DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA

MANAGEMENT LETTER
ISSUED JUNE 6, 2007

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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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April 25, 2007

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, 2006, 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 Report of the Department of Social Services is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. 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, 2005, we reported findings relating to noncompliance with federal program requirements of the Child Care Cluster, noncompliance with program regulations of the Foster Care - Title IV-E Program, noncompliance with Temporary Assistance for Needy Families Program (TANF) eligibility requirements, child support escrow fund not reconciled, noncompliance with TANF program requirements, unlocated movable property, lack of supporting documentation for Vocational Rehabilitation expenditures, noncompliance with federal property regulations, and access to electronic data processing not properly restricted.

The finding concerning noncompliance with TANF eligibility requirements has 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* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2006.

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

For the second consecutive year, the Department of Social Services (DSS) did not comply with certain requirements for administering the Foster Care - Title IV-E program (CFDA 93.658). 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 laws, regulations, and the provisions of contracts or grant agreements. Louisiana Revised Statute (R.S.) 46:1408 states the department shall issue a Class A license to a facility or agency upon establishment of the fact that minimum requirements for a license as established by the department in the Administrative Code are met and other state and local laws and regulations have been met.

Audit procedures performed on the Foster Care - Title IV-E program disclosed the following conditions:

- Eight of the 15 clients (53.3%) tested residing in child-care institutions were placed in institutions that were not fully licensed or were fully licensed despite not meeting the minimum standards. The federal Administration for Children and Families policy manual states that a child-care institution becomes eligible for Title IV-E funding when it comes into full compliance with the state's licensing requirements. The DSS Office of the Secretary, Bureau of Licensing is responsible for issuing Class A licenses to child-care facilities housing foster care children.

- Three of 15 clients (20%) tested were placed in child-care institutions that did not have documentation (criminal record clearances) to verify that safety considerations had been addressed as required by 45 CFR 1356.30 (a) and (f) and Louisiana Administrative Code, Title 48, Chapter 79, Section 7911, D.3.

- Two of 40 clients (5%) tested were not eligible to receive Foster Care - Title IV-E funds. One client did not have a permanency hearing within 12 months of entering Foster Care as required by 45 CFR 1356.21(b)(2). The other client did not meet financial eligibility criteria as required by 42 USC 672(a).

- Eight of 40 Foster Care expenditures (20%) tested were not properly authorized. The expenditure authorization documentation was either missing or not properly approved.

DSS Office of Community Services personnel did not follow program regulations and existing procedures in the administration of the Foster Care - Title IV-E program. In addition, the department failed to follow departmental regulations in providing Class A licenses to facilities housing foster care children. 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 $307,079 ($211,460 - federal funds and $95,619 - state funds).

DSS management should require all employees to adhere to program regulations and established procedures in administering the Foster Care IV-E program. In addition, management should ensure all fully licensed child-care institutions meet minimum standards. Management concurred in part with the finding and provided corrective action plans on those issues where management concurred. Management did not concur that child-care institutions need to be in full compliance with minimum standards to be fully licensed or to be eligible for Title IV-E funding (see Appendix A, pages 1-2).

Additional Comments: A child-care institution becomes eligible for federal financial participation when it comes into full compliance with state licensing standards.

Child Care Cluster: Destroyed Records and Noncompliance With Program Requirements

DSS had records destroyed in six of its offices because of damage caused by hurricanes Katrina and Rita, which resulted in the inability to obtain sufficient documentation to support the Child Care Cluster compliance requirements relating to allowable activities, allowable cost, and eligibility. In addition, for the second 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. *Government Auditing Standards* issued by the Comptroller General of the United States require that auditors obtain sufficient, competent, and relevant evidence to provide a reasonable basis for findings and conclusions. 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.

For nine of 45 payments (20%) selected for allowable activities/cost testing, supporting documentation was reported as being destroyed because of hurricane damage. In addition, seven of the 30 client cases (23.3%) selected for eligibility testing were reported as destroyed because of hurricane damage. Overall, the estimated number of destroyed active and closed child care cases was 7,231, which is 21.6% of the statewide total. The amount of Child Care Cluster payments in which the department would not be able to provide supporting documentation was estimated to be $5.9 million, which represents 5.8% of the total state fiscal year 2006 Child Care Cluster expenditures of $101,770,995.

Audit procedures performed, including a sample of available records, disclosed that for the second consecutive year DSS did not comply with certain federal and state requirements for administering the federal child care cluster as follows:

Allowable Cost

- For nine of 21 provider invoices (42.9%) tested, the invoices were not supported by attendance logs. Four providers did not provide any attendance logs. Two of these providers noted that they no longer have their records. The attendance logs submitted by the other five providers were incomplete and/or did not agree with the providers' invoice. Child care provider agreements require the provider to keep a daily record of attendance of each child participating in the program, including time of arrival and departure. The provider is also instructed to retain for three years supporting fiscal documents (including attendance records) adequate to ensure that claims for federal funds are in accordance with federal requirements. Questioned costs totaled $12,119.

- For two of 36 transactions (5.6%) tested, the parish worker did not sign the provider invoice to indicate the invoice was approved for payment.

- A child care provider in St. Bernard Parish invoiced and was paid $240 for services provided on September 1, 2005, when the day care was closed because of Hurricane Katrina. Questioned costs totaled $240.

Although DSS established control procedures during the fiscal year, providers continue to violate the child care provider agreements by maintaining inaccurate or incomplete attendance records or no attendance records. Over 4,820 providers received reimbursements totaling in excess of $89,500,000. Considering the large exception rate for attendance logs, the risk exists that significant amounts may not be adequately supported. In addition, internal controls established for invoice approval were not followed. Failure to institute sufficient internal control increases the risk of provider error, fraud, and/or abuse.

DSS management should evaluate the department's disaster recovery plan to ensure that child care records and supporting documentation are properly safeguarded. DSS management also 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 payment approval. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Deficiencies in the Operation of the Disaster Food Stamp Program

DSS failed to follow established and suggested control procedures while operating the Disaster Food Stamp program (DFSP). The DFSP is a part of the Food Stamp Cluster, which is comprised of Food Stamps (CFDA 10.551) and the State Administrative Matching Grants for Food Stamp program (CFDA 10.561). DSS disbursed $367,697,228 in disaster food stamp benefits for 493,556 households as a result of hurricanes Katrina and Rita. In addition, existing food stamp clients received disaster supplemental and

replacement benefits totaling $38,047,457. Disaster food stamp benefits totaling $521,939 were issued to 1,428 DSS employees.

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. Strategies include special authorization procedures and/or locations for employees applying for disaster benefits. In addition, the handbook provides that all application/issuance site staff should be trained to the greatest extent possible on DFSP provisions, fraud prevention, and program integrity.

The DSS Food Stamp Disaster Plan provides that the application for disaster assistance will consist of a face-to-face interview and completion of an application form. The applicant must complete all required information beginning with identifying information and must sign the application form. An application worksheet is then used by the worker to determine an applicant household's eligibility for DFSP benefits based on amounts taken from the application.

Single Audit procedures performed on a sample of DFSP cases that included 10 DSS employees with salaries over $50,000 and 15 nonemployees disclosed the following:

- The application and application worksheet could not be located for two of the 10 employees (20%) and for three of the 15 nonemployees (20%). DSS DFSP policies require applications along with related worksheets be maintained in the family assistance parish office in which the applications were taken. Questioned costs totaled $4,016.

- Seven of eight DSS employees (87.5%) under-reported their household income. For four employees, eligibility might have been affected.

- The financial information on the application of four of eight DSS employees (50%) and five of 12 nonemployees (41.7%) was not properly carried over to the application worksheet used to determine eligibility. In one non-employee case, this error affected eligibility. Questioned costs totaled $274.

- One of eight DSS employee applications (12.5%) was not signed and dated by the employee.

DSS was required by FNS to establish a DFSP employee review process. As of March 9, 2007, the department reported that decisions had been made on 372 of 1,428 employee cases (26.1%) with 243 of the 372 employees (65.3%) determined ineligible to receive DFSP benefits totaling $117,820, which represents questioned costs. Employees who received $250 or more of ineligible DFSP benefits have been required by DSS to repay the benefits. As of March 9, 2007, benefits totaling $26,043 have been repaid.

The Louisiana Legislative Auditor's Compliance Audit Division conducted an audit of certain transactions of the DFSP. That audit report was issued on May 21, 2007, and includes additional findings on the DFSP.

DSS failed to establish special procedures for DSS employees applying for disaster food stamp benefits. In addition, site personnel were not adequately trained on the provisions of the DFSP. Failure to establish and follow adequate internal control procedures in the distribution of DFSP benefits may have resulted in benefits made to ineligible applicants, benefits made in the wrong amounts, and failure to provide benefits to eligible applicants.

DSS management should develop adequate controls to maintain the integrity of the DFSP. Management should continue to investigate the possibility of further ineligible benefits paid and should work with the grantor to resolve questioned costs. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 5-6).

Temporary Assistance for Needy Families: Destroyed Records and Noncompliance With Program Requirements

DSS, Office of Family Support (OFS), had records destroyed in six of its offices because of damage caused by hurricanes Katrina and Rita, which resulted in the inability to obtain sufficient documentation to support the Temporary Assistance for Needy Families (TANF) program compliance requirements relating to allowable costs, eligibility, and special tests and provisions. In addition, DSS did not comply with certain program requirements for administering the TANF program (CFDA 93.558). DSS uses TANF funds to operate several programs including Family Independence Temporary Assistance Program (FITAP), Strategies to Empower People (STEP), Kinship Care Subsidy Program (KCSP), and TANF Initiatives. *Government Auditing Standards* issued by the Comptroller General of the United States require that auditors obtain sufficient, competent, and relevant evidence to provide a reasonable basis for findings and conclusions. OMB Circulars A-87 and A-122 state that costs must be adequately documented, necessary, and reasonable to be allowable under federal awards. R.S. 44:36 states that all persons and public bodies having custody or control of any public record shall preserve and maintain these records for a period of at least three years from the date on which the public record was made. Permanent records are to be maintained indefinitely.

On April 7, 2006, DSS received concurrence from the U.S. Department of Health and Human Services to destroy hurricane-damaged case records relating to TANF. In addition, on April 18, 2006, the Secretary of State's office approved the department's requests for authority to dispose of the records.

Eight of the 30 client cases (26.7%) selected to test eligibility and special tests and provisions - child support non-cooperation were reported as destroyed because of hurricane damage. In addition, two of nine client cases (22.2%), which were applicable

to the special tests and provisions compliance requirements relating to the penalty for refusal to work and adult custodial parent of child under six when child care not available, were destroyed because of hurricane damage. Overall, the estimated number of destroyed active and closed FITAP and KCSP cases was 4,582, which is 25.3% of the statewide total. The amount of TANF funded expenditures for which the department would not be able to provide adequate supporting documentation was estimated to be $7,778,482, which represents 6.5% of the total state fiscal year 2006 TANF expenditures of $120,276,340.

Audit procedures performed, including a sample of available records, disclosed the following:

Allowable Costs

- For the second consecutive year, expenditures were not made for allowable costs/activities or were not adequately supported to determine that the expenditures were properly, accurately, and reasonably charged to the TANF program. In a review of 29 contract payments, 17 exceptions (58.6%) were noted. Questioned costs totaled $78,863.

- For the second consecutive year, expenditures for the Developmental and Socialization Activities Program TANF Initiative administered by DSS, Office of Community Support (OCS), were not made in accordance with the terms of the Memorandum of Understanding between OCS and OFS. In a review of seven transactions, two exceptions (28.6%) were noted. Questioned costs totaled $572.

- The DSS Fraud and Recovery Unit identified one employee who applied for and received KCSP benefits in the amount of $740 by inaccurately reporting her household composition and income. Questioned costs totaled $740.

Reporting

- In 12 of 15 client cases (80%) reviewed, required data items on the ACF-199 TANF Data Report, which provides information on each client's household, were either blank or inaccurate. Federal regulations 45 CFR 265.7 requires each state to submit a complete and accurate TANF Data Report quarterly.

Departmental personnel did not follow program regulations and existing procedures in the administration of the TANF program. Failure to ensure compliance with federal and state regulations can result in ineligible and inaccurate payments to clients and vendors and subjects the state to federal penalties. As a result of the exceptions noted previously, questioned costs total $80,175.

DSS management should evaluate the department's disaster recovery plan to ensure that TANF records and supporting documentation are properly safeguarded. DSS management also should require all employees to adhere to program regulations and established procedures in administering the TANF program. Management concurred with the majority of the finding and provided corrective action plans (see Appendix A, pages 7-8).

Food Stamp Cluster: Destroyed Records and Ineligible Benefits

DSS had records destroyed in six of its offices because of damages caused by hurricanes Katrina and Rita, which resulted in the inability to obtain sufficient documentation to support the Food Stamp Cluster compliance requirement Special Tests and Provisions - ADP System for Food Stamps. In addition, a DSS Fraud and Recovery Section investigation identified possible food stamp fraud involving a DSS employee. The food stamp cluster is comprised of Food Stamps (CFDA 10.551) and State Administrative Matching Grants for Food Stamps program (CFDA 10.561). *Government Auditing Standards* issued by the Comptroller General require that auditors obtain sufficient, competent, and relevant evidence to provide a reasonable basis for the auditor's findings and conclusions. Also, the Family Assistance Manual policy C-140 states, "Institutional residents who receive more than half their meals from an institution that is not authorized to accept Food Stamps (nursing facilities) cannot be included in a Food Stamp household." R.S. 44:36 states that all persons and public bodies having custody or control of any public record shall preserve and maintain these records for a period of at least three years from the date on which the public record was made. Permanent records are to be maintained indefinitely.

On March 23, 2006, DSS received concurrence from the U.S. Department of Agriculture, FNS, to destroy hurricane-damaged files. In addition, on April 18, 2006, the Secretary of State's office approved the department's requests for authority to dispose of the records.

Four of 30 client cases (13.3%) selected for testing were reported as destroyed because of hurricane damage. The lack of case file documentation prevented the verification that all case file information for eligibility determination and benefit calculation was accurate and complete in the department's system (L'AMI), which maintains food stamp case information. Overall, the estimated number of destroyed active and closed food stamp cases was 64,745, which is 22.5% of the statewide total. The amount of Food Stamp benefits associated with these destroyed records was estimated to be $141.4 million, which represents 11.3% of the total state fiscal year 2006 Food Stamp Cluster expenditures of $1.247 billion.

An investigation by the DSS Fraud and Recovery Section involving a Social Service Analyst Supervisor determined that the employee misrepresented a relative's household circumstances resulting in ineligible Food Stamp benefits totaling $2,796, which are considered questioned costs.

DSS management should evaluate the department's disaster recovery plan to ensure that Food Stamp Cluster records and supporting documentation are properly safeguarded. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 9-10).

Child Support Enforcement: Noncompliance With Program Requirements

DSS did not comply with certain federal program requirements in administering the Child Support Enforcement program (CFDA 93.563). 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 being processed for payment are supported by adequate documentation and adequately reviewed.

Audit procedures performed on the Child Support Enforcement program disclosed the following conditions:

- Three of 30 (10%) expenditure transactions tested had overpayments. One transaction involved an overpayment of $873,000. DSS was not aware of the overpayment until the vendor notified the agency. DSS has been issued a refund. The other two transactions involved invoices that were not adequately supported and resulted in overpayments of $403. Questioned costs totaled $403 ($298 federal and $105 state).

- Four of 20 (20%) applicable medical support cases tested showed the agency did not verify that medical support was obtained as specified in the court order as required by 45 CFR 303.31(b)(7).

- Three of five (60%) applicable responding interstate cases tested showed the agency did not provide timely notice to the initiating state agency in advance of any formal hearings that may result in establishment or adjustment of an order as required by 45 CFR 303.7 (c)(8).

- One of five (20%) applicable responding interstate cases tested showed the agency did not notify the initiating state within 10 working days of receipt of new information on a case as required by 45 CFR 303.7(c)(9).

Since DSS does not require certain providers to submit supporting documents with their invoices, review procedures relating to those invoices are insufficient. In addition, DSS personnel involved in child support case processing are not following established policies and procedures to ensure compliance with federal regulations. Failure to institute sufficient internal control over program expenditures increases the risk of error, fraud, and/or abuse.

DSS personnel should follow established program requirements in administering the Child Support Enforcement program. DSS management should improve its control procedures to ensure reimbursement requests are accurate and supported. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 11-12).

Child Support Escrow Fund Not Reconciled

For the seventh consecutive year, DSS is not reconciling the Child Support (Title IV-D) Escrow Fund to the client accounts on a periodic basis. Good internal control includes periodic reconciliations of cash accounts (such as the Title IV-D Escrow Fund) to subsidiary records (such as the client accounts). A proper reconciliation would provide management with a basis to ensure that errors and/or fraud are detected in a timely manner and that accounting data are both accurate and reliable. Although departmental and contract personnel have made progress on developing a reconciliation process for the Title IV-D Escrow Fund, DSS management does not know when the reconciliation process will be completed.

The Title IV-D Escrow Fund is the clearing account that is used to process child support receipts and payments. Child support receipts from noncustodial parents are deposited into the fund and credited to the accounts of custodial parents. Distributions are then made to the custodial parents and/or to the state General Fund, depending on the status of each parent's account. During fiscal year ended June 30, 2006, total collections and disbursements of the escrow fund were approximately $309.9 million ($25.8 million per month) and $305 million ($25.4 million per month), respectively. The balance in the account at June 30, 2006, is approximately $7.9 million.

Failure to reconcile the Title IV-D Escrow Fund cash to subsidiary client accounts could lead to the misuse of funds and increases the risk that fraud and/or computer programming or operating errors could occur and not be detected in a timely manner. A reconciliation may detect errors such as undistributed amounts payable to custodial parents, undistributed amounts payable to the state General Fund, and failure to post a receipt to a client account.

DSS management should require monthly reconciliations of the Title IV-D Escrow Fund to the client accounts to ensure that the accounting records are both accurate and reliable and that child support receipts and related distributions to both the state and custodial parents have been appropriately recorded. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 13).

Control Weaknesses Over the LaCarte Purchasing Card Program

DSS did not follow state and departmental control procedures relating to the LaCarte Purchasing Card Program. The State of Louisiana, Division of Administration's Louisiana LaCarte Purchasing Card Policy assigns agencies with various responsibilities

in relation to the administration of the purchasing card and the department has established DSS Policy 1-19, LaCarte Procurement Card Program, to provide detailed control procedures. R.S. 44:36 states that all persons and public bodies having custody or control of any public record shall preserve and maintain these records for a period of at least three years from the date on which the public record was made. Permanent records are to be maintained indefinitely.

A test of 41 LaCarte purchasing transactions made by DSS employees disclosed the following:

- DSS could not provide supporting documentation for four of 41 transactions (9.8%). One transaction's documentation was destroyed because of damage caused by Hurricane Katrina. Another transaction's documentation was destroyed by an employee who discarded records dated before December 2005. Documentation for two transactions could not be located.

- Six of 37 transactions (16.2%) did not have sufficient documentation to verify the purchases were reasonable and for official state business. Two transactions did not have proper receipts; three transactions were for gift cards with no verification that the gift cards were received by or used for foster care children; and one transaction did not have a foster parent or foster child signature to verify it was received by the child.

- Two of 37 transactions (5.4%) were for purchases over $1,000 and were made before Hurricane Katrina's landfall in Louisiana. According to the Division of Administration policy, approvals to spend over the limit of $1,000 must be approved in writing by the Office of State Purchasing. No approvals for spending over the limit were provided.

- Two of 37 purchase logs (5.4%) were not reconciled to the bank statement and provided to the state office in a timely manner. One purchase log was not dated when reconciled while the other purchase log was submitted 10 months late.

Although the Division of Administration and DSS have established control procedures over the LaCarte Purchasing Card Program, certain departmental personnel are choosing not to follow these controls. Failure to adhere to control procedures increases the risk that errors and/or fraud could occur and remain undetected. In addition, since certain expenditures made with the LaCarte card are funded by federal programs, the department may be susceptible to disallowed cost. Because of the exceptions noted above, questioned costs totaled $2,630 with $950 federally funded and charged to the TANF program (CFDA 93.558), $900 charged to Foster Care - Title IV-E (CFDA 93.658) ($628 federal and $272 state), and $780 of state funds.

DSS management should ensure that employees and supervisors comply with state and departmental control procedures relating to the LaCarte Purchasing Card Program. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 14-15).

Unlocated Movable Property

The DSS certifications of annual property inventory reported approximately $1.2 million of unlocated movable property over the past four years. Of that amount, items totaling $391,253 were removed from the property records because they had not been located for the fourth consecutive year while items totaling $177,421 are scheduled to be removed if not found within the next year. The department's Office of the Secretary was responsible for $740,745 (62%) of the total unlocated amount. Computers and computer-related equipment totaled $1,126,355 of the total unlocated amount. Annual physical inventory reports disclosed that the department had property items totaling $42,642,649. This was the second consecutive year for this finding.

R.S. 39:325 requires entities to conduct an annual property inventory of movable property and report any unlocated movable property to the Louisiana Property Assistance Agency (LPAA). Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted.

Failure to maintain controls over movable property increases the risk of loss arising from unauthorized use of property and subjects the department to noncompliance with state laws and regulations. In addition, because of the nature of services provided by the department, there is an increased risk that sensitive information could be retrieved improperly from the missing computers and/or computer-related equipment.

DSS management should strengthen its procedures for monitoring movable property and conducting the physical inventory of movable property. In addition, management should devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 16-17).

Vocational Rehabilitation: Weaknesses Over Program Expenditures

For the fourth consecutive year, DSS, Louisiana Rehabilitation Services (LRS), did not maintain sufficient controls to ensure expenditures charged to the Rehabilitation Services - Vocational Rehabilitation Grants to States program (CFDA 84.126) were proper and supported by adequate documentation. 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 properly calculated and are supported by adequate documentation. In addition, OMB Circular A-87 states that costs must be adequately documented.

Five of 25 (20%) client expenditure transactions tested were considered improper or unsupported. In one case, payments were made for a client who did not maintain full-time status as required by the LRS policy, which states a client must be enrolled in a minimum of 12 semester-hours to be eligible for college assistance. In the four remaining cases, three lacked adequate documentation to ensure the expenditures were reasonable, necessary, and properly calculated, and one lacked client verification of receipt of goods. Questioned costs totaled $3,461.

Failure to maintain sufficient control over program expenditures may subject the department to disallowed cost by the grantor agency.

DSS management should strengthen control procedures to ensure expenditures charged to the Rehabilitation Services - Vocational Rehabilitation Grants to States program are accurate and supported. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 18-19).

Noncompliance With Federal Property Regulations

For the second consecutive year, DSS, Office of the Secretary, did not consistently identify the federal participation in movable property acquired with federal funds and therefore is in violation of federal regulations. OMB Circular A-87 defines equipment. The U.S. Department of Education [34 CFR 80.32(d)(e)] and the U.S. Department of Health and Human Services [45 CFR 92.32(d)(e)] require that property records be maintained that include the percentage of federal participation in the cost of the property.

Audit procedures performed on 16 assets acquired with federal funds disclosed that four (25%) of the items did not have the percentage of federal participation recorded in the LPAA system. Although agency personnel record the percentage of federal participation on most property items, this procedure was not done on a consistent basis. For fiscal year 2006, the Office of the Secretary acquired movable property items totaling approximately $2.8 million including both federal and nonfederal items.

Departmental personnel responsible for tracking movable property failed to adhere to federal regulations regarding equipment acquired with federal funds. Failure to maintain controls over property increases the risk that errors and/or noncompliance could occur and remain undetected.

DSS management should ensure that property acquired for $5,000 or more is identified by documenting the percentage of federal participation in the LPAA system. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 20).

Overpayments to Terminated Employees

DSS continued to pay certain employees after they had terminated their employment with the department. Good internal control would require that supervisors promptly notify Human Resources when an employee is terminated. R.S. 42:460 provides the department with the ability to develop rules and regulations necessary to recoup overpayments made to state employees. In accordance with the Office of State Uniform Payroll Memorandum 2005-41, it is the department's policy to notify the employee in writing of the overpayment and to request reimbursement. The department's internal policies and procedures state that any overpayments to employees will be recouped.

Audit procedures performed during fiscal year 2006 identified overpayments totaling $18,152 to 12 employees for one to four pay periods after their official termination date. The separated employees were overpaid after their official termination date because the terminated employees' supervisors did not notify Human Resources in a timely manner so that they would be terminated in the ISIS-Human Resources system. All employees were sent letters requesting repayment and DSS has recouped $15,732 (87%) of these overpayments.

DSS management should develop policies and procedures to require supervisors to notify Human Resources immediately upon an employee's termination and should monitor adherence to the policies. In addition, the department should continue seeking reimbursement from the terminated employees. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 21-22).

Access to Electronic Data Processing Not Properly Restricted

For the second consecutive year, DSS does not have sufficient user access controls for the Advantage Financial System (AFS), the Advanced Governmental Purchasing System (AGPS), and the Contract Financial Management System (CFMS). These systems are components of the Integrated Statewide Information System (ISIS). Access to these systems is restricted through the use of passwords and user identification (ID) codes; however, this access was not properly restricted to ensure that the integrity of data was maintained. The DSS ISIS USERID Program Policy (Policy 1-13) includes written procedures for the timely issuance and deletion of user ID codes.

Audit procedures performed on AFS and AGPS/CFMS user IDs disclosed the following:

- Twenty-one of 603 (3.5%) active AFS user IDs were assigned to individuals who had terminated, resigned, retired, transferred to another agency, or no longer had a business need for the ID. The length of time between separation dates and the date that the exceptions were noted ranged from six days to 811 days.

- Twelve of 378 (3.2%) active AGPS/CFMS user IDs were assigned to individuals who had terminated, resigned, retired, or transferred to another agency. The length of time between separation dates and the date that the exceptions were noted ranged from 29 days to 179 days.

Employees responsible for the issuance and deletion of user IDs did not comply with departmental policy that requires timely deletion of user IDs. Failure to promptly delete user IDs of separated employees increases the risk that unauthorized access to the ISIS systems could occur, data could be compromised, and/or assets could be misappropriated.

DSS management should ensure employees comply with existing policy so that user ID codes are deleted immediately upon the termination, retirement, or transfer of employees. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 23).

Control Weakness Over Refunds

DSS does not have adequate procedures to monitor refunds from vendors to ensure that full refunds are received. Good internal control ensures adequate monitoring procedures are established to properly track and record monies due to the department.

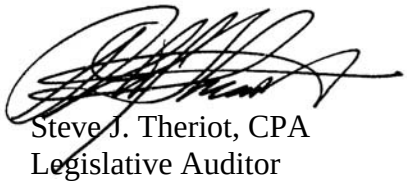
During a review of eight vendor payments, audit procedures identified that computer equipment totaling $352,828 was returned to a vendor, but DSS only received reimbursement totaling $323,466, a shortage of $29,362. Department personnel were unaware that the full refund was not received. A lack of communication exists between departmental sections that return merchandise and request refunds and the fiscal services section that receives the refunds. Failure to establish control procedures over refunds increases the risk that errors could occur and go undetected and full refunds due to the department will not be received.

DSS management should establish procedures to ensure that all refunds are fully credited or refunded to the department. Management concurred in part with the finding, but will examine current procedures to determine the extent procedures should be changed (see Appendix A, page 24).

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

DLB:EFS:PEP:dl

DSS06

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

KATHLEEN BABINEAUX BLANCO
GOVERNOR

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ANN SILVERBERG WILLIAMSON
SECRETARY

March 21, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
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RE: **Foster Care – Title IV-E Program: Noncompliance with Program Requirements**

We concur in part that the Department of Social Services did not comply with certain requirements for administering the Foster Care – Title IV-E program.

- The Office of Community Services (OCS) and the state's licensing entity, Bureau of Licensing, do not concur that full compliance is required in order to be fully licensed or to be eligible for Title IV-E funding.

  The residential placements in question are deemed to be fully licensed. The issuances of the licenses allow for continuation of services by the residential agencies and are eligible for OCS claim of Title IV-E funding. RS 46:1419 and RS 46:1423 allow the Bureau of Licensing to issue a provisional license when it is necessary to deny, revoke or refuse a renewal of a license and removal of the residents should the residential provider not meet the health, safety and well-being needs of the residents during surveys. However, for those facilities in question, the Bureau of Licensing issued a full license and not a provisional license, thereby allowing the facilities to continue providing services to children and for OCS to claim Title IV-E funding.

- The Office of Community Services concurs that residential programs did not have documentation (criminal Record Clearances) as required by LAC Title 48, Chapter 79, Section 7911, D.3. The OCS does not concur that children were placed in residential programs that did not have documentation (criminal Record Clearances) to verify safety considerations as required by 45 CFR 1356.

  Residential programs obtain multiple criminal record clearances to address the safety needs regarding employees working with children as per Title IV-E regulations. Local and often national clearances are obtained in addition to obtaining criminal record clearances from Louisiana State Police (LSP). The initial multiple criminal clearances are obtained due to the one to three months waiting period for criminal record clearances from LSP.

Efforts have been initiated to review the criminal record clearance history of all new residential staff. Residential providers must submit monthly reports noting new employees, date criminal record received, and the date of the individual working directly with the children. Additionally, OCS is in the review process to allow new residential employees to obtain LSP criminal record clearances via OCS regional electronic fingerprinting mechanisms. This process would greatly shorten the lengthy waiting period for criminal record clearances from LSP.

The receipt of monthly residential reports is in process. Implementation of electronic fingerprinting of new residential staff, if manageable by OCS staff will be completed by June 30, 2007.

- The Office of Community Services concurs that clients tests were not eligible to receive Foster Care Title IV-E funding. The fiscal adjustment will be reflected on the March 2007 Title IV-E 1. A memo will be sent out to staff no later than April 30, 2007 to clarify issues relating to permanency hearings and financial eligibility.

- The Office of Community Services concurs that expenditures were not properly authorized. The fiscal adjustment will be reflected on the March 2007 Title IV-E 1. A memo was sent out March 19, 2006 directing all staff to comply with policy reflected in Chapter 20 – TIPS Procedural Manual relating to the completion of the TIPS 106b, Client Authorization Procedural Form. As part of the corrective action plan, all supervisory staff were directed to cover this requirement at the next unit meeting or at least before April 30, 2007.

If additional information is needed, please contact Debbie Johnson, OCS Division of Financial Management, at 342-2766.

Sincerely,

CHLockett

Cathy H. Lockett, Director
Division of Fiscal Services

cc: Ann S. Williamson
Lisa Woodruff-White
Terri P.Ricks
Bridget Depland
Cathy Lockett
Debbie Johnson

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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

January 29, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Child Care Cluster: Destroyed Records and Noncompliance With Program Requirements

Dear Mr. Theriot:

Please refer to your letter of January 16, 2007, regarding audit findings of the Department of Social Services' Child Care Cluster part of your Single Audit of Louisiana. Your findings address Destroyed Records and Noncompliance with Federal Program Requirements.

We concur that case records and/or documentation was not available for nine of the 45 payments and seven of the 30 client cases selected for review due to hurricane damage. We also concur with the findings related to allowable cost, which addressed invoices and attendance logs.

Listed below are the actions the agency will take to address the deficiencies cited:

- A Corrective Action Memorandum will be issued alerting staff of the audit findings and requiring review of appropriate Chapter 8 Policy in supervisory staff meetings. Reviews will emphasize what action is required when staff is aware that a provider is failing to properly maintain logs.

- Individual staff who failed to properly validate invoices with signatures have been counseled. Proper processing of invoices will also be addressed in the Corrective Action Memorandum as an item to be covered in supervisory staff meetings.

- The Contract Accountability Review Team (CART) will continue to conduct reviews on Child Care Providers, focusing on documentation required to support invoices.

- When conducting required visits to Child Care Centers, contracted Resource and Referral Agencies (R&R's) will increase emphasis on review of the Form CCAP 15ICP, which includes specific instructions on requirements for maintenance of attendance records and other documentation. Technical assistance will be provided where needed, and follow-up visits will be conducted to providers who were not in compliance.

- Information reminding providers of proper maintenance of attendance logs and supporting documentation for invoices will be sent semi-annually directly to the providers on their invoices. System programming is needed to accomplish this, so the

- first notice will not be generated immediately, but will be sent before the end of this calendar year, and continue every six months thereafter.

- Regarding the third finding above, a referral made to the agency's Fraud and Recovery Section is being processed to recover the provider's ineligible payment.

The agency acknowledges the seriousness of the audit's findings. To improve our Child Care Assistance Program's payment accuracy and maintenance of proper supportive documentation for invoices, the agency is also exploring the feasibility of implementing the following actions:

- Increasing visits to providers to better monitor record keeping.
- Increasing reviews of provider records to validate invoicing and payment.
- Increasing the monitoring duties of the R&R's, including reports to the Parish Offices when providers are found to be negligent in required record-keeping

Please advise if further information or explanation is needed.

Sincerely,

Veda B. Emerson

for Adren Wilson
Assistant Secretary

AOW/DDS/LP

cc: Ann Silverberg Williamson
Lisa Woodruf-White
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Cathy Lockett
David D. Sigue

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KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
SECRETARY

April 13, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Legislative Audit Finding:
Deficiencies in the Operation of the Disaster Food Stamp Program

Please refer to your letter of April 3, 2007 regarding audit findings on the Department of Social Services' Disaster Food Stamp Program (DFSP), administered by the Office of Family Support (OFS).

We concur with the four deficiencies cited (four areas citing 22 cases). The findings address the agency's handling, processing and monitoring of DFSP applications for DSS employees and non-employees. The Agency did have specific policies and procedures established and issued numerous Executive Bulletins while the DFSP operations were conducted for Hurricanes Katrina and Rita. However, while administering this program, which resulted in an unprecedented 493,556 households receiving DFSP benefits, we recognized that inadequacies existed. We immediately began working on policy and procedural improvements, prior to any outside reviews or audits, in anticipation of any future DFSP programs.

The following are the corrective action measures taken that address your audit's cited deficiencies:

- Specific guidance regarding the operation of a DFSP was established and all parts were finalized and included the OFS Policy Manual Chapter 4, Section O by June 1, 2006. All appropriate staff having the potential to assist in future DFSP operations were trained in this new policy and procedure prior to May 30, 2006. DFSP training will be completed annually for all appropriate staff and the 2007 training is scheduled later this month. The training:
    - Provides information for formal application of DFSP including fraud control measures.

- Provides specific guidance for the handling and processing of employee applications. Requires the Parish Manager or his designee sign and approve DFSP applications for households containing DSS employees. DSS employees cannot issue an EBT card for or process their own DFSP case, a DFSP case for family members, or a DFSP case for which they are the authorized representative. These DFSP cases must be kept in a special file separate from other cases with access allowed only by the Parish Manager or his designee.

- Requires that the disaster application worksheet be completed for every DFSP case unless ineligibility can be determined without it. EB-2298 issued September 2005 for Hurricane Rita revised policy to state that a disaster application worksheet was required for each DFSP application.

- To insure the integrity of any future DFSP program, the OFS Division of Quality Assurance (DQA) will monitor each disaster site during the entire DFSP timeframe. Responsibilities include monitoring the process and procedures for completed DFSP applications and application worksheets, EBT card stock reconciliation, and returned DFSP EBT cards.

- The Department is currently reviewing the applications of all DSS employees who received DFSP benefits. The reviews are being conducted by staff from within the OFS Division of Quality Assurance. In accordance with Federal Regulations (7 USC 273.18), all DFSP recipients, including employees, who are determined to have received ineligible benefits are being required to repay the Agency. Where warranted, other steps are being pursued, such as disciplinary action, disqualification for benefits and referral for consideration of criminal charges. These reviews are currently ongoing.

- Please note that prior to Hurricanes Katrina and Rita, the Agency had a data match established for DSS employees who applied for DFSP reflecting the Department's planning for and commitment to program integrity.

Please advise if further information is needed.

Sincerely,

Veda B. Emerson

for Adren O. Wilson
Assistant Secretary

AOW/DDS/LP

cc: Ann Silverberg Williamson
Lisa Woodruff-White
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KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
SECRETARY

March 2, 2007

Mr. Steve J. Theriot, CPA
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RE: TANF: Destroyed Records and Noncompliance with Program Requirements

Please refer to your letter of February 13, 2007, regarding audit findings of the Department of Social Services' Temporary Assistance to Needy Families (TANF) part of your Single Audit of Louisiana. Your findings address Destroyed Records and Noncompliance with Program Requirements.

Listed below are our responses to the audit findings:

- We concur that case records and/or documentation was not available for eight of the 30 client cases selected for the first test group and two of the nine cases selected for the second test group, all due to hurricane damage. The destruction wrought by Hurricanes Katrina and Rita was unprecedented. The widespread damage could not have been predicted, and the agency should not be considered negligent in the way records were stored, or responsible for any stored documents. As noted in your report, the United States Department of Health and Human Services approved our request to destroy hurricane damaged files.

    - The most effective available preventive measure to insure files are not lost in the event of another catastrophe would be to store all documentation and files on a backed-up computer file. Converting everything to computer files by scanning documents and creating new systems to hold all case information would be extremely costly and time consuming, so this cannot be accomplished immediately, but the agency is exploring this option.

- We concur with 16 of the 17 exceptions noted in the review of 29 contract payments. We do not concur with the following:

    - CFMS #635930, Contract for Transportation Services. The contractor could not produce the sign in sheets to support services provided during the audit review month, as all documentation was lost in a fire. The contractor did provide a police report verifying the fire. As these records no longer exist, the agency should not be held accountable for the questioned costs of $7,514.

      Additional Note: Although we now concur with the finding on CFMS #633259, Contract for Teen Pregnancy Prevention services, we are continuing to review the cited discrepancies between the sign-in sheets and the invoices. This finding was added after the preliminary findings were submitted for our review, and because of the volume of documents involved, we cannot complete a thorough review in time to meet the audit response deadline.

- We concur with the two questioned expenditures totaling $572 found in the seven transactions reviewed in the agency's Memorandum of Understanding with sister agency Office of Community Services.
- We concur that ineligible benefits totaling $740 were issued due to inaccurate reporting of household composition and income by an agency employee. The Fraud and Recovery Section is pursuing recovery of these ineligible payments. The employee resigned her position and Executive Management did not pursue prosecution. No further corrective action is necessary.
- We concur that in 12 of the 15 cases reviewed, required data items on the ACF-199 TANF Data Report were incorrect.

The agency acknowledges the seriousness of the audit's findings. To improve our overall operation of the TANF Program, specifically in the area of contract accountability, the agency has or will take the following action to address the deficiencies cited:

- Recoupment has either been completed or is in process to recover questioned costs on the 15 of 17 contracts where we concur with the findings. When the review of the Teen Pregnancy Prevention contract is completed, recoupment will be pursued if appropriate.
- The Office of Community Services adjusted a subsequent invoice to refund the cited overpayment of $572.
- Following compilation of contractual audit findings for the last several years, training was conducted for all Contract Managers to review and discuss all findings. Pertinent contract regulations were reviewed, and staff discussed how to insure proper application of regulations, policy and procedures needed to avoid future findings in these areas.
- In addition, a list of "Contract Assurances" was developed for the Contractors' signatures and inclusion in the contract documents. The list specifies contract regulations and procedures that have been problematic in the delivery of services or in the reimbursement process. Contract Managers will be required to review and discuss these assurances with all Contractors.
- As Corrective Action on reporting deficiencies, all items that were originally incorrect on the ACF-199 have been corrected, and those months with corrections have been retransmitted to ACF. System programming logic has been corrected to assure accurate population of correct codes in the items in question on the report

Please advise if further information or explanation is needed.

Sincerely,

Veda B. Emerson

for Adren O. Wilson
Assistant Secretary

AOW/DDS/LP

c: Ann Silverberg Williamson
Lisa Woodruff-White
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Bridget Depland
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SECRETARY

February 16, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Food Stamp Cluster:
Destroyed Records and Ineligible Benefits

Please refer to your letter of February 13, 2007, regarding audit findings of the Department of Social Services' Food Stamp Cluster part of your Single Audit of Louisiana. Your findings address Destroyed Records and Ineligible Benefits.

We concur that case records and/or documentation was not available for four of the 30 client cases selected for testing due to hurricane damage. The destruction wrought by Hurricanes Katrina and Rita was unprecedented. The widespread damage could not have been predicted, and the agency should not be considered negligent in the way records were stored, or responsible for any stored documents. As noted in your report, the United States Department of Agriculture, Food and Nutrition Services approved our request to destroy hurricane damaged files.

The most effective available preventive measure to insure files are not lost in the event of another catastrophe would be to store all documentation and files on a backed-up computer file. Converting everything to computer files by scanning documents and creating new systems to hold all case information would be extremely costly and time consuming, so this cannot be accomplished immediately, but the agency is exploring this option.

We also concur that ineligible benefits totaling $2,796 were issued due to misrepresentation of household circumstances in a case involving an agency employee and a relative. The Fraud and Recovery Section is pursuing recovery of this overpayment. Termination of the employee was recommended, but the individual resigned before any action could be taken.

Please advise if further information is needed.

Sincerely,

Veda B. Emerson

for Adren O. Wilson
Assistant Secretary

AOW/DDS/LP

c: Ann Silverberg Williamson
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April 10, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

The Office of the Legislative Auditor recently completed an audit of the Department of Social Services, Office of Family Support, Support Enforcement Services' program. In this audit, the agency was sited for several deficiencies to which the agency agrees.

The following corrective action measures are being instituted to address Support Enforcement Services' non-compliance with certain federal program requirements in administering the Child Support Enforcement program.

- In response to SES' failure to have sufficient controls in place to ensure expenditures being processed for payment are supported by adequate documentation and adequately reviewed, SES will institute the following procedures which would allow the person approving the invoice to subsequently approve payment.

    - The Family Support Program Director for Field Operations will review invoices with supporting documentation sent from ACS to SES State Office. The Clerical Supervisor will enter the payment into Integrated Statewide Information System (ISIS) and provide a copy of the invoice along with the supporting documentation to the Contract Unit Supervisor for final ISIS approval.

    - Currently, the Support Enforcement District Managers (SEDM) must review contract district attorney invoices for accuracy and approve the invoice prior to submittal to State Office for payment within 30 days of receipt. If correction or further information is required, the submitting vendor would be notified. Any disputed charges may be deducted from the invoice until cleared. In the future, the SEDM will be responsible for ensuring that supporting documentation accompanies any invoices to be approved for payment at the District Office level.

    - The Family Support Program Director for Administration will be responsible for Invoices submitted by Louisiana District Attorney's Association (LDAA). The invoices and the supporting documentation will be collected by the Contract Unit. Once this information is received and reviewed, the Director will authorize payment. The Contract Unit will ensure that the necessary data is entered into the

Integrated Statewide Information Systems (ISIS). Regarding the overpayment noted in the audit, LDAA paid the entire amount due.

- In response to medical support deficiencies, SES has implemented medical only caseloads to ensure proper enforcement of medical support orders. Our current Quality Control Self-Assessment reviews reflect an increase in our efficiency of securing and enforcing medical support.

- To enhance the response time to the initiating state agency in reference to advance notice of formal hearings that may result in establishment or adjustment of an order, the agency will take advantage of its existing case review process. However, the review will be slanted in order to target the deficiencies.

- In response to notifying initiating states timely upon receipt of new information, the agency will use its case review process to improve response time when supplying the initiating state with new information.

Robbie Endris, Executive Director, will assume responsibility for corrective actions. We anticipate total implementation will occur within the next six to eight months.

If you have any questions, please contact Robbie Endris at (225) 342-4780.

Sincerely,

Veda B. Emerson

for Adren O. Wilson, Assistant Secretary
Office Family Support

Cc: Ann Silverberg Williamson
Lisa Woodruff White
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KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
SECRETARY

October 18, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Child Support Escrow Fund Not Reconciled

We concur that the Department is not reconciling the Child Support Escrow Fund to the client accounts on a periodic basis.

Reconciliation of this account continues to be a priority for Division of Fiscal Services staff. Exhaustive efforts have been put forth continuously since March 2004. Even though some staff assigned to work on this project must maintain other duties assigned to them, there has been no lack of effort toward this audit finding. In point of fact, the Division of Fiscal Services has dedicated one employee totally to this project. Staff continue to work with RedMane Technology and a draft reconciliation process has been developed. The reconciliation is still in test mode and has not been put into full production because of problems encountered.

Although all of the problems with the draft reconciliation have not been resolved, we have experienced some success by reconciling two months of fiscal year 2005. Roadblocks appeared as we attempted to reconcile the third month and we are working to surpass them. We believe that we have an acceptable reconciliation process and we are eager to share it with your staff soon.

As stated before our goal is to accurately reconcile client accounts on a monthly basis. Regrettably, we have not done so by now and cannot at this time pinpoint a definite time for completion. Our best efforts will be put forth to resolve this finding by the end of this fiscal year.

You may contact me at 342-0863 if you need any additional information.

Sincerely,

CHlockett

Cathy H. Lockett, Director
Division of Fiscal Services

c: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Bridget Depland
Adren Wilson

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KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
SECRETARY

March 16, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Control Weaknesses Over the LaCarte Purchasing Card Program

We concur that DSS did not follow state and department control procedures relating to the LaCarte Purchasing Card Program. The weaknesses cited were due to non-adherence to existent control procedures by field staff and supervisors. Our corrective action plan will require accountability from these personnel.

As noted in your finding, DSS has policies and procedures in place that establish proper controls for the utilization of the LaCarte Card. The DSS policies and procedures designate responsibility for ensuring accountability and adherence to the usage of the card by the cardholder supervisor. Therefore, cardholders and supervisors must be accountable for enforcement of the responsibilities set forth in policies.

In an effort to strengthen controls and accountability of cardholders and supervisors, the following changes in policy and procedure are proposed by the Division of Support Services LaCarte Compliance Section by June 30, 2007:

- Increased unannounced routine random reviews of cardholder records
- Monthly compliance reviews of cardholder transactions
- Implementation and submission of a corrective action plan by cardholders for noncompliance of required internal control procedures.
- Implementation of the following notification announcements of noncompliance of required internal control procedures for up to four violations.

    A. **First Offense:** Notify cardholder and supervisor of infractions and request a corrective action plan.
    B. **Second Offense:** Notify cardholder, supervisor and Assistant Secretary of infractions and request a corrective action plan.

C. **Third Offense:** Notify cardholder, supervisor and Assistant Secretary of infractions and request a corrective action plan.

D. **Fourth Offense**: Submit notification to Assistant Secretary and copy to cardholder and supervisor of infractions and recommend cancellation of cardholder's card.

If further information is required, please contact Theresa Seal at 342-1005.

Sincerely,

Cathy H. Lockett, Director
Division of Fiscal Services

c: Ann Silverberg Williamson
Lisa Woodruff-White
Terri Ricks
Bridget Depland
Paulette LaBostrie

KATHLEEN BABINEAUX BLANCO
GOVERNOR

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ANN SILVERBERG WILLIAMSON
SECRETARY

November 3, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Unlocated Movable Property

We concur that the Department reported approximately $1.2 million of unlocated movable property. We concur that as of the date of your review $177,421 was scheduled to be removed from property records if not found by the end of state fiscal year 2007.

The Department is in compliance with Louisiana Revised Statue 39:325, which requires that an annual inventory of movable property be conducted. DSS also complies with Administrative Code 34.VII.313 in that efforts are made to locate movable property which has not been previously located. Our efforts to locate missing property are conducted on an ongoing basis.

Since the completion of your audit, staff have already located some of the items scheduled to be written-off at the end of state fiscal year 2007. As of October 20, 2006, the amount scheduled to be removed if not located within the next year in the Office of Family Support (OFS) is $11,097, down from $12,329. In the Office of Community Services (OCS) the amount scheduled to be removed is $61,190, down from $64,126 cited in the audit finding.

In addition, staff have located other missing property since the time of your audit. The Office of the Secretary has located missing property totaling $42,410; the OCS has located approximately $10,719.

Further evidence to substantiate the assertion that our efforts to find missing property are ongoing is revealed in that at the beginning of SFY 06, the amount scheduled to be written off at the end of the fiscal year was $492,145. However, the actual amount written-off was $391,263 when the write-offs occurred at the end of the fiscal year.

The OS/OMF Property Manager has functional authority to provide leadership and assistance to all property managers in each DSS office. She will work to ensure that all agencies coordinate their efforts to locate missing property throughout the Department. This will be accomplished through regular meetings with all property managers as well as sending missing property reports for all agencies to each office. Upon completion of the inventory, an updated list will be sent out for an additional search before the inventory is certified.

DSS Executive Management and Property Managers understand the responsibility to safeguard the tangible assets of the Department that have been purchased with public funds. We especially understand our responsibility to protect sensitive information that could be housed on our computers and/or computer-related equipment. To this end we will continue to issue Executive level edicts to locate property and support the efforts of our Property Managers as they lead us in administering internal controls established for correct handling of state property.

If you need any additional information, you may contact me at 342-4247 or clockett@dss.state.la.us

Sincerely,

Clockett

Cathy H. Lockett, Director
Division of Fiscal Services

C: Ann Silverberg Williamson
Lisa Woodruff White
Terri P. Ricks
Bridget Depland
Adren O. Wilson
Marketa G. Gautreau
James Wallace
Karen Lord
David Sigue
Debbie Johnson
Claire Hymel

KATHLEEN BABINEAUX BLANCO
GOVERNOR

State of Louisiana
Department of Social Services
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ANN SILVERBERG WILLIAMSON
SECRETARY

March 13, 2007

Mr. Steve J. Theriot, CPA
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Vocational Rehabilitation: Weaknesses Over Program Expenditures

Please refer to your letter of March 8, 2007 regarding an audit finding of the Department of Social Services' Vocational Rehabilitation Program part of your Single Audit of Louisiana. Your finding addresses weaknesses over program expenditures.

We concur that five of 25 (20%) of the client expenditures tested were considered either improper or unsupported. A review of the case records by LRS staff revealed that the five (5) cases cited in the audit did reveal errors whereby staff either failed to follow agency policy and/or procedure; or there was a need for clarification of the existing guidelines to ensure understanding of the procedure by staff.

As a result of this audit, and in an effort to improve the overall operation of the LRS program, the agency will enact the following corrective actions.

- The Guidance and Technical Assistance Manual will be revised to provide clarification and standardization on the placement of mileage calculations for transportation payments to consumers in the AWARE case management system. In addition, an in-service training will be provided to agency staff emphasizing the need to fully explain, in either the case notes or on the IPE, how mileage is calculated in setting up transportation payments. Claire Hymel and Roseland Starks will be responsible for this correction action which will be completed by July 1, 2007.

- In regards to the case cited for failure to cancel outstanding transportation costs when the consumer withdrew from school, LRS is in the process of requesting overpayment reimbursement from the Consumer. If the agency is unsuccessful in obtaining this overpayment, these funds will be recouped from any future payments. In addition, an in-service training will be provided to agency staff emphasizing the necessity of canceling outstanding services when a consumer ceases participation in LRS services. Claire Hymel and Stephen Johnson will be responsible for this correction action which will be completed by July 1, 2007.

- The Guidance and Technical Assistance Manual will be revised to require that bookstore charges are "itemized" and receipt of items are verified by the consumer prior to the Counselor authorizing payment. In addition, in-service training will be provided to LRS staff advising them of this requirement. Claire Hymel and Roseland Starks will be responsible for this corrective action which will be completed by July 1, 2007.

- In-service training on the agency's regulations for full and part-time training will be conducted. The need for staff to follow established agency guidelines when providing training services to consumers will be emphasized in this training. Claire Hymel will be responsible for this corrective action which will be completed by July 1, 2007.

- LRS has obtained the counselor's signature on the IPE cited in the Legislative Audit findings. In addition, the consumer has signed a standard agency invoice verifying that he received the books and supplies in question. Finally, in-service training will be provided to the staff advising them of this requirement. Claire Hymel and Roseland Starks will be responsible for this corrective action which will be completed by July 1, 2007.

If you have any questions, or need additional information, please contact Claire Hymel at (225) 219-2231 or chymel@dss.state.la.us.

Sincerely,

James Wallace
LRS Director
/cmh

cc: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Bridget Depland
Cathy Lockett
Claire Hymel
Roseland Starks
Floyd Roule
Stephen Johnston

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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

January 5, 2007

Steve J. Theriot, CPA
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Noncompliance with Federal Property Regulations

We concur that the percent of federal participation was not recorded in the Louisiana Property Assistance Agency (LPAA) system on four items acquired and/or transferred to Office of Management and Finance in state fiscal year 2006 due to non-adherence of existent internal procedures or the need to expand existent procedures.

Procedures with our OM&F Property Manager and IS Property Coordinator have been re-examined and modified to include the following:

INTERIM ACTIONS

- All agency Property Managers will be required to routinely audit all inventoried items entered in LPAA for federal participation percentage adherence.
- Support documentation submitted to OM&F Property Manager for input into LPAA not having IS Property Coordinator signature will be returned.
- Agencies Property Managers will be required to enter federal participation percentage in LPAA prior to transferring property to OM&F.

COMPREHENSIVE CORRECTION

- Establish an interagency workgroup by June 30, 2006 to review and revise operating procedures to assure complete and consistent administration of cost allocation within the property program.

We believe that the corrective action that has been implemented will ensure that all property with federal funds will be identified and consistently documented in the LPAA Protégé System.

If additional information is needed or if you would like details of the procedural changes mentioned above you may contact Paulette Porter LaBostrie at 342-1875 or pporter@dss.state.la.us

Sincerely,

Terri Porche Ricks, Undersecretary

cc: Ann S. Williamson
Lisa Woodruff-White
Duane Fontenot
Bridget Depland
Paulette P. LaBostrie
Cathy H. Lockett

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ANN SILVERBERG WILLIAMSON
SECRETARY

January 5, 2007

Steve J. Theriot, CPA
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Overpayments to Terminated Employees

We concur that 11 employees within the Department of Social Services were overpaid after their official termination date because the terminated employees' supervisors did not notify Human Resources in a timely manner so that they would be terminated in the ISIS-Human Resources system. However, for one terminated employee within the Office of Family Support the terminated employee's supervisor did notify HR in a timely manner but HR failed to process the separation within allowable timeframes.

Most separations mentioned in the Auditor's Report were related to or at the time of the Katrina/Rita disasters. Because of employees' inability to communicate with their respective offices due to lack of functioning telecommunication devices, closures, relocations, furloughs and staffing problems, it was not possible to abide by the requested two-week advance notice prior to the effective date of the personnel action (separation). While our Human Resources Section worked closely with the affected offices to minimize problems, the disasters' impact on individuals and operations was so extensive that some overpayments occurred. Upon discovery, immediate action was taken to recoup the overpayments from the employees.

Since the Katrina/Rita disaster, the Department has identified in its current DSS Continuity of Operations Plan, procedures for maintaining essential Human Resource functions during and following a disaster. Additionally, current practice requires supervisors to notify Human Resources immediately upon an employee's termination, as suggested by the Audit Report.

The corrective actions proposed by the department are as follows:

- Formally issue a DSS departmental memorandum, by January 31, 2007, to all staff informing them of the standard procedure and importance of timely reporting of separation actions.
- We plan to formalize our current practice, by June 30, 2007, by developing and implementing a DSS-wide separation and exit interview policy, process and form that will list detailed instructions on the proper procedure for timely reporting separation actions. Further it will provide a uniform process and forms.

Reimbursements above the outstanding balances noted in the Auditor's Report have been recovered. However, full reimbursement will require legal assistance and we believe the cost of legal proceedings will exceed the value of the pending outstanding balance. Therefore, the department will not continue to seek reimbursement. The current outstanding balance is $481.61.

We believe that the corrective action that has been implemented will ensure that Human Resources are immediately notified of an employee's termination so that overpayment to terminated employees does not occur.

If additional information is needed or if you would like details of the procedural changes mentioned above you may contact Wanda Raber at 342-6709 or wraber@dss.state.la.us

Sincerely,

Terri Porche Ricks, Undersecretary

cc: Ann S. Williamson
Lisa Woodruff-White
Wanda Raber
Adren O. Wilson
Bridget Depland
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Cathy H. Lockett

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KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
SECRETARY

November 3, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Access to Electronic Data Processing Not Properly Restricted

We concur that 3.5% of active AFS user IDs and 3.2% of active AGPS/CFMS user IDs were assigned to individuals who had terminated, resigned, retired, or transferred to another agency or no longer had a business need. Your finding acknowledges that DSS has written policy (Policy 1-13) which provides for the timely deletion of user ID codes to ensure integrity of the systems.

On the date of this letter, DSS had over 1,800 active user IDs. Whereas we do not intend to minimize the finding and we understand that the presumption is that the sample is indicative of the whole, we believe that the percentage of occurrences is low for a Department as large as ours.

The OMF Division of Support Services will implement additional controls to ensure compliance with Departmental policy, which requires timely deletion of user IDs. The Division of Support Services will assemble liaisons from each office each month. They will work as a team to review Separation Reports and Active Employee Listings for each office assuring that user IDs are promptly de-activated for employees who resign, retire, transfer or no longer have a business need. Through this collaboration, the occurrence of untimely deactivation of user IDs should be eliminated.

If you need additional information, you may contact Karen Lord, Acting Assistant Director, Division of Support Services at 342-4157.

Sincerely,

CHlockett

Cathy H. Lockett, Director
Division of Fiscal Services

C: Ann Silverberg Williamson
Lisa Woodruff White
Terri P. Ricks
Bridget Depland
Karen Lord

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KATHLEEN BABINEAUX BLANCO
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February 27, 2007

Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Control Weakness Over Refunds

Dear Mr. Theriot:

We concur in part that the DSS does not have adequate procedures to monitor refunds from vendors to ensure that full refunds are received.

Checks are received and deposited by the Division of Fiscal Services. Fiscal Services was notified that a refund was forthcoming and an estimated refund amount was provided prior to receipt of the check. However, because the amount provided was identified as an estimate, the amount of the check was not questioned.

The vendor has refunded $24,600 of the $29,361.86 owed at the time of your review. This leaves a balance of $4,761.86 still owed to DSS. Communication with the vendor and DSS IT staff on February 23, 2007 revealed that they are still working together to identify the correct purchase order to which the balance of the refund should be applied.

The Division of Fiscal Services will examine current practices associated with the receipt of refunds to determine to what extent current procedures should be changed.

Sincerely,

CHLockett

Cathy H. Lockett, Director
Division of Fiscal Services

C: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Bridget Depland