

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS -
YOUTH SERVICES - OFFICE OF JUVENILE JUSTICE
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 4, 2013

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
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PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 18, 2013

**DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS -
YOUTH SERVICES - OFFICE OF JUVENILE JUSTICE
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our Single Audit of the State of Louisiana for fiscal year ended June 30, 2013, we conducted certain procedures at the Department of Public Safety and Corrections - Youth Services - Office of Juvenile Justice (OJJ) for the period from July 1, 2011, through June 30, 2013.

- Our auditors obtained and documented an understanding of OJJ's operations and system of internal control, including controls over a major federal award program administered by OJJ, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the OJJ.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using OJJ's annual fiscal reports and/or system-generated reports and obtained explanations from OJJ's management for any significant variances. We also prepared an analysis of OJJ's revenues for informational purposes.
- Our auditors reviewed the status of the findings identified in the prior report dated August 7, 2012. The prior year findings relating to inadequate controls over the imprest account, inadequate controls over revenues, inadequate controls over user access to the integrated statewide information system, and lack of controls regarding procurement, suspension, and debarment have been resolved by management.
- Based on documentation of OJJ's controls and our understanding of related laws and regulations, our auditors performed procedures on cash, self-generated revenues, contract payments, payroll expenditures, and IT user controls.
- OJJ Investigative Report, Case Number CO-02-13-002, dated February 25, 2013, reported that three employees at the Swanson Center for Youth sold over \$3,000 in scrap copper and aluminum taken from construction projects that were part of renovations at the Swanson facility and used the profits to purchase food for

maintenance employees. Two of the individuals have since retired and the third was counseled. OJJ notified the district attorney of this issue.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the federal Foster Care - Title IV-E program for the fiscal year ended June 30, 2013, as part of the Single Audit for the State of Louisiana.

The Annual Fiscal Report of the OJJ was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. OJJ's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of these procedures, there was one finding deemed to be significant and therefore is included in this letter for management's consideration. The finding below will be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2013.

Inadequate Controls over the Foster Care Program

The OJJ did not properly review Foster Care - Title IV-E (Foster Care) program reimbursement requests, as prepared by the Department of Public Safety (DPS), resulting in an estimated \$1.6 million in underbilled federal funds and overbillings of \$138,762, which if disallowed may need to be returned to the federal grantor. The following was noted during our audit:

- DPS overbilled the program \$137,853 by double-counting the pre-placement portion of administrative costs incurred from October 2012 to June 2013.
- DPS overbilled the program \$909 by not appropriately deducting Supplemental Security Income (SSI) or parental support payments from the Foster Care maintenance cost claim in accordance with the contract between OJJ and the Louisiana Department of Children and Family Services.
- DPS incorrectly calculated maintenance cost claims using the prior year contract per diem rates, but paid the facilities based on the higher current contract rates, resulting in an estimated \$1.2 million in Foster Care program underbillings.
- DPS understated the percentage of Foster Care - Title IV-E eligible juveniles in its calculations of administrative cost reimbursements and used an incorrect indirect cost rate. These errors caused an estimated \$400,000 in Foster Care program underbillings.

These errors occurred because DPS personnel now prepare the reimbursement requests, and OJJ management has not implemented a sufficient communication or review process to ensure that the components of calculations for reimbursement requests are accurate and in compliance with contracts and program regulations. Any costs disallowed by the federal government are required to be returned to the federal grantor. Underbillings of program costs may decrease the program's effectiveness in achieving its objectives and increase the use of state funds when federal funds are available.

OJJ should ensure that accounting personnel responsible for preparing reimbursement requests use the appropriate indirect cost rates, per diem rates, and percentage of eligible juveniles in cost claims. OJJ should also ensure the SSI and parental support funds are deducted from the maintenance cost claims. Finally, OJJ should review the reimbursement requests to ensure that they are accurate and in compliance with applicable requirements to obtain all federal funds due to the state. OJJ concurred in part with the finding and provided a corrective action plan. DPS concurred with the finding and provided a corrective action plan (see Appendix A).

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

The purpose of this letter is solely to describe the scope of work at OJJ and not to provide an opinion on the effectiveness of OJJ's internal control over financial reporting or on compliance. Accordingly, this letter is not intended to be and should not be used for any other purpose. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

BE:RR:BQD:THC:ch

OJJ 2013

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendations



BOBBY JINDAL, Governor

Office of Juvenile Justice

MARY L. LIVERS, Ph.D., MSW, Deputy Secretary

November 14, 2013

Daryl G. Purpera
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Inadequate Controls over the Foster Care Program

Dear Mr. Purpera:

Thank you for allowing us the opportunity to respond to your letter dated October 31, 2013, addressing the audit compliance report conducted by your office on the inadequate controls over the Foster Care – Title IV-E program.

The consolidation of the Office of Juvenile Justice (OJJ) fiscal staff with Department of Public Safety (DPS), effective fiscal year 2012, resulted in the transfer of many duties, including duties associated with processing reimbursement requests for the Cost of Care portion of the Foster Care - Title IV-E program. Prior to fiscal year 2012 when OJJ processed the reimbursement requests, OJJ accounting staff exercised the convenience of verifying all associated rates and costs affecting the amount of reimbursements with other contracts and field services staff familiar with that data. OJJ Accounting and Contracts staff were transferred to DPS as part of the consolidation. OJJ provided DPS with clear and precise job descriptions for employees that transferred. OJJ was not aware there were errors being made until notified through your audit findings. Since notification of these errors, OJJ has modified the Foster Care – Title IV-E program standard operating procedures to clearly identify this process. A copy of the revised procedures has been provided to the DPS Accounting Manager 2. OJJ's Undersecretary met with the DPS staff to discuss the procedures and answer any questions they presented on correct preparation of the IV-E spreadsheet.

Your findings indicate OJJ management has not implemented a sufficient communications or review process to ensure that the components of calculating reimbursements are accurate and in compliance with contracts and program regulations. The OJJ staff originally responsible for the preparation of the IV-E spreadsheet transferred to DPS effective fiscal year 2012. Simultaneously, the IV-E function transferred as well. OJJ has no staff remaining within its Office of Management and Finance to review the IV-E process. However, OJJ concurs that sufficient communications with DPS are necessary to ensure accuracy in the IV-E cost claims

Mr. Daryl Purpera
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November 14, 2013

process. OJJ has taken action necessary to ensure the DPS Staff have been educated on the process and can properly retrieve data needed to accurately prepare the IV-E spreadsheet. To review all the pertinent documentation needed to prepare the cost claims, and then trace this information to the IV-E spreadsheet to ensure it was calculated correctly, OJJ would need to restore a full-time position (previously eliminated as a result of the DPS consolidation).

Recognizing that the consolidation of back office functions was a government streamlining initiative aimed at cost savings through the transfer and/or elimination of over 60 OJJ positions, reestablishing this position in our Table of Organization would be difficult to justify.

OJJ continues to support the consolidation of their back office functions with the DPS. The Foster Care – IV-E cost claims function is now the responsibility of DPS and they have sufficient Accounting personnel available to handle all appropriate reviews necessary to ensure these claims are completed accurately.

The agency appreciates the feedback and recommendations provided by your audit staff. We concur in part with the findings included in the audit document, and appreciate the opportunity to improve our agency. If you have any further questions, please contact me at 225-287-7900.

Sincerely,



Mary L. Livers, Ph.D., MSW
Deputy Secretary
MLL:cfp



State of Louisiana
Department of Public Safety and Corrections
Public Safety Services

November 1, 2013
DPS-02-1654

Mr. Daryl G. Pupera, CPA, CFE
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Office of Juvenile Justice – Foster Care Title IV-E Program Finding

Dear Mr. Pupera,

Please allow this response to serve as the official response for both the management letter and the Single Audit Report in reference to the finding concerning the Foster Care – Title IV-E program reimbursements performed by the Department of Public Safety (DPS) on behalf of the Office of Juvenile Justice. The finding is represented in both reports, therefore, we are providing a single response for both.

- DPS overbilled the program \$137,853 by double-counting the pre-placement portion of administrative costs incurred from October 2012 to June 2013.

DPS concurs with the finding. DPS agrees with the identification of a billing error related to the pre-placement portion of administrative costs incurred during October 2012 – June 2013. A formula error in the calculation spreadsheet accounted for the duplication. An off-set to repay the overbilling amount of \$137,853 has already been included in the 1st Quarter billing for FY14. Additional “protected cell” actions have been taken to ensure the formula is not affected in the future.

- DPS overbilled the program \$909 by not appropriately deducting Supplemental Security Income (SSI) or parental support payments from the Foster Care maintenance cost claim in accordance with the contract between OJJ and the Louisiana Department of Children and Family Services.

DPS concurs with the finding. DPS also requests the names for the file samples mentioned above so we can research these particular instances. Funding sources for a youth can change on any given day and can be performed in a retroactive fashion. Adjustments are made on current and subsequent reimbursement requests to offset such instances, where warranted. This can be a complex and

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tedious process. DPS has modified this Policy and Procedure whereby staff are assigned tasks to scrutinize these funding sources on a daily basis.

- DPS incorrectly calculated maintenance cost claims using the prior year contract per diem rates; but paid the facilities based on the higher current contract rates, resulting in an estimated \$1.2 million in Foster Care program underbillings.

DPS concurs with the finding. DPS agrees that the correct per diem rate had changed and was not applied during the entire reimbursement period. DPS submitted and received additional per diem reimbursement during the 13th accounting period (July 2013) for FY13 in the amount of \$541,554.59. This reimbursement represented the difference in billed rate and eligible rate for the entire FY13. DPS does not know how LLA estimated their amount in additional funding dollars not reimbursed. DPS has revised Policy and Procedure whereby the Per Diem annual rates are verified at beginning of each State Fiscal Year and confirmed by OJJ Administration.

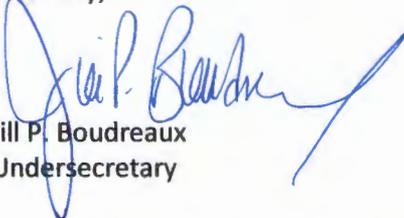
- DPS understated the percentage of Foster Care - Title IV-E eligible juveniles in its calculations of administrative cost reimbursements, and used an incorrect indirect cost rate. These errors caused an estimated \$400,000 in Foster Care program underbillings.

DPS concurs with the finding. DPS agrees that the correct indirect cost rate for administrative costs was not applied during the first quarter of the federal reimbursement period. DPS submitted based upon the prior rate but received the correct Title IV-E indirect cost reimbursement for the 1st Quarter Federal FY14 in the amount of \$742,617.50 (02/19/2013). DPS has revised Policy and Procedure whereby the Title IV-E indirect administrative cost rates are verified at the beginning of each Federal Fiscal Year and confirmed by OJJ Administration.

All corrective actions mentioned above have been implemented as of the date of this response. In addition, Scott Erwin, Director of Financial Services, is the individual responsible for these corrective actions at DPS. Mr. Erwin's contact information is (225) 925-6279 and scott.erwin@la.gov.

Please contact me with any additional concerns or more information is required at (225) 925-6032.

Sincerely,



Jill P. Boudreaux
Undersecretary

C: Scott Erwin, Director of Finance