



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 22, 2010

Interim Communication Required for the
2010 Office of Management and Budget
Single Audit Internal Control Pilot Project - Phase II

Mr. Paul W. Rainwater, Commissioner
Division of Administration
Post Office Box 94095
Baton Rouge, Louisiana 70804-9095

Dear Commissioner Rainwater:

This communication is provided pursuant to the parameters of the 2010 Office of Management and Budget (OMB) pilot project. Such project requires auditors of entities that volunteer for the project to issue, in writing, an early communication of significant deficiencies and material weaknesses in internal control over compliance for certain federal programs having expenditures of American Recovery and Reinvestment Act of 2009 (ARRA) funding at an interim date, prior to the completion of the compliance audit. Accordingly, this communication is based on our audit procedures performed through November 30, 2010, an interim period. Because we have not completed our compliance audit, additional significant deficiencies and material weaknesses may be identified and communicated in our final report on compliance and internal control over compliance issued to meet the reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

In planning and performing our audit through November 30, 2010, of Unemployment Insurance (UI, CFDA 17.225), Title I, Part A Cluster (CFDA 84.010/84.389), Community Services Block Grant Cluster (CSBG, CFDA 93.569/93.710), and Child Care and Development Block Grant Cluster (CCDF, CFDA 93.575/93.596/93.713), we are considering the State of Louisiana's compliance with activities allowed or unallowed, allowable costs, cash management, eligibility, reporting, and special tests and provisions as described in the *OMB Circular A-133 Compliance Supplement* for the year ended June 30, 2010. We are also considering the State of Louisiana's internal control over compliance with the requirements previously described that could have a direct and material effect on UI, Title I Part A Cluster, CSBG, and CCDF programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Louisiana's internal control over compliance.

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Our consideration of internal control over compliance is for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the State of Louisiana's internal control that might be significant deficiencies or material weaknesses as defined in the following paragraph. However, as discussed subsequently, based on the audit procedures performed through November 30, 2010, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control over compliance to be material weaknesses.

**LOUISIANA WORKFORCE COMMISSION
CFDA 17.225 - UNEMPLOYMENT INSURANCE**

**Noncompliance With Administrative Rules for Interstate
Unemployment Compensation Benefit Payments**

For the third consecutive year, the Louisiana Workforce Commission (LWC) paid Unemployment Insurance (UI, CFDA 17.225) benefits to other states without recouping the cost of these claims from Louisiana employers. During fiscal year 2010, LWC paid \$44,538,395 in UI benefits to other states.

The State of Louisiana participates in the Interstate Benefit Payment Plan, which is an interstate agreement that allows claimants to file for unemployment in a different state from where wages are primarily earned. The states where wages are earned are charged for the unemployment paid by the filing state. Administrative Rule 341 of the Louisiana Employment Security Law provides the methods by which LWC is to recoup the cost of interstate claims from the appropriate Louisiana employers, requires notification to these employers of the potential liability, and allows 10 days for the employers to protest the charges.

Although LWC implemented procedures to notify employers of these claims, the department did not complete the programming necessary to begin charging the appropriate Louisiana employers for interstate unemployment compensation benefits. We reviewed 39 UI interstate claimants and found that LWC has made no effort to recoup the cost of interstate claims from employers in accordance with Administrative Rule 341.

Failure to recoup the cost of interstate claims from the appropriate Louisiana employers reduces the size of the trust fund and may result in higher rates being charged to all other Louisiana employers to recoup the costs of these claims. LWC should make the necessary programming modifications needed to ensure that interstate benefit claims totaling \$44,538,395 are recouped from the appropriate employers. Management concurred with the finding and recommendation and provided a corrective action plan (see Appendix A, page 1).

Noncompliance With Record Retention Policy

For the fourth consecutive year, LWC did not retain employer wage records for the UI program (CFDA 17.225). Employer wage records are the basis for determining whether applicants for UI benefits have earned sufficient wages in a base period to qualify for those benefits. The Code of Federal Regulations (29 CFR 97.42) requires grantees to maintain all financial and programmatic records, supporting documents, statistical records, and other records of grantees considered to be pertinent to program regulations or the grant agreement. In addition, Louisiana Revised Statute (R.S.) 44:411.A(1) requires that the head of each state agency submit a record retention schedule to the state archivist. LWC's current record retention schedule was approved by the state archivist on June 6, 2006, and it requires that employer tax records be maintained for 11 years.

Our tests of 60 claimants' eligibility of UI benefits disclosed that employer wage records for 24 (40%) claimants were not retained by LWC. Benefits paid to the 24 claimants totaled \$205,616 and are considered questioned costs.

In addition, our tests disclosed that LWC did not retain employer wage records received on electronic media that supported tax payments to LWC for six (67%) of nine electronic payments tested. LWC received the wage records on electronic media and returned the records to the employers after they were input into LWC's UI benefit master files. These wage records will be needed in the future to verify wages for UI claimants.

Failure to retain records to support employee wages and eligibility may result in improper benefit payments and/or questioned costs, and failure to maintain records of employer tax payments increases the risk that LWC's records may not accurately reflect employer UI

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tax payments. LWC management should strengthen its controls to ensure that records are retained in accordance with state and federal laws and regulations. Management concurred in part with the finding and recommendation and provided a corrective action plan (see Appendix A, page 2).

LOUISIANA WORKFORCE COMMISSION
CFDA 93.569/93.710 - COMMUNITY SERVICES BLOCK GRANT

**Inadequate Subrecipient Monitoring for the
Community Services Block Grant**

LWC did not adequately monitor subrecipients of the Community Services Block Grant Cluster (CSBG, CFDA 93.569/93.710). The United States Code [42 USC 9914(a)] requires that states conduct a full onsite review of each eligible subrecipient once during each three-year period to determine conformity with performance goals, administrative standards, financial management requirements, and other requirements. Program expenditures totaled \$23 million in 2010, which included funding from ARRA. Approximately \$22 million was provided to subrecipients, including \$6.5 million in ARRA program funds.

Our review of the CSBG subrecipient monitoring records disclosed that 28 of 42 (67%) subrecipients did not receive onsite monitoring reviews during the past three years. This occurred because LWC did not have adequate staffing to perform any monitoring reviews in fiscal years 2008 and 2009. Although LWC has added personnel and started performing monitoring reviews, it still has subrecipients that have not been monitored in the past three years.

Failure to adequately monitor CSBG subrecipients results in noncompliance with federal laws and regulations and increases the risk of misuse of federal funds and potential disallowed costs. LWC management should continue performing monitoring reviews and ensure that all CSBG program subrecipients are monitored once during each three-year period to comply with program requirements. Management concurred with the finding and recommendations and provided a corrective action plan (see Appendix A, page 3).

**DEPARTMENT OF SOCIAL SERVICES
CFDA 93.575/93.596/93.713 - CHILD CARE AND
DEVELOPMENT BLOCK GRANT CLUSTER**

Child Care Cluster: Noncompliance With Program Requirements

For the sixth consecutive year, the Department of Social Services (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), the Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596) and ARRA - Child Care and Development Block Grant (CFDA 93.713) programs. 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.

The cluster included approximately 3,272 providers that received reimbursements totaling in excess of \$109,677,122 during the fiscal year ended June 30, 2010. Audit procedures performed on the cluster disclosed the following:

- DSS did not compare provider reimbursement requests to supporting documentation such as provider attendance logs before making payments, thereby increasing the risk of errors, fraud, and/or abuse. For 33 of 33 (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 \$6,455.
- DSS did not consistently follow established controls over immunization, resulting in possible noncompliance with 45 CFR 98.41(a)(1)(i), Section 6.7 of the State Plan and department policy No. 08.B-710. For two of 30 (7%) child immunization case files tested, there was no documentation verifying the child was age-appropriately immunized. Questioned costs totaled \$557, which is included in the questioned cost amount noted above.
- DSS did not adequately follow up on results from Contract Accountability Review Team (CART) reviews and did not adequately review invoices to ensure correct rates were used. For two of 20 CART on-site reviews tested, DSS identified overpayments to providers where invoiced days did not agree with the attendance logs, but did not take sufficient action to

Mr. Paul W. Rainwater, Commissioner
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recover these overpayments. In addition, even when the results of these two CART reviews indicated exception rates as high as 80% for the sampled children, no additional procedures were performed to determine if the results were indicative of a larger problem or fraud. DSS also used the incorrect reimbursement rate for three of 20 provider invoices tested. Questioned costs totaled \$510.

DSS management should not make payments to child care providers without verifying supporting documentation such as attendance logs. In addition, DSS should collect provider overpayments and follow up on exceptions identified by CART reviews. Finally, DSS should verify immunizations in accordance with program requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 4-5).

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control over compliance to be significant deficiencies.

LOUISIANA WORKFORCE COMMISSION CFDA 17.225 - UNEMPLOYMENT INSURANCE

Weaknesses in Controls Over Remittance Processing System

For the second consecutive year, LWC did not timely deposit and update the records for all employer tax payments received to ensure that its records adequately reflect employer taxes paid to the Unemployment Compensation Fund (UCF) and the related employee wages earned. Title 42 of the United States Code, Section 503(a) (4) [42 USC 503(a) (4)] requires that state law provide for the immediate deposit of all money received to the credit of the unemployment trust fund. 42 USC 503(b) provides that when the state fails to comply substantially with these provisions, future payments to the state will be withheld until there is no longer a failure to comply. R.S. 23:1492 requires that all monies received and payable to the UCF be immediately deposited into a clearing account from which funds are allocated to various accounts. The Office of Statewide Reporting and Accounting Policy (OSRAP) Control Agencies Policies and Procedures Manual (PPM), Cash Receipts Policy Number 4.2.1 defines immediately as "within 24 hours of receipt." Good internal controls require that employer tax records and employee wage files are updated timely to provide management with accurate information.

LWC implemented a new remittance processing system on July 7, 2009, to process employer tax payments for the UCF. In fiscal year 2010, the system processed 195,272 checks totaling \$115,184,772. Our test of 48 tax payments received disclosed the following:

- One check was deposited 21 days after receipt.
- Thirty-three checks were deposited from two to seven days after receipt, an average of 3.2 days.
- One employer tax payment and related employee wages were posted to the employer tax record and employee wage files 20 days after deposit.

Implementation of the new system required a manually intensive workflow process before the electronic deposit and posting of payments. LWC did not adequately study the effects of this manual workflow process on its ability to comply with federal requirements to timely deposit and post payments received from employers.

Failure to timely deposit all employer tax payments received and to update records timely delays the transfer of amounts payable to various accounts as required by Louisiana laws. Failure to maintain accurate employer tax records may delay identification of errors in payments and issuance of delinquency notices to employers making late and/or inadequate tax payments and increases the risk of fraud and abuse. In addition, failure to comply with state law for the timely deposit of funds to the UCF causes noncompliance with federal regulations and could result in lost federal funds to the state.

LWC should institute policies and procedures to (1) comply with OSRAP's PPM 4.2.1; (2) evaluate the workflow process involved in the deposit and posting of payments received from employers; and (3) make necessary revisions to ensure that deposits are made timely and amounts are posted timely to the taxpayer accounts and employee wage files. Management concurred with the finding and recommendations and provided a corrective action plan (see Appendix A, page 6).

**LOUISIANA WORKFORCE COMMISSION
CFDA 17.225 - UNEMPLOYMENT INSURANCE
CFDA 93.569/93.710 - COMMUNITY SERVICES BLOCK GRANT**

**Improper Charging of Administrative
Expenditures to Federal Awards**

LWC did not have adequate controls in place to ensure that administrative costs for local field offices were properly charged and allocated to federal programs administered by LWC. OMB Circular A-87 states that costs are allowable if they are allocated to a particular program to the extent of the relative benefits received and are appropriately documented. In allocating administrative costs to federal programs, LWC uses a cost allocation plan. This plan establishes the methodology to be used in allocating administrative costs to the various state and federal programs administered by LWC. LWC should ensure timely updates to the cost allocation percentages to ensure programs are appropriately charged an equitable share of administrative expenditures.

A review of administrative expenditures allocated to federal programs disclosed \$1,645,697 in questioned costs as follows:

- Rental cost expenditures totaling \$279,662 were allocated using an outdated allocation base. The cost allocation plans, which are based on the number of personnel that charge their time to the federal programs, were not updated for changes in personnel since 2007. Additional administrative expenditures for LWC field offices totaling \$1,343,111 were allocated to various federal programs using the same cost allocation plan. Since we have determined the plan has not been properly updated, we consider these questioned costs.
- Rental cost expenditures totaling \$22,924 were paid in excess of the amount specified in the lease agreement for that field office. The lease was renewed in September 2008 at a lower monthly rate; however, the fiscal division was not notified of the lease renewal terms until January 2010, 17 months after the lease was renewed.

Failure to ensure that allocation percentages in LWC's cost allocation plan are properly updated impairs LWC's ability to accurately allocate expenditures to federal programs, which could lead to disallowed costs. Also, failure to timely notify the fiscal division of changes in financial commitments, such as lease agreements, increases the risk of inaccurate payments and improper charges to federal programs.

Management should review and update cost allocation plans and supporting documentation in a timely manner and should adequately notify the fiscal division of changes in lease arrangements and other financial commitments to ensure that costs charged to federal programs are in accordance with the cost principles outlined in OMB Circular A-87. Management concurred in part with the finding and recommendations and provided a plan of corrective action (see Appendix A, page 7).

**DEPARTMENT OF SOCIAL SERVICES
CFDA 93.575/93.596/93.713 - CHILD CARE AND
DEVELOPMENT BLOCK GRANT CLUSTER**

Improper Employee Activity in Federal Programs

The Department of Social Services (DSS), Fraud and Recovery Section, identified fraudulent activity by its own employees in two federal programs. The affected federal programs are the Supplemental Nutrition Assistance Program (SNAP) Cluster (CFDA 10.551 and 10.561) and the Child Care and Development Fund (CCDF) Cluster (CFDA 93.575, 93.596, and 93.713). DSS, Office of Family Support (OFS), Policy G-310 states falsification of records consists of any deliberate act of annotating an activity which in fact differs factually from the activity that actually transpired. Falsification of records is strictly prohibited. In addition, DSS, OFS Policy I-510 states that OFS employees are prohibited from taking any action on their personal case, a case involving an immediate family member, friend, or social acquaintance of himself/herself or his/her supervisor. Managers are responsible for ensuring that all employees are advised of these policies and are made aware that violation of these policies will result in disciplinary action, including suspension, reduction in pay, reassignment, demotion, or dismissal.

Certain DSS employees did not adhere to department policies and state laws, resulting in the following instances of fraud and questioned costs totaling \$18,205:

- On September 21, 2009, a Louisiana Rehabilitation Services employee pled guilty to the offense of Theft Over \$500. The employee did not report her husband or his earnings when applying for child care assistance, thereby receiving \$3,394 of ineligible child care benefits. The employee was sentenced to a two-year suspended sentence, two years of supervised probation, restitution of \$3,394, court costs, and a \$50 monthly supervision fee. The employee was removed from employment on May 9, 2009.

- On June 3, 2009, a Social Services Analyst was placed on Pre-Trial Diversion. The employee provided false information and received \$7,334 of ineligible child care benefits. The employee was ordered to pay full restitution and was placed on three years of probation. The employee resigned to avoid dismissal on December 1, 2009.
- On August 31, 2009, a Social Services Analyst was placed on Pre-Trial Diversion. The employee fraudulently certified a woman for SNAP benefits and obtained an EBT card for the employee's own use, resulting in the issuance of \$1,738 of ineligible SNAP benefits. The employee was ordered to pay full restitution. The employee resigned to avoid dismissal on August 22, 2009.
- On March 15, 2010, a Social Services Analyst pled guilty to the unauthorized use of SNAP benefits. The employee's husband, with whom she was living, received ineligible benefits totaling \$5,739 for him and two children because his income was not reported and the employee was not listed as a member of the household. The employee was sentenced to six months misdemeanor probation, full restitution, \$500 fine, \$55 per month supervisory fee, and 40 hours of community service. The employee resigned on February 20, 2009.

Management should continue to investigate the possibility of fraudulent activity among DSS employees and strengthen existing controls within the affected federal programs to reduce the likelihood that fraudulent activities occur in the future. In addition, management should work with the grantors to resolve the questioned costs. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 8).

The State of Louisiana's responses to our findings are attached in Appendix A. We did not audit the State of Louisiana's responses and, accordingly, we express no opinion on the responses.

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This interim communication is intended solely for the information and use of management, others within the entity, the Louisiana Legislature, federal awarding agencies and pass-through entities, 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

RR:BQD:THC:dl

FY 2010 ARRA PILOT LETTER

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



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Bobby Jindal, Governor
Curt Eysink, Executive Director

Office of the Executive Director

December 3, 2010

Mr. Daryl Purpera, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Non-compliance with Administrative Rules for Interstate Unemployment Compensation Benefit Payments

Dear Mr. Purpera,

The Louisiana Workforce Commission concurs with the finding regarding non-compliance with administrative rules for Interstate Unemployment Compensation, but has since resolved this issue.

LWC had submitted a corrective action plan to USDOL that outlined the resolution process. LWC has successfully implemented that action plan in the USDOL accepted timeline. In October 2010, LWC began quarterly billing all employers for charges from other states for claims that were filed after March 21, 2010 in order to recoup the costs of Interstate Unemployment Insurance Benefits.

If any additional documentation or explanation is needed, please do not hesitate to contact Cynthia Smith (csmith@lwc.la.gov or 225.342.2992) or Lettie Fletcher (lfletcher@lwc.la.gov or 225.326.6994).

Sincerely,

A handwritten signature in black ink, appearing to read "C. Eysink".

Curt Eysink
Executive Director

Cc: Susan Sonnier



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December 3, 2010

Mr. Daryl Purpera, CPA
Legislative Auditor
Post Office Box 94397
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RE: Noncompliance with Record Retention Policy

Dear Mr. Purpera:

The Louisiana Workforce Commission partially concurs with the finding regarding noncompliance with record retention policy.

Wage records are submitted in a variety of media: on paper copy, electronically via the Web, or on disks/magnetic media. By January 31, 2014, all employers will be required to file their taxes electronically.

LWC has been in compliance with the records retention policy for wage records submitted on paper and via the Web.

We concur with the finding with regard to wage records submitted on magnetic media. Now, all magnetic media are forwarded to the IT Department and downloaded into the system. Depending on the size of the file, a copy of the source wage data from the magnetic media is printed and returned to the Central Processing Unit. The source document is then scanned into our imaging system and is readily available for retrieval. LWC is continuing to increase automation of this process. By the first quarter of 2011, electronic source files will be saved to a secure location instead of scanning the hard copy print to UI Connect.

If any additional documentation or explanation is needed, please do not hesitate to contact Ashley Ford (aford@lwc.la.gov or 225.326.6970) or Velmon Nichols (vnichols@lwc.la.gov or 225-219-4482).

Sincerely,

Curt Eysink
Executive Director

Cc: Susan Sonnier



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Bobby Jindal, Governor
Curt Eysink, Executive Director

Office of the Executive Director

December 3, 2010

Mr. Daryl Purpera, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Legislative Audit Finding - Inadequate Subrecipient Monitoring of the Community Services Block Grant (CSBG)

Dear Mr. Purpera:

Management of the Louisiana Workforce Commission (LWC) concurs with the findings as presented.

The Commission established the Compliance Division within the Office of Workforce Development (OWD) in October of 2008 and it became fully functional in December of 2008, with its primary responsibility to perform sub-recipient monitoring for all federal programs administered by the LWC.

LWC has reexamined our monitoring/audit processes and developed a more efficient CSBG monitoring tool. This tool provides for more efficient reviews thus enabling us to conduct all monitoring reviews in a timely manner. Moving forward each of the 42 sub-recipients will be monitored in accordance with United States Code [42 USC 9914(a)], once every 3 years.

Accordingly, 28 of the 42 CSBG sub-recipients monitoring reviews have been completed, 2 are in progress and the remaining 13 are to be completed by June 30, 2011, to ensure compliance with United States Code [42 USC 9914(a)] that all sub-recipients will have been reviewed in the last three years since July 1, 2008.

The contact person for implementation of this corrective action is the Compliance Director Michael L. Harris, J.D., who can be reached at (225) 342-3566 or mharris1@lwc.la.gov.

Sincerely,

Curt Eysink
Executive Director

Cc: Johnny Riley, Director OWD



Undersecretary
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Bobby Jindal, Governor
Ruth Johnson, Secretary

December 15, 2010

Daryl G. Purpera, CPA, CFE
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Baton Rouge, LA 70804-9397

Attn: Dawn Guedry, CPA
Audit Manager

RE: Child Care Cluster: Noncompliance with Program Requirements

Dear Mr. Purpera:

The following is submitted in response to your request dated November 17, 2010, further revised on December 15, 2010; in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), did not comply with certain federal and state requirements for administering the federal child care cluster program. The audit cited 100% non-compliance; due to lack of attendance logs with the child care invoices. Federal regulations, state legislation, and DCFS policy does not require child care providers to send in their attendance logs monthly with their invoices. Policy does require that attendance logs be maintained onsite. As such, the following steps have been and/or will be taken to achieve this goal:

- Effective August 2010, DCFS implemented the Tracking of Time Services (TOTS), automated child care time and attendance system for CCAP providers. With implementation of TOTS, DCFS has improved its review and monitoring procedures to ensure CCAP provider payments are accurate and supported. TOTS is an electronic system that provides accurate and timely capturing, tracking, and reporting of time and attendance data. This system will promote payment accuracy and reduce fraud and abuse. This system utilizes 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.
- With utilization of TOTS, DCFS has also identified reports, to be implemented in the near future, which will help DCFS identify potential problems & help prevent fraudulent activity. These reports include:
 - Care Provided Outside the Hours of Operation: this report will capture check-ins and check-outs that occur outside the provider's hours of operation as reported on TIPS and the TOTS activity file.
 - Time & Attendance Data Exceeds License Capacity – Class-A Providers: This report will capture Class-A provider's which exceed CCAP capacity allowances.
 - Household Designee in Multiple Cases: This report will capture Household Designee's for three or more cases, in addition to capturing check-ins and check-outs for the respective cases.
 - Class-U Provider for Multiple Cases: This report will provide a listing of Class-U Providers which care for children in multiple households.



- Procedures were put in place to ensure that noted findings are addressed timely by parish office staff. Compliance Services (CS), formerly Contract Account Review Team (CART), Policy (Chapter 13) was revised to require Child Care Provider's submittal of Corrective Action Plans within 30 days from the date of the CS/CART Review findings and/or notification of TOTS reporting of potential noncompliance. Failure to respond may result in withholding of invoice payments.
- The Department will continue to have supervisors and specialists verify immunizations documentation, while conducting case file reviews. The Department will also continue to promote the use of the Louisiana Immunization Network for Kids Statewide (LINKS) to verify immunization. Further, a bulletin on immunization will be sent to staff advising of the need to determine and verify age-appropriate immunizations.

Sincerely,



Richard "Dickie" Howze
Undersecretary

RJ/DDS/GB/dja

c: 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
David Sigue, Director Program Integrity & Improvement, Programs Division Audit Liaison
Stacy Cefalu, CPA, LLA Auditor-In-Charge



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December 10, 2010

Mr. Daryl Purpera, CPA
Legislative Auditor
Post Office Box 94397
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RE: Weaknesses in Controls Over Remittance Processing System

Dear Mr. Purpera:

The Louisiana Workforce Commission concurs with the finding regarding weaknesses in controls over the remittance processing system and is in the process of implementing a corrective action plan.

LWC has taken steps to comply with federal guidelines that use three days as a minimum performance level for deposit promptness. The audit finding cites state policies that define the standard for employer tax payments as "within 24 hours of receipt." The LWC will seek an exemption to that policy from the Cash Management Review Board while continuing to implement the corrective measures described below to comply with the federal performance level of three days.

After processing the second quarter 2009 employer tax payments through the new remittance system, LWC recognized that additional staff were needed during each quarterly rush to meet the three day deposit performance level. These additional staff have been added, allowing LWC to deposit 97.2% of all cash receipts to the bank within three business days of receipt (in accordance with federal guidelines). In addition, additional staff will be used during the rush period to index payment documentation to update employer accounts on the LWC mainframe. LWC is also working on a number of automation projects which will assist in the timely depositing and reconciliation of accounts, including the purchase of an additional scanner to improve timeliness. LWC continues to gain efficiencies through additional training of staff, improved automation and revised workflow processes and procedures in order to eliminate this finding.

All employer accounts (excluding those for which incomplete information is received, such as those lacking the Employer Account Number) are updated with payment received amounts within 15 business days after the quarterly due date (i.e., January 31, 2010 for Quarter 4 2009). Systematic reconciliation procedures have been implemented to allow management to reconcile all monetary batches to the indexing (iEditor) software application, which informs management of any batches that may not have been deposited or may be in error for any reason. This reconciliation ensures that all money is accounted for from the point of scanning to the point of indexing. An additional reconciliation is performed once the monies are posted to the employer accounts to the remittance processing daily deposit report or the bank statement. This reconciliation ensures completeness of all deposits being posted to the mainframe employer account, as well as validity of all payment amounts posted.

If any additional documentation or explanation is needed, please do not hesitate to contact Ashley Ford (aford@lwc.la.gov or 225.326.6970) or Velmon Nichols (vnichols@lwc.la.gov or 225-219-4482).

Sincerely,

Curt Eysink
Executive Director



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Mr. Daryl Purpera, CPA
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RE: Improper Charging of Administrative Expenditures to Federal Awards

Dear Mr. Purpera:

The Louisiana Workforce Commission concurs in part with the finding regarding the improper charging of administrative expenditures to federal awards.

LWC concurs that the allocation percentages in the cost allocation plan had not been recently updated. However, LWC disagrees with the dollar amount questioned.

LWC is revising the cost allocations to determine the accurate allocation and will make necessary adjustments to ensure accurate allocation of costs.

In addition, the commission has established a committee consisting of LWC state and local staff to address the cost allocation plan process. This committee will ensure that allocation percentages to the cost allocation plan are properly updated to accurately allocate expenditures to federal programs and update current cost allocation plans and supporting documentation.

Also, the Office of Workforce Development will timely notify the fiscal division within the Office of Management and Finance of any changes in lease arrangements and other financial commitments to the cost allocation plan to ensure that costs charged to federal programs are in accordance with the cost principles outlined in OMB Circular A-87.

The contact person for implementation of this corrective action is the OWD Director, Johnny Riley, who can be reached at (225) 342-2679 or jriley1@lwc.la.gov.

Sincerely,

Curt Eysink
Executive Director

Cc: Renee Ellender Roberie
Johnny Riley



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

(O) 225.342.0805
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Bobby Jindal, Governor
Ruth Johnson, Secretary

December 14, 2010

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

Attn: Dawn Guedry, CPA
Audit Manager

RE: Improper Employee Activity in Federal Programs

Dear Mr. Purpera:

The following is submitted in response to your request dated November 19, 2010 in reference to the aforementioned Audit Finding. We concur that The Louisiana Department of Children and Family Services (DCFS) formerly Louisiana Department of Social Services (DSS), Fraud and Recovery Section, identified fraudulent activity by its employees in two federal programs.

All cases identified were previously investigated by the DCFS Fraud and Recovery Unit and pursued criminally resulting in convictions in each case. Investigative findings have been submitted to DCFS Management for possible 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). The form states in-part, "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."
- Presently, the Fraud and Recovery Unit has collected \$11,038.08 of the \$18,205 questioned cost and will continue to pursue recovery of the remaining \$7,166.92.

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

Sincerely,

Richard "Dickie" Howze
Undersecretary

RJ/DDS/GB/dja

c: Ruth Johnson, Secretary
Brent Villemarete, Deputy Secretary – Programs
Sammy Guillory, Deputy Assistant Secretary – Programs
Del Augustus, Director Bureau of Audit & Compliance Services, DCFS Audit Liaison
David Sigue, Director Program Integrity & Improvement, Programs Division Audit Liaison
Stacy Cefalu, CPA, LLA Auditor-In-Charge

