

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
(FORMERLY DEPARTMENT OF SOCIAL SERVICES)
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED APRIL 25, 2012

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, 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 Louisiana 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. One copy of this public document was produced at an approximate cost of \$4.83. 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.gov. When contacting the office, you may refer to Agency ID No. 9191 or Report ID No. 80110024 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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

EXECUTIVE SUMMARY

Our procedures at the Department of Children and Family Services (DCFS), formerly Department of Social Services, for the period July 1, 2010, through June 30, 2011, disclosed the following:

- DCFS identified fraudulent activity by its own employees in the Supplemental Nutrition Assistance Program (SNAP) cluster.
- DCFS did not have adequate supporting documentation to verify the eligibility of clients receiving benefits under the Temporary Assistance to Needy Families (TANF) program cluster.
- The DCFS Bureau of Audit and Compliance Services investigated a WAFB news report that confidential files of food stamp recipients belonging to DCFS were recovered from Baton Rouge streets.
- No significant control deficiencies, errors, or noncompliance were identified in our procedures on operating leases, note disclosures for SNAP benefits, and the Schedule of Expenditures of Federal Awards that would require reporting under *Government Auditing Standards*.
- Other than the findings previously noted, no significant control deficiencies or noncompliance that would require reporting under *Government Auditing Standards* and Office of Management and Budget Circular A-133 were identified for the following federal programs for the fiscal year ended June 30, 2011:
 - SNAP Cluster (CFDA 10.551, 10.561)
 - TANF Cluster (CFDA 93.558, 93.714, 93.716)
 - CCDF Cluster (CFDA 93.575, 93.596, 93.713)
 - Child Support Enforcement (CFDA 93.563)
 - Foster Care - Title IV-E (CFDA 93.658)
 - Social Services Block Grant (CFDA 93.667)

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



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 28, 2012

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2011, we conducted certain procedures at the Department of Children and Family Services (DCFS), formerly the Department of Social Services, for the period from July 1, 2010, through June 30, 2011.

- Our auditors obtained and documented an understanding of DCFS' operations and system of internal controls, including internal controls over major federal award programs administered by DCFS, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to DCFS.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using DCFS' annual fiscal reports and/or system-generated reports and obtained explanations from DCFS management for any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year management letter dated April 7, 2011. The prior year findings relating to Disaster Supplemental Nutrition Assistance Program (SNAP) intentional program violations and ineligible benefits, noncompliance with program requirements for the Child Care Development Fund (CCDF) cluster, inaccurate schedule of expenditures of federal awards, noncompliance with suspension and debarment requirements, ineligible payments in the Temporary Assistance for Needy Families (TANF) program, improper leave payouts, inaccurate and untimely federal financial reports, and access to financial systems not properly restricted have been resolved by management. The prior year finding relating to improper employee activity in federal programs has not been resolved and is addressed again in this letter.
- Our auditors considered internal control over financial reporting and examined evidence supporting DCFS' operating leases, note disclosures for SNAP benefits, and the Schedule of Expenditures of Federal Awards, including critical

information systems and related user access controls. We also tested DCFS' compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget (OMB) Circular A-133 on the following federal programs for the fiscal year ended June 30, 2011, as part of the Single Audit of the State of Louisiana:
 - SNAP Cluster (CFDA 10.551, 10.561)
 - TANF Cluster (CFDA 93.558, 93.714, 93.716)
 - CCDF Cluster (CFDA 93.575, 93.596, 93.713)
 - Child Support Enforcement (CFDA 93.563)
 - Foster Care - Title IV-E (CFDA 93.658)
 - Social Services Block Grant (CFDA 93.667)

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

Based on the application of the procedures referred to previously, we have included all significant findings that are required to be reported by *Government Auditing Standards*. All of these findings, except for the improper disposal and handling of confidential records, were included in the State of Louisiana's Single Audit Report for the year ended June 30, 2011. Other than the findings noted below, we found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures, including our procedures on federal programs, that should be communicated to management.

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

Improper Employee Activity in Federal Program

The DCFS, Fraud and Recovery Unit (FRU) identified fraudulent activity by 12 employees who received benefits under the Disaster Supplemental Nutrition Assistance Program. The employees, who are no longer employed by DCFS, did not adhere to department policies, state laws, and federal award requirements and received judgments as follows:

- Six pled guilty to theft of government money and were sentenced to pay \$7,607 in restitution and fines. Three of the six were further sentenced to 240 hours of community service and three years of probation. The remaining three were sentenced to one year of probation.
- Four pled guilty to wire fraud and were sentenced to pay \$10,011 in restitution and fines. The four were further sentenced to 240 hours of community service and three years of probation.
- One pled guilty to conspiracy to commit access devices fraud and to making false claims and was ordered to pay \$10,544 in restitution and fines, serve 18 months of incarceration, and serve three years of supervised probation upon release.
- One pled no contest to criminal mischief and was ordered to pay \$3,000 in restitution, sentenced to six months of unsupervised probation, and prohibited from qualifying for benefits for six months.

While the employees' actions resulted in noncompliance with federal award requirements, all ordered restitutions have been properly reported to the U.S. Department of Agriculture. Amounts not recouped by DCFS as of June 30, 2011, result in questioned costs of \$12,744. The investigations were conducted by DCFS, FRU between March 2006 and October 2010. The period of offenses ranged from September 2005 to May 2009. Management should continue to investigate improper employee activities and emphasize the criminal consequences of such activities. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

Noncompliance With TANF Eligibility Requirements

DCFS did not have adequate supporting documentation to verify the eligibility of clients receiving benefits under the TANF program cluster. A review of 30 client files revealed the following deficiencies:

- Six (20%) client files did not contain the required "Notice of Cooperation with Support Enforcement Program and Agreement to Relinquish Child Support Payments" form.
- One (3%) client file did not contain the required "Notice of Cooperation with Support Enforcement Program and Agreement to Relinquish Child Support Payments" form or supporting documentation to verify that each child lives in the home of a parent or qualified relative.
- Of the 30 clients selected for testing, two had a child under the age of one. For one of the two clients, DCFS was unable to provide supporting documentation showing that the applicant participated in a Parenting Skills Training Program as required by the TANF State Plan.

Payments relating to these deficiencies totaled \$35,893 and are considered questioned costs. Failure to obtain required documentation before determining eligibility increases the risk that federal program benefits are made to ineligible applicants and that errors and/or fraud could occur. DCFS management should follow established policies and procedures to ensure that supporting documentation is obtained and maintained for each client. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 3-4).

Improper Disposal and Handling of Confidential Records

DCFS did not comply with state laws and regulations regarding record retention and destruction. The DCFS, Bureau of Audit and Compliance Services investigated a WAFB news report that confidential files of food stamp recipients belonging to DCFS were recovered from Baton Rouge streets. The subsequent investigation revealed the following:

- The building cleaning crew disposed of trash bags containing confidential records in a dumpster, without the express permission of DCFS.
- Confidential documents were found by a “good Samaritan” on Baton Rouge streets and delivered to the WAFB News Station.
- Sixty seven clients, representing 30 client cases, were represented in the documents retrieved from the WAFB News Station.

In response to the incident, DCFS convened a press conference and created a dedicated hotline to address inquiries and client concerns. In addition, DCFS launched an internal audit to evaluate the department’s general compliance with record retention and destruction requirements. The internal audit revealed the following:

- In 35 of 323 cases tested, records were not retained in accordance with the approved record retention schedule.
- In 46 of 56 cases tested, records were destroyed before obtaining authorization from the Louisiana Secretary of State and without maintaining a certificate of destruction.
- In four of 10 cases tested, records were not disposed of in accordance with the approved Secretary of State disposal form.

DCFS’ actions have resulted in a breach of confidential records and noncompliance with record retention and destruction requirements. To prevent future incidents, DCFS’ management should tighten existing controls, better educate its employees regarding record retention requirements, and emphasize the importance of the confidentiality of client records. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 5).

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

The Performance Audit Services (PAS) section of the Louisiana Legislative Auditor performed procedures to determine the sufficiency of processes to prevent, identify, and recover improper payments in the Child Care Assistance Program, which encompassed our fiscal year 2011 engagement. The results of the performance work were considered during our financial audit of the program but are not included in this management letter. The related PAS report, including results, any recommendations for improvement and management's responses, is available on the Louisiana Legislative Auditor's Web site at www.la.la.gov.

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

BSL:AD:BDC:THC:dl

DCFS 2011

Appendix A

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



Undersecretary
Division of Management and Finance
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0805
(F) 225.342.8636
www.dcfcs.la.gov

Bobby Jindal, Governor
Ruth Johnson, Secretary

January 6, 2012

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

Attn: Alanna Davis, CPA
Audit Manager

RE: Louisiana Legislative Auditor Finding:
Improper Employee Activity in Federal Programs

Dear Mr. Purpera:

The following is submitted in response to your request dated December 19, 2011 in reference to the aforementioned Audit Finding. We concur that the Louisiana Department of Children and Family Services (DCFS), Fraud and Recovery Unit, identified fraudulent activity by its employees in the Supplement Nutrition Assistance Program, formerly the Food Stamp Program.

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

- Each employee of DCFS as a new hire and then annually beginning January 1 with a deadline of January 31 of each year must sign and date form DCFS CS 04 (Acknowledgement of Agreement to Comply with DCFS Policy Regarding Prohibited Activities and Employees Working on Cases of Relatives, Friends and/or Acquaintances) (attached). The form states in part that "By signing below I acknowledge that I have read and understand DCFS Policy regarding Prohibited Activities and Employees Working on Cases of Relatives, Friends, and/or Acquaintances. Specifically, I understand that I am prohibited from taking any action on my own personal public assistance case, a case involving an immediate family member, friend, or social acquaintance of myself."
- Fraud and Recovery Unit has developed a report that is produced monthly that identifies all DCFS employees who receive assistance in the Supplemental Nutrition Assistance Program (SNAP), Family Independence Temporary Assistance Program (FITAP) and/or Child Care Assistance Program (CCAP). New cases are reviewed for eligibility by parish office staff and any case identified as suspected fraud is returned to the Fraud and Recovery Unit for investigation.



- Fraud and Recovery Unit continues to pursue recovery of the \$12,744.00 questioned costs and at this time has collected \$258.49 of the debt.

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

Sincerely,



Richard "Dickie" Howze
Undersecretary

RH/jw

Cc Ruth Johnson, Secretary
Brent Villemarette, Deputy Secretary – Programs
Sammy Guillory, Deputy Assistant Secretary – Programs
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
Myron Berzas, Director Program Integrity & Improvement, Programs Division Audit Liaison
Barbara Lively, LLA Auditor-In-Charge





Undersecretary
Division of Management & Finance
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0805
(F) 225.342.8636
www.dcfcs.la.gov

Bobby Jindal, Governor
Ruth Johnson, Secretary

December 19, 2011

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

Attn: Alanna Davis, CPA
Audit Manager

RE: Noncompliance with TANF Eligibility Requirements

Dear Mr. Purpera:

The following is submitted in response to your request dated December 5, 2011 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) did not have adequate supporting documentation to verify the eligibility of clients receiving benefits under the Temporary Assistance for Needy Families (TANF) Program Cluster. As such, the following steps have been and/or will be taken:

- A corrective action memorandum, to address the deficiencies noted, will be written and disseminated to all DCFS Economic Stability workers. Said memorandum will specifically reiterate guidelines for client file eligibility verification, and program completion documentation. Additionally, OFS 4APP, Application for assistance will be updated to reflect such verification.
- As enhanced oversight; DCFS Regional Program Coordinators will be required to review client files to ensure all required forms are signed and filed; while validating all eligibility factors are met.
- With regard to the 'Notice of Cooperation with Support Enforcement Program and Agreement to Relinquish Child Support Payments' Form: A client contact letter and a copy of the OFS Flyer 6 – 'Notice of Cooperation with Support Enforcement and Agreement to Relinquish Child Support Payments' has been reissued to the clients identified for non-compliance. Each client is instructed to sign and return the form, for inclusion in their client file. The associated questioned costs will be recouped if the client does not respond to the contact letter and return the signed form.
- With regard to supporting documentation verifying each child lives in the home of a parent or qualified relative: collateral contacts will be made to verify the identified children reside in the home with the parent/qualified relative and said documentation will be included in the associated client files. The associated questioned costs will be recouped if it is verified that the child was not in the home at the time of program certification.
- With regard to Parenting Skills Training Program supporting documentation: the client case identified references a child who is now over the qualifying age for the program; as such is not required to participate. The associated questioned costs would only be subject to recoupment if the client was given opportunity to cooperate and failed to do so.



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

Sincerely,



Richard "Dickie" Howze
Undersecretary

RDH/KM/dja

- c: Ruth Johnson, Secretary
Brent Villemarette, Deputy Secretary-Programs
Sammy Guillory, Assistant Deputy Secretary-Programs
Denise Fair, Deputy Secretary-Operations
Connie Wagner, Assistant Deputy Secretary-Operations
Kaaren Hebert, Policy Advisor
Amy Colby, Executive Counsel
Trey Williams, Director, Bureau of Communications
Barbara Lively, CPA, LLA Auditor-In-Charge





Undersecretary
Division of Management & Finance
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0805
(F) 225.342.8636
www.dcfsl.a.gov

Bobby Jindal, Governor
Ruth Johnson, Secretary

January 25, 2012

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

Attn: Alanna Davis, CPA
Audit Manager

RE: Improper Disposal and Handling of Confidential Records

Dear Mr. Purpera:

The following is submitted in response to your request dated January 11, 2012 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) did not comply with state laws and regulations regarding record retention and destruction. As such, the following steps have been and/or will be taken:

- Corrective Action Memorandums, to address the deficiencies noted, will be written and disseminated to provide instructions regarding retention and destruction of case records and/or any material contained in case records; to include the review and recommendation for approval by the DCFS Record Retention Officer; to clarify requirements for obtaining and adhering to authorizations granted by LA Secretary of State (SOS) Form SS ARC 930; and ensuring the maintenance of LA SOS Certificates of Destruction.
- DCFS Programmatic and DCFS Departmental policies will be merged to promote consistency in interpretation and execution of said policy and procedural guidelines. Additionally, web-based training on record retention and destruction will be developed and required for all DCFS Division of Operations staff.

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

Sincerely,

Richard "Dickie" Howze
Undersecretary

RDH/DF/HCG/dja

c: Ruth Johnson, Secretary
Brent Villemarette, Deputy Secretary-Programs
Sammy Guillory, Deputy Assistant Secretary-Programs
Denise Fair, Deputy Secretary-Operations
Connie Wagner, Deputy Assistant Secretary-Operations
Kaaren Hebert, Policy Advisor
Amy Colby, Executive Counsel
Trey Williams, Director, Bureau of Communications and Legislative Affairs
Del Augustus, Director, Bureau of Audit & Compliance Services, DCFS Audit Liaison
Barbara Lively, CPA, LLA Auditor-In-Charge

