

EXECUTIVE DEPARTMENT  
STATE OF LOUISIANA



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MANAGEMENT LETTER

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ISSUED JUNE 20, 2007

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

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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.

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

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June 5, 2007

**HONORABLE KATHLEEN B. BLANCO, GOVERNOR**  
**EXECUTIVE DEPARTMENT**  
**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, 2006, we considered the Executive Department's 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 Circular A-133.

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

In our prior management letter on the Executive Department for the year ended June 30, 2005, we reported a finding relating to the internal audit function. The finding has not been resolved by management and is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2006.

**Ineffective Internal Audit Function**

For the fifteenth consecutive year, the Executive Department 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. Act 16 of the 2005 Regular Session of the Louisiana Legislature requires agencies with budgets in excess of \$30 million to use existing program resources and the table of organization to establish an internal auditor position.

Considering the size of the department's reported assets (\$664,946,504) and revenues (\$622,164,716), an effective internal audit function is important to ensure the department's assets are safeguarded and the department's policies and procedures are uniformly applied.

The Executive Department should establish an internal audit function to provide assurance that assets are safeguarded and ensure that management's policies and procedures are applied in accordance with management's intentions. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

**Inadequate Controls Over the Temporary Assistance to Needy Families Program**

The Governor's Office of Community Programs does not have adequate control procedures over the Temporary Assistance for Needy Families (TANF) Program (CFDA 93.558) to ensure that requests for reimbursements are accurate and in compliance with program requirements before submitting those requests to the Department of Social Services (DSS) for payment to the schools. The Memorandum of Understanding (MOU) between DSS, Office of Family Support and the Governor's Office of Community Programs states that compliant schools will be reimbursed a minimum of \$425 and a maximum of \$575 per month per student depending on classroom staff qualifications provided the student attends 74% of all classes for the month.

In a test of 40 requests for reimbursement, we noted the following:

- Three (7.5%) included overpayments totaling \$2,200 for students who did not meet the minimum required days of attendance. These are considered questioned costs.
- One (2.5%) included an underpayment of \$1,650, by incorrectly excluding a student who met the minimum required days of attendance.

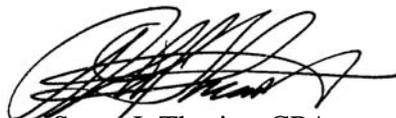
The Governor's Office of Community Programs has not placed sufficient emphasis on the review of requests for reimbursements to ensure that the reimbursements are made correctly and in compliance with program requirements. Failure to properly review requests for reimbursement before submitting to DSS for payment increases the risk that fraud and/or errors could occur and not be detected and subjects the Governor's Office of Community Programs to noncompliance with the MOU.

Management should establish procedures to ensure that all requests for reimbursement are reviewed for accuracy before submitting to DSS for payment. Management partially concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

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. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

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EXEC06

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

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**Kathleen Babineaux Blanco**  
GOVERNOR

**State of Louisiana**  
DIVISION OF ADMINISTRATION  
**OFFICE OF THE COMMISSIONER**

**Jerry Luke LeBlanc**  
COMMISSIONER OF ADMINISTRATION

January 3, 2007

Steve J. Theriot, CPA  
Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70802

Re: Audit Finding – Ineffective Internal Audit Function

Dear Mr. Theriot:

We concur with the finding that the Executive Department did not have an effective internal audit function. However, as indicated in our previous response, we are implementing our corrective action plan in order to provide an effective internal audit function within the Executive Department for the fiscal year ending June 30, 2007.

Specifically, we hired Mr. Michael Monk, Internal Auditor, on October 2, 2006, to begin the process of establishing an effective Internal Audit section within the Division of Administration. In addition, we are currently recruiting applicants for two other positions in this unit, an Internal Auditor and an Auditor 3. Upon completion of the hiring process, we will have in place an internal audit function focused on providing management assurances that assets are safeguarded and that policies and procedures are being applied in accordance with management's intentions.

Sincerely,

Jerry Luke LeBlanc  
Commissioner of Administration

JLL/GK/ik



GOVERNOR'S OFFICE OF  
**COMMUNITY  
PROGRAMS**

Governor Kathleen Babineaux Blanco

Delta Regional Authority

Governor's Program on Abstinence

Nonpublic Schools Early  
Childhood Development Program

Office of Disability Affairs

Office of Elderly Affairs

Office of Environmental Education

Office of Indian Affairs

Office of Municipal and Parochial Affairs

Office of Rural Development

Office of Safe and Drug Free Schools  
and Communities Drug Policy Board

Office of Urban Affairs and Development

Oil Spill Coordinator's Office

Recreational Trails

Renewal Communities

State Interagency Coordinating  
Council for Early Steps

Statewide Independent Living Council

Troops to Teachers Program

Governor Kathleen Babineaux Blanco

P.O. Box 94004  
Baton Rouge, LA 70804  
TEL 225.342.0424  
FAX 225.342.0426

March 21, 2007 - REVISED

Steve J. Theriot, CPA  
Office of Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804

Dear Mr. Theriot:

In response to the findings identified in the Legislative Audit for Fiscal Year Ending June 30, 2006, The Nonpublic School Early Childhood Development Program has worked closely with your office to remedy these issues.

We concur in part with the findings. Due to the effect of Hurricanes Katrina and Rita, the NSECD Program experienced a 49% loss of the student population. Many schools worked hard to get accurate attendance records to the Program, but still submitted their attendance records sporadically; the NSECD Program restructured its operation to accommodate the schools as they began to rebuild. Still, there is always room for improvement.

That is why the NSECD Program has instituted an automated system so that schools' monthly invoices, tied to 74% pupil attendance, are automatically tabulated to better ensure there are no false positives or negatives, in addition to more closely scrutinizing paper invoices for those schools still working to adopt our electronic billing system. If there are any further questions, please contact our office at 225.342.0425.

Sincerely

Charles Tate  
NSECD Program Director

Encl./ NSECD Program – Corrective Action Plan in response to  
Legislative Audit for Fiscal Year Ending June 30, 2006

Cc: Gene Knecht, Audit Coordinator  
Mary P. Williams, OCP Deputy Director  
Victoria Cooper, DSS TANF Monitor