls. The internal audit function should provide management with assurances that assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner.

The following weaknesses were identified during the review of the internal audit function:

- In a review of two audits completed by the Bureau of Audit Services during fiscal year 2009, the audit documentation was incomplete, reflecting an insufficient review of the working papers.
- The Bureau of Audit Services did not adequately address federal financial and compliance issues for the department's 28 federal programs that total approximately \$1.9 billion of expenditures at June 30, 2009.
- No information technology audits were performed during the year.

The Bureau of Audit Services was not adequately staffed with audit personnel, did not adequately document or review the test work that supported audit conclusions, and failed to adequately address federal financial and compliance issues as well as information technology. Considering the department's reported assets of approximately \$155 million and revenues of approximately \$2.2 billion, an effective internal audit function is needed to ensure that the department's assets are safeguarded and that management's policies and procedures are uniformly applied.

DSS management should take the necessary steps to ensure that the Bureau of Audit Services is sufficiently staffed; sufficient documentation to support audit conclusions is maintained; and the scope of the audits performed, to include information technology, is sufficient to achieve the objectives of an effective internal audit function. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 10-11).

The recommendations in this letter 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. The findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

In addition, we have included Budgetary Comparison Schedules, which were prepared from the Annual Fiscal Reports of DSS and from additional data in the Integrated Statewide Information System (ISIS), the state's accounting system. These schedules are presented as additional information, but have not been subjected to auditing procedures.

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

Respectfully submitted,



Daryl G. Purpera, CPA  
Legislative Auditor - Elect

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DSS09

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BUDGETARY COMPARISON SCHEDULES (UNAUDITED)

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UNAUDITED

**DEPARTMENT OF SOCIAL SERVICES  
AGENCY 355 - OFFICE OF FAMILY SUPPORT**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES:**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$97,572,910		\$97,572,910	\$99,707,239	(\$2,134,329)
General Fund - fees & self-generated	15,801,399		15,801,399	15,151,674	649,725
General Fund - IAT	13,828,167		13,828,167	17,232,927	(3,404,760)
Federal funds	422,723,657		422,723,657	541,035,403	(118,311,746)
Fraud Detection Fund	574,769		574,769	574,769	
State Emergency Response Fund	14,021,547		14,021,547	14,021,547	
	<u>\$564,522,449</u>	<u>NONE</u>	<u>\$564,522,449</u>	<u>\$687,723,559</u>	<u>(\$123,201,110)</u>

**APPROPRIATED EXPENDITURES:**

	ADMINISTRATION AND SUPPORT	CLIENT SERVICES	CLIENT PAYMENTS	TOTAL
Salaries	\$3,705,928	\$105,796,009		\$109,501,937
Other compensation	102,013	1,974,313		2,076,326
Related benefits	11,461,553	30,171,710		41,633,263
Travel & training	70,052	1,052,261		1,122,313
Operating services	375,423	16,752,319		17,127,742
Supplies	41,572	1,153,506		1,195,078
Professional services	3,734	11,009,547		11,013,281
Other charges	1,209,365	65,016,168	\$195,520,443	261,745,976
Capital outlay	2,890	839,068		841,958
Major repairs		40,772		40,772
IAT	35,639,762	8,859,156	68,298,349	112,797,267
Total appropriated expenditures				
before adjustments	52,612,292	242,664,829	263,818,792	559,095,913
System adjustments		(4,590)		(4,590)
Agency adjustments		35,795		35,795
	<u>52,612,292</u>	<u>242,696,034</u>	<u>263,818,792</u>	<u>559,127,118</u>
Total Appropriated Expenditures				
	52,612,292	242,696,034	263,818,792	559,127,118
Revised Budget	<u>68,480,135</u>	<u>278,408,961</u>	<u>340,834,463</u>	<u>687,723,559</u>
Variance Favorable (Unfavorable)	<u>\$15,867,843</u>	<u>\$35,712,927</u>	<u>\$77,015,671</u>	<u>\$128,596,441</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**DEPARTMENT OF SOCIAL SERVICES  
AGENCY 357 - OFFICE OF THE SECRETARY**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES:**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$7,478,551		\$7,478,551	\$7,478,551	
General Fund - fees & self-generated	71,827		71,827	72,382	(\$555)
General Fund - IAT	65,645,164		65,645,164	87,765,359	(22,120,195)
Overcollections fund	2,200,000		2,200,000	2,200,000	
<b>Total Appropriated Revenues</b>	<b>\$75,395,542</b>	<b>NONE</b>	<b>\$75,395,542</b>	<b>\$97,516,292</b>	<b>(\$22,120,750)</b>

**APPROPRIATED EXPENDITURES:**

	EXECUTIVE & ADMINISTRATIVE SUPPORT	TOTAL
Salaries	\$17,091,341	\$17,091,341
Other compensation	1,534,568	1,534,568
Related benefits	6,077,528	6,077,528
Travel & training	194,246	194,246
Operating services	23,498,391	23,498,391
Supplies	1,060,216	1,060,216
Other charges	12,601,052	12,601,052
Capital outlay	152,874	152,874
IAT	13,076,966	13,076,966
<b>Total appropriated expenditures before adjustments</b>	<b>75,287,182</b>	<b>75,287,182</b>
System adjustments	(340,021)	(340,021)
Agency adjustments	387,059	387,059
<b>Total Appropriated Expenditures</b>	<b>75,334,220</b>	<b>75,334,220</b>
<b>Revised Budget</b>	<b>97,516,292</b>	<b>97,516,292</b>
<b>Variance Favorable (Unfavorable)</b>	<b>\$22,182,072</b>	<b>\$22,182,072</b>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system

Additional detail is available on request.

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UNAUDITED

**DEPARTMENT OF SOCIAL SERVICES  
AGENCY 370 - OFFICE OF COMMUNITY SERVICES**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES:**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$98,694,170		\$98,694,170	\$98,694,170	
General Fund - fees & self-generated	1,411,841		1,411,841	1,177,984	\$233,857
General Fund - IAT	30,143,838		30,143,838	31,201,661	(1,057,823)
Federal funds	162,272,061		162,272,061	186,523,580	(24,251,519)
Children's Trust Fund	1,455,876		1,455,876	1,455,876	
2004 Overcollection Fund	3,953,054		3,953,054	3,953,054	
Total Appropriated Revenues	<u>\$297,930,840</u>	<u>NONE</u>	<u>\$297,930,840</u>	<u>\$323,006,325</u>	<u>(\$25,075,485)</u>

**APPROPRIATED EXPENDITURES:**

	ADMINISTRATION & SUPPORT	CHILD WELFARE SERVICES	TOTAL
Salaries	\$1,152,459	\$79,721,065	\$80,873,524
Other compensation	33,519	1,133,054	1,166,573
Related benefits	344,715	28,252,822	28,597,537
Travel & training	13,781	1,060,056	1,073,837
Operating services	216,694	8,370,968	8,587,662
Supplies	4,290	987,378	991,668
Other charges		114,523,258	114,523,258
Capital outlay		40,297	40,297
IAT	18,282,330	39,654,869	57,937,199
Total appropriated expenditures before adjustments	<u>20,047,788</u>	<u>273,743,767</u>	<u>293,791,555</u>
System adjustments		(40,898)	(40,898)
Total Appropriated Expenditures	20,047,788	273,702,869	293,750,657
Revised Budget	<u>20,908,701</u>	<u>302,097,624</u>	<u>323,006,325</u>
Variance Favorable (Unfavorable)	<u>\$860,913</u>	<u>\$28,394,755</u>	<u>\$29,255,668</u>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**DEPARTMENT OF SOCIAL SERVICES  
AGENCY 374 - LOUISIANA REHABILITATION SERVICES**

**Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**APPROPRIATED REVENUES:**

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$10,727,203		\$10,727,203	\$10,727,203	
General Fund - IAT	443,567		443,567	501,741	(\$58,174)
Federal funds	55,868,087		55,868,087	54,153,764	1,714,323
Telecommunications for the Deaf Fund	2,340,941		2,340,941	2,340,941	
La. Traumatic Head & Spinal Cord Injury Trust Fund	3,295,559		3,295,559	3,295,559	
La. Blind Vendors Trust Fund	1,095,496		1,095,496	1,095,496	
<b>Total Appropriated Revenues</b>	<b>\$73,770,853</b>	<b>NONE</b>	<b>\$73,770,853</b>	<b>\$72,114,704</b>	<b>\$1,656,149</b>

**APPROPRIATED EXPENDITURES:**

	ADMINISTRATION & SUPPORT	VOCATIONAL REHABILITATION SERVICES	SPECIALIZED REHABILITATION SERVICES	TOTAL
Salaries	\$1,808,822	\$13,364,761	\$396,506	\$15,570,089
Other compensation	18,573	45,085	1,013	64,671
Related benefits	483,758	5,945,318	101,676	6,530,752
Travel & training	30,731	200,897	7,175	238,803
Operating services	34,248	967,984	3,644	1,005,876
Supplies	7,766	91,544	2,808	102,118
Professional services		9,000		9,000
Other charges		31,440,484	6,834,766	38,275,250
IAT	3,680,426	850,115	4,288	4,534,829
<b>Total appropriated expenditures</b>				
before adjustments	6,064,324	52,915,188	7,351,876	66,331,388
System adjustments		(29,533)		(29,533)
<b>Total Appropriated Expenditures</b>	<b>6,064,324</b>	<b>52,885,655</b>	<b>7,351,876</b>	<b>66,301,855</b>
Revised Budget	6,528,735	57,985,176	7,600,793	72,114,704
<b>Variance Favorable (Unfavorable)</b>	<b>\$464,411</b>	<b>\$5,099,521</b>	<b>\$248,917</b>	<b>\$5,812,849</b>

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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



**BOBBY JINDAL**  
GOVERNOR



**KRISTY H. NICHOLS**  
SECRETARY

## State of Louisiana

Department of Social Services  
Office of the Undersecretary

January 12, 2010

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

Attn: Wayne D. DeLeo, Jr., CPA  
Audit Manager

RE: Fraudulent Billings by Providers

Dear Mr. Purpera:

The following is submitted in response to your request dated December 23, 2009 in reference to the aforementioned Audit Finding.

We concur that certain DSS providers failed to comply with their agreements with DSS by submitting fraudulent vouchers. As such, the following steps have been and/or will be taken to achieve this goal.

### **TINA-GIS**

The Fraud and Recovery Section incorporated Child Care provider information and invoices into TINA-GIS which allows the agency to research billings to develop possible signatures of fraud. The agency also maps providers to recipients. The mapping aspect allows an investigator to see if distance between provider and recipients provide any clues to possible fraudulent activity.

### **Automated Child Care Time and Attendance**

DSS is in the process of implementing an automated child care time and attendance process for CCAP providers to improve its review and monitoring procedures to ensure CCAP provider payments are accurate and supported. It is anticipated that this process will be implemented by June 2010. This is an electronic system that provides accurate and timely capturing, tracking, and reporting of time and attendance data. This system will ensure accurate payments are made and reduce fraud and abuse. This system will utilize finger imaging and IVR (Interactive Voice Response) as a mechanism for capturing this data. Finger imaging is a measurement of physical characteristics of a finger for use in personal identification.

### **Random Sample Review of CCAP Provider Invoice and Attendance Logs**

Corrective Action Memo C-083-01 issued March 10, 2009, required each OFS Parish Office to randomly select one Class A Child Care Provider and compare the provider's monthly CCAP invoice with the time and attendance log for the month being reviewed prior to the invoice being validated on CAPS.

Corrective Action Memo C-83-03 issued October 30, 2009, revised the invoice review requirement to state reviews will be based on the number of Class A Child Care providers located in each parish:

# of Class A Centers	Review Requirements
12 or less	One review per month
13 - 35	Two reviews per month
36 or above	Five reviews per month

Additionally, C-83-03 states if a parish has already reviewed a center during the current state fiscal year and the review was satisfactory, then this center should not be reviewed again for the remainder of the state fiscal year.

**CART Reviews**

CART Staff continues to review a random sample of day care attendance logs. Procedures were put in place to ensure that noted findings are addressed timely by parish office staff. CART policy (Chapter 13) was revised to require Child Care Providers provide a Corrective Action Plan within 30 days from the date of the CART Review findings. Failure to respond may result in withholding of invoice payments.

Revised policy also reflects that the parish/regional office has 30 days to reply to a review and indicate if an overpayment summary will be submitted. If a response from the parish/regional office is not received, the Program Accountability Director will send a written notification to the Director of Field Operations advising that the parish/regional office did not respond within the 30 days.

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

Sincerely,



Ruth Johnson  
Undersecretary

RJ/dja

- c: Kristy Nichols
- Suzy Sonnier
- Deidria Bolden
- Marie Brown-Mercadel
- Del Augustus
- Derry Lynn Bearden

**BOBBY JINDAL**  
GOVERNOR



**KRISTY H. NICHOLS**  
SECRETARY

## **State of Louisiana**

Department of Social Services  
Office of the Undersecretary

January 20, 2010

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

Attn: Wayne D. DeLeo, Jr., CPA  
Audit Manager

RE: Disaster Food Stamp Program: Intentional Program Violations and Ineligible Benefits

Dear Mr. Purpera:

The following is submitted in response to your request dated January 5, 2010 in reference to the aforementioned Audit Finding.

We concur that The Louisiana Department of Social Services (DSS) has identified intentional program violations and ineligible benefits in the Disaster Food Stamp Program (DSFP). As such, the following steps have been and/or will be taken.

The Department has developed specific policies and procedures for processing DSS employee and DFSP worker applications, to prevent fraud and promote program integrity.

Chapter 4 – Section O-380 Policy was revised January 1, 2010 to include processing criterion for DSS employees and DFSP workers who experience a loss due to a disaster. These applicants must complete a DFSP application form and be interviewed consistent with all DFSP applicants. Parish Managers or designees must sign and approve any DFSP applications for households containing a DSS employee or DFSP worker, and must enter case information in the LAMI Disaster Subsystem for these households; prior to the issuance of benefits. The designee must be a Family Support Assistant Parish Manager or a Social Services Analyst Supervisor. Issuance of Electronic Benefit Transfer (EBT) cards and entry of EBT card data for these households may be handled in accordance with normal procedures. In no circumstance shall a DSS employee or DFSP worker enter case information in the LAMI Disaster Subsystem or issue EBT cards for their own case, a case of their own family members, or a case in which the employee is named as an authorized representative. Fraud & Recovery and Quality Control Staff, within the Division of Quality Assurance, will review all DSS employee and DFSP worker applications subsequent to approval and benefit issuance, as defined in the aforementioned revised policy; to ensure program compliance.

Application forms and all other case information for households containing a DSS employee or DFSP worker must be kept in confidential files separate and apart from other cases. These files must be kept in the appropriate Regional Office. The Regional Administrator or designee must assure that these files are not accessible to other staff members.

The Department is actively seeking restitution on all cases that are identified as intentional program violations. Staff received mandatory training on DSS DFSP policy and procedures May 26 through May 29, 2009. The aforementioned revision to Chapter 4 – Section O-380 Policy will be communicated to staff and training will be established to reiterate compliance. The Disaster Data System was upgraded to include identifying information on all household members.

Of the (16) cases cited, (1) employee has been terminated, (6) have terminations pending, (3) have retired and (1) has resigned.

**Updated statistics on Hurricanes Katrina and Rita:**

Collected	IPV	\$ 17,566.08
	IHE	\$ 279,047.40
	AE	\$ 131,778.28
	Total	\$ 428,391.76
Owed	IPV	\$ 10,740.18
	IHE	\$ 149,459.75
	AE	\$ 54,123.84
	Total	\$ 214,323.77
Suspended:	IHE	\$ 1,456.49
	AE	\$ 982.22
	Total	\$ 2,438.17

**IPV: Intentional Program Violation** - consists of having intentionally:

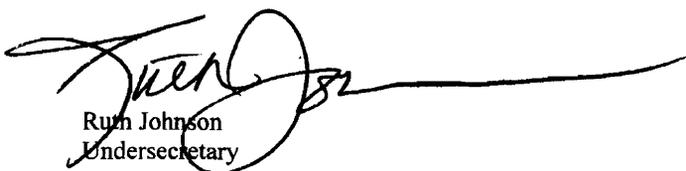
- Made a false or misleading statement, or misrepresented, concealed or withheld fact; or
- Committed any act that constitutes a violation of the Food Stamp Act, the Food Stamp Program Regulations, or any state statute relating to the use, transfer, acquisition, receipt or possession of food stamp coupons or EBT cards.

**IHE: Inadvertent Household Error** - occurs as a result of misunderstanding or unintended error on the part of the household.

**AE: Administrative Error** - occurs when the Agency fails to take prompt or appropriate action, either through oversight, negligence, or misunderstanding on the part of the worker or other agency personnel.

Please advise in the event that additional clarification or information is required.

Sincerely,



Ruth Johnson  
Undersecretary

RJ/DDS/TNP/dja

- c: Kristy Nichols  
Suzy Sonnier  
Deidria Bolden  
Sammy Guillory  
Marie Brown-Mercadel  
Del Augustus  
David Sigue  
Derry Lynn Bearden  
Amy Colby

**BOBBY JINDAL**  
GOVERNOR



**KRISTY H. NICHOLS**  
SECRETARY

**State of Louisiana**  
Department of Social Services  
Office of the Undersecretary

January 12, 2010

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

Attn: Wayne D. DeLeo, Jr., CPA  
Audit Manager

RE: Childcare Cluster: Noncompliance with Program Requirements

Dear Mr. Purpera:

The following is submitted in response to your request dated December 23, 2009 in reference to the aforementioned Audit Finding.

We concur that the agency did not comply with certain federal and state requirements for administering the federal child care cluster. In your review you tested 40 child care invoices and called 40 in non-compliance due to lack of attendance logs with the invoices. Agency policy does not require child care providers to send in their attendance logs monthly with their invoices. Policy does require that attendance logs must be maintained onsite. As such, the following steps have been and/or will be taken to achieve this goal.

**Automated Child Care Time and Attendance**

DSS is in the process of implementing an automated child care time and attendance process for CCAP providers to improve its review and monitoring procedures to ensure CCAP provider payments are accurate and supported. It is anticipated that this process will be implemented by June 2010. This is an electronic system that provides accurate and timely capturing, tracking, and reporting of time and attendance data. This system will ensure accurate payments are made and reduce fraud and abuse. This system will utilize finger imaging and IVR (Interactive Voice Response) as a mechanism for capturing this data. Finger imaging is a measurement of physical characteristics of a finger for use in personal identification.

**Random Sample Review of CCAP Provider Invoice and Attendance Logs**

Corrective Action Memo C-083-01 issued March 10, 2009, requires each OFS Parish Office to randomly select one Class A Child Care Provider and compare the provider's monthly CCAP invoice with the time and attendance log for the month being reviewed prior to the invoice being validated on CAPS.

Corrective Action Memo C-83-03 issued October 30, 2009, revised the invoice review requirement to state reviews will be based on the number of Class A Child Care providers located in each parish:

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36 or above	Five reviews per month

Additionally, C-83-03 states if a parish has already reviewed a center during the current state fiscal year and the review was satisfactory, then this center should not be reviewed again for the remainder of the state fiscal year.

**CART Reviews**

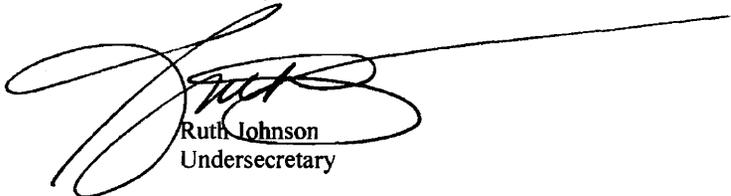
CART Staff continues to review a random sample of day care attendance logs. Procedures were put in place to ensure that noted findings are addressed timely by parish office staff. CART policy (Chapter 13) was revised to require Child Care Providers provide a Corrective Action Plan within 30 days from the date of the CART Review findings. Failure to respond may result in withholding of invoice payments.

Revised policy also reflects that the parish/regional office has 30 days to reply to a review and indicate if an overpayment summary will be submitted. If a response from the parish/regional office is not received, the Program Accountability Director will send a written notification to the Director of Field Operations advising that the parish/regional office did not respond within the 30 days.

The agency will continue to have supervisors and specialist specifically check for documentation of immunizations when they review cases. The agency will also continue to stress the use of the Louisiana Immunization Network for Kids Statewide (LINKS) to verify immunizations.

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

Sincerely,



Ruth Johnson  
Undersecretary

RJ/dja

c: Kristy Nichols  
Suzy Sonnier  
Deidria Bolden  
Marie Brown-Mercadel  
Del Augustus  
Derry Lynn Bearden

**BOBBY JINDAL**  
GOVERNOR



**KRISTY H. NICHOLS**  
SECRETARY

## **State of Louisiana**

Department of Social Services  
Office of the Undersecretary

March 3, 2010

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

Attn: Wayne D. DeLeo, Jr., CPA  
Audit Manager

RE: Foster Care – Title IV-E: Noncompliance with Program Requirements

Dear Mr. Purpera:

The following is submitted in response to your request dated February 17, 2010 in reference to the aforementioned Audit Finding.

We concur that The Louisiana Department of Social Services (DSS) did not comply with certain requirements for administering the Foster Care – Title IV-E program (CFDA 933.658).

Various policies have been updated to reflect multiple methods that are considered acceptable forms of authorization. Policy revisions include: "Worker reimbursements for specific Major/Minor Type Codes that indicate a local, regional or state office level authorization shall require client service authorizations to be completed for the appropriate OCS program via TIPS Form 106b or other agency forms which allow for the same information verification (i.e., client name, client identification number, program, provider number, service major/minor code, service description, amount of authorization, begin and end dates for service, requesting and authorizing staff member names and TIPS worker numbers and date of authorization).

Forms or other documents that may be used to authorize services include:

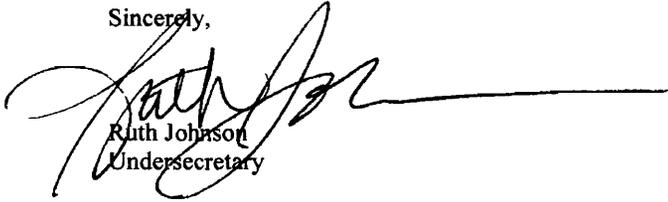
- Other TIPS 106 forms
- Copies of TIPS 106 screen printouts with information handwritten,
- CE-3 forms (for mental health treatment)
- Form 450 (for Reunification Assistance Funds (RAF) and Low Income Home Energy Assistance Program (LIHEAP) services)
- FAST III (Financial Assessment Transaction Form)
- E-mail or memo containing the necessary information
- Local office documents

All documents used to authorize services shall be from the appropriate authorizing worker with their signature. Faxed and scanned copies of documents with the signature may suffice for an original signature. When policy is changed, an email is sent to all staff advising of the changes, instructing staff to review the changes.

Additionally, OCS is piloting an automated FAST III project in Covington, LA. All staff was trained on February 10, 2010 to begin using this automated process which is expected to eliminate issues associated with lack of worker authorizations as well as untimely notification of client changes. Following successful piloting of this project, we anticipate full state rollout within the year.

Please advise in the event that additional clarification or information is required.

Sincerely,



Ruth Johnson  
Undersecretary

• RJ/DCI/dja

c: Kristy Nichols  
Suzy Sonnier  
Marie Brown-Mercadel  
Kaaren Hebert  
Del Augustus  
Debbie Johnson  
Derry Lynn Bearden

**BOBBY JINDAL**  
GOVERNOR



**KRISTY H. NICHOLS**  
SECRETARY

## State of Louisiana

Department of Social Services  
Office of the Undersecretary

January 27, 2010

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

Attn: Wayne D. DeLeo, Jr., CPA  
Audit Manager

RE: Inaccurate Annual Fiscal Reports

Dear Mr. Purpera:

The following is submitted in response to your request dated January 12, 2010 in reference to the aforementioned Audit Finding.

We concur that The Louisiana Department of Social Services (DSS) did not submit accurate Annual Fiscal Reports (AFR) to the Division of Administration. As such, the following steps have been and/or will be taken.

To aid in ensuring that American Recovery and Reinvestment Act (ARRA) reporting is correct in the AFR, staff will compare the Schedule 8s to the ARRA Quarterly Report submissions to reconcile reporting accuracy.

The Schedule 8-5 will be produced by creating a query of all expenditures in AFS as well as CFMS. A comparative analysis, of the two system queries, will be done to ensure that all payments and adjustments are included on the Schedule 8-5. Preliminary reports will be formulated immediately after June 30<sup>th</sup> of each year and then again immediately after August 14<sup>th</sup> each year to compare and confirm that all payments have been captured.

We are cognizant of the problems causing the misstatements in the AFR and the importance of accurate reports. Therefore, all schedules will be reviewed during preparation by the Administrator and Director. A final review of the complete AFR will occur after it is finished and prior to submission to OSRAP to ensure that all schedules and the AFR are prepared in accordance with OSRAP instructions and acceptable accounting practices. Written procedures are being prepared to supplement the AFR instructions from OSRAP for the Schedule 14.

Please advise in the event that additional clarification or information is required.

Sincerely,

A handwritten signature in black ink, appearing to read "Ruth Johnson".

Ruth Johnson  
Undersecretary

RJ/CHL/dja

c: Kristy Nichols  
Bridget Depland

Suzy Sonnier  
Del Augustus

Marie Brown-Mercadel  
Derry Lynn Bearden

**BOBBY JINDAL**  
GOVERNOR



**KRISTY H. NICHOLS**  
SECRETARY

## **State of Louisiana**

Department of Social Services  
Office of the Undersecretary

December 31, 2009

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

Attn: Wayne D. DeLeo, Jr., CPA  
Audit Manager

RE: Ineffective Internal Audit Function

Dear Mr. Purpera:

The following is submitted in response to your request dated December 14, 2009 in reference to the aforementioned Audit Finding.

We concur that the Department of Social Service should have an effective internal audit function. As such, the following steps have been and/or will be taken to achieve this goal.

At a policy level, The Bureau of Audit Services (BAS) has revisited its Internal Audit Policy, Internal Audit Manual, Internal Audit Charter, Work Paper Protocol, and ultimately it's Internal Audit Plan. These revisions served to align the focus, mission, authority, and responsibilities of the internal audit function of BAS. Specifically, these documents have been revised to identify appropriate protocol for establishing sufficient documentation to support the audit working papers and the review process therein. Further, the BAS has enhanced its scope to include an assessment of federal and compliance issues of the departments' federal programs. These policies further offer a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance to provide management with assurances that assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws, regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner.

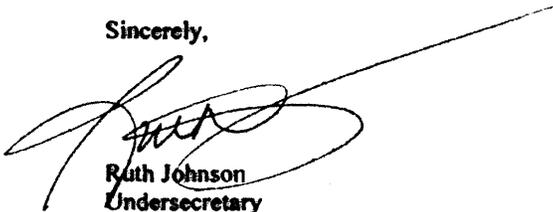
At a structural level, BAS has recently enhanced its organizational structure to include the selection of a new Audit Director, Audit Manager, Auditor 4, & Auditor 3. These additions to the existing BAS team; solidify an audit program that offers tenure and expertise in the areas of internal control & compliance, fiscal & regulatory governance, fraud & risk examination, and governmental auditing.

At a technical level, BAS has made several enhancements to its audit program. These enhancements include the incorporation of a full service risk methodology and audit program software application, securing of a business consultant, and outsourcing of an IT audit program – while establishing on-site IT audit expertise. The selected software application allows BAS to conduct a full-service risk methodology program department-wide and offers flexibility to create program specific risk assessments as well. Further, the software application includes the automation of the entire audit work paper, documentation & testing review and report generation processes. These enhancements coupled with the secured business consultants (governmental, IT, & business alignment expertise) and IT audit plan; significantly heighten the level of governance and support of the BAS.

As many of these enhancements to BAS are recently established and/or will be implemented in the near future; the effects of its improvement to BAS will be reflective in the preceding fiscal year. The current fiscal year has been devoted to the establishment and implementation of these strategic initiatives and training & development of BAS staff to promote a proficient incorporation.

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

Sincerely,



Ruth Johnson  
Undersecretary

RJ/DJA/dja

c: Kristy Nichols  
Suzy Sonnier  
Marie Brown-Mercadel  
Del Augustus  
Derry Lynn Bearden