

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Social Services  
State of Louisiana  
Baton Rouge, Louisiana

March 22, 2000



***Financial and Compliance Audit Division***

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**DEPARTMENT OF SOCIAL SERVICES  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

**Management Letter  
Dated February 3, 2000**

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, New Orleans, and Shreveport offices of the Legislative Auditor.

**March 22, 2000**



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February 3, 2000

**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, 1999, we conducted certain procedures at the Department of Social Services. Our procedures included (1) a review of the department's internal control; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior year report recommendations.

The Annual Fiscal Report of the Department of Social Services was not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance 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 an opinion.

Our procedures included interviews with selected management personnel and other selected departmental personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report for the year ended June 30, 1998, we reported findings concerning inadequate controls over receipts, inadequate controls over accrual and use of compensatory leave, noncompliance with cash management improvement act - excess federal funds, inadequate controls over movable property, inadequate monitoring of subrecipients, inadequate controls over Foster Care program, inadequate controls over Vocational Rehabilitation Grants to States program, inadequate controls over Temporary Assistance to Needy Families program, and failure to perform cost allocation samples timely. The findings concerning inadequate controls over accrual and use of compensatory leave, noncompliance with cash management improvement act - excess federal funds, inadequate controls over Temporary Assistance to Needy Families program, and failure to perform cost allocation samples timely have been resolved and are not repeated in this report. 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 report for management's consideration.

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#### **Inadequate Monitoring of Federal Subrecipients and State Contractors**

For the sixth consecutive year, the Department of Social Services (DSS) does not have an adequate monitoring system to ensure that federal subrecipients and social services contractors are audited in accordance with federal and departmental regulations. Furthermore, the department does not have an adequate monitoring system to ensure that subrecipients receiving federal funds comply with applicable federal regulations. Office of Management and Budget (OMB) Circular A-133 requires the department to ensure that each subrecipient expending federal pass-through funds totaling \$300,000 or more has an annual audit. OMB Circular A-133 also indicates that a pass-through entity is responsible for notifying each subrecipient of federal award information and applicable compliance requirements, monitoring each subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements, and ensuring that the subrecipient takes prompt corrective action on any audit findings. Departmental policy, established in accordance with Louisiana Administrative Code 34:V:134, requires state contractors that receive \$100,000 or more in state funds to have a financial and compliance audit performed in accordance with *Government Auditing Standards*.

A review of the department's monitoring function disclosed the following:

1. The department does not have reliable procedures in place to ensure the proper identification of subrecipients.
  - Eleven of 46 contracts (24%) examined were identified as federal subrecipients by the department even though the contracts were 100% state-funded.
  - The department failed to make a determination and enter into its tracking system two contracts totaling \$4,538,341.
  - The department was unable to properly prepare the "Schedule of Non-State Subrecipients of Major Federal Programs" for its annual fiscal report as required by the Division of Administration, Office of Statewide Reporting and Accounting Policy.
2. Fourteen of 29 subrecipients (48%) examined were not adequately monitored by the department.
  - The department did not perform monitoring procedures for 11 of the subrecipients.

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- . The department did not receive an audit report for three of the subrecipients and was unable to locate one audit report that was recorded as received.
  - . The department failed to monitor findings in the Single Audit Report for the State of Louisiana for three subrecipients.
  - . The department failed to timely inform 11 subrecipients of the department's decision on the monitoring and/or audit findings and did not ensure timely corrective measures were taken by the subrecipient.
3. Four of 20 subrecipients (20%) examined were not properly notified of the federal award information.
  4. The department often does not contact contractors with multi-year contracts until the end of the contract to determine whether an audit is required in accordance with federal or departmental regulations.

Failure to ensure that federal subrecipients and state contractors receive audits and/or are monitored in accordance with state and federal regulations increases the risk that contractors will not expend federal financial assistance and/or state funds in accordance with applicable laws and regulations. A letter dated July 20, 1999, from the U.S. Department of Health and Human Services states, "Any costs incurred by a subrecipient that has not been appropriately monitored by the prime recipient may be treated as unallowable costs." Accordingly, questioned costs for the federal subrecipients noted above are \$3,070,225.

DSS should ensure that federal subrecipients and state contractors are properly identified and are audited and monitored as required by federal and departmental laws and regulations. Three offices of DSS responded to the finding (see Appendix A, pages 1-6). The Office of Management and Finance (OM&F) did not concur that the department does not have reliable procedures to ensure the proper identification of subrecipients. OM&F agreed that some state-funded contracts were erroneously entered into the tracking system as federal subrecipients, but points out that the requirement for an A-133 audit is based on the entity as a whole, not by contract. OM&F did concur that the "Schedule of Non-State Subrecipients of Major Federal Programs" was not prepared properly but did not provide a plan of corrective action. The Office of Community Services and the Office of Family Support concurred with finding and have either started or have already implemented corrective action plans to address their issues.

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**Additional Comments:** We agree that the requirement for an A-133 audit is based on an entity as a whole, not by contract. However, we fail to understand the use of a tracking system that contains known erroneous information. Furthermore, the department will continue to experience problems with preparing a reliable "Schedule of Non-State Subrecipients of Major Federal Programs," as required by the Division of Administration, as long as the tracking system contains errors and omissions.

#### **Inadequate Control and Insufficient Corrective Action Regarding Vendor Reimbursements**

DSS, Office of Community Services (OCS), has not established adequate internal control over the vendor reimbursements processed through its Transaction, Information, and Payment System (TIPS) to ensure that assets are safeguarded against loss or theft. In addition, the department took insufficient and untimely actions in determining the magnitude of misappropriated assets. An adequate system of internal control should include the proper segregation of duties, an effective review function, and appropriate control procedures to ensure the safeguard of assets.

#### **Control Weaknesses**

Interviews of the OCS staff at the state and regional (East Baton Rouge Parish) levels disclosed the following:

- Inadequate segregation of duties exists in the Foster Care-Title IV-E program. Caseworker assistants are allowed to shop for the children and also have the capability to input requests for vendor reimbursements (TIPS 212).
- Inadequate review and approval procedures exist for the TIPS 212 documents and the service authorizations. TIPS is not designed for on-line approvals; therefore, supervisors must manually approve all TIPS 212 documents and service authorizations. Caseworker assistants then input all information into TIPS. Input validation procedures at the parish/regional office level do not include a comparison of input to source documents to ensure that all transactions were properly authorized.
- Inadequate security and accountability over the TIPS 212 documents exist at the parish/regional office. The TIPS 212 documents are stored in the supply room with open access to all parish/regional employees. There is no

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accounting for the numerical sequence of the TIPS 212 documents.

- OCS does not require the foster parent to sign an itemized invoice acknowledging receipt of purchases on behalf of the foster child.
- Before August 1999, OCS did not require vendors to identify OCS employees by their state identification cards before purchases. Even though the new policy requires employees to present state identification cards, OCS does not notify vendors of employees that are authorized to purchase goods on behalf of the department.
- TIPS does not provide adequate preventative measures, such as computer-generated warnings, reports, or rejection edits, to prevent overspending of maximum allowances in certain client service codes.
- In January 1999, the department's Office of Management and Finance (OMF) transferred the TIPS 212 review function to OCS in an effort to improve the effectiveness of the function. However, this reassignment created a lack of segregation of duties within the OCS Information Management Unit. This unit is now responsible for authorizing, entering, and reviewing TIPS transactions, as well as authorizing TIPS computer program changes, testing and user sign-off, addition or modification of provider records, addition of worker records, and modification of security access.

#### **Insufficient Corrective Action**

Failure to establish adequate internal controls resulted in the alleged misappropriation of assets and falsification of department documents by two caseworker assistants who were responsible for shopping and inputting TIPS 212 documents. Interviews of OCS management disclosed the following:

- OCS management failed to adequately address and timely implement corrective action. OCS now requires employees to identify themselves to vendors using their state identification card before purchases. This corrective action was implemented in August 1999, nearly one year



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after the discovery of the alleged fraud. Furthermore, the transfer of responsibility for reviewing the TIPS 212 from OMF to OCS to improve the effectiveness of the review function was not made until three months after the discovery.

- OCS management failed to assess the risk and magnitude of the alleged theft. The department did not expand the investigation to determine the time frame or full dollar amount of the misappropriations. Instead, the department sought only to support a personnel action for dismissal for cause. In addition, the department did not determine if other employees of the East Baton Rouge Parish office or other OCS offices had perpetrated similar abuses.
- OCS management failed to notify and request assistance from either the Fraud and Recovery or the Internal Audit sections within the department to investigate the alleged theft at the East Baton Rouge Parish/Regional office.
- OCS management failed to seek restitution from the employees involved in the alleged theft. Based on information provided by the supervisors, the internal investigation disclosed \$5,365 in questionable transactions. According to the department's legal counsel, the matter has been referred to the District Attorney's Office.
- OCS management failed to determine the funding sources of the fraudulent transactions and refund the federal government its portion of the costs. Questioned costs have been identified as follows: Foster Care - Title IV-E (CFDA 93.658), \$1,884; Family Preservation and Support Services (CFDA 93.556), \$1,493; and Social Services Block Grant (CFDA 93.667), \$226.

These conditions occurred because management did not adequately assess risk in Foster Care and TIPS program operations and develop policies and procedures that would reduce that risk to an acceptable level. Management also did not address control weaknesses in a timely manner when those weaknesses were discovered.

DSS should adequately assess areas of risk in the operation of each program, then establish and implement internal control procedures to ensure that department employees comply with all established regulations and that

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department assets are safeguarded from loss or theft. Management should take timely action to re-assess risk and change those procedures when control weaknesses are identified. Management concurred with the "Control Weaknesses" portion of the finding and outlined plans of corrective action. Management did not concur that insufficient corrective action was taken after discovery of the theft (see Appendix A, pages 7-13). Management noted that policy changes were delayed by several factors including, but not limited to, Y2K mandated initiatives, multiple concurrent legislative audit requests, and responses arising from the legislative session. Management considered its investigation of the caseworkers sufficient, with the likelihood of recoupment from the former employees to be remote. Further investigation, including identification of the total dollar amount misappropriated, is considered a criminal matter that can be handled by the district attorney.

**Additional Comments:** Although management has numerous responsibilities, management should strive to establish and implement internal control procedures in a timely manner to safeguard assets from future loss or theft when weaknesses in internal controls are identified. In addition, the department paid the two employees that misappropriated funds over \$4,000 in annual leave benefits upon their termination. Management should consider Louisiana Revised Statute 42:1461, which states that employees of state government are obligated not to misappropriate, misuse, or otherwise wrongfully take any funds under the control of the public entity in which they are employed. A breach of this obligation can give rise to an action in favor of the public entity for the recovery of any such funds and this action is prescribed by ten years, reckoning from the date the breach occurred.

**Noncompliance With the Cash Management  
Improvement Act Agreement**

DSS failed to comply fully with the Cash Management Improvement Act (CMIA) Treasury-State agreement. The following federal programs in the CMIA agreement are affected:

- State Administrative Matching Grants for Food Stamp Program (CFDA 10.561)
- Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126)
- Temporary Assistance for Needy Families (TANF) (CFDA 93.558)
- Child Care and Development Block Grant (CCDBG) (CFDA 93.575)

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- . Foster Care - Title IV-E (CFDA 93.658)
- . Social Services Block Grant (SSBG) (CFDA 93.667)

The CMA prescribes rules and procedures for timing the transfer of federal funds to states so that the amount of federal funds on hand is reduced to a minimum. State agencies are required to develop clearance patterns for programs covered by the agreement and to request federal funds based on those patterns. Clearance patterns are to be developed by tracking disbursements from issuance to bank clearance for a period of at least three consecutive months. The Treasury-State agreement specifies the federal programs, the specific components of each program (assistance or vendor payments, payroll, general administrative, et cetera), and the clearance patterns that will be used for each component. Based on the clearance pattern, a funding technique, which is a method of transferring federal funds to the state, is established.

Tests of compliance with the CMA agreement disclosed that clearance patterns have not been developed nor have the patterns been revised in a timely manner as required by 31 CFR 205.8. Furthermore, DSS has not transferred federal funds to the state in accordance with the funding techniques specified in the Treasury-State agreement.

#### **Development of Clearance Patterns**

- . The department developed a single clearance pattern for each of its computer subsystems, instead of developing a clearance pattern for each of its federal programs. The subsystem clearance pattern was then applied to the assistance component of each federal program that processed assistance payments through each subsystem. CMA Policy Statement Number 11 states, "A single clearance pattern could be applied to a group of programs serving similar recipients or to the vendor payments component of several different programs." However, there has been no verification by management that all of the programs within each subsystem serve similar recipients or vendors. Therefore, one clearance pattern may not represent actual payment activity of each of these programs.
- . TANF payments made through the JOBS Automated System during fiscal year ended June 30, 1999, no longer included child-care providers, a major component in the prior year. Management failed to develop a new clearance pattern as a result of this significant change as required by 31 CFR 205.7(c)(1).

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#### Use of Funding Techniques

- . The department cannot identify actual transactions within each subsystem to the various programs processed within the subsystem. The transfers of federal funds to the state were made based on an allocation of costs estimated by the department. The allocation was made by calculating a percentage of each program's costs to total expenditures, using internal records dated one to two months prior. The use of allocated cost, instead of actual cost, prevents the department from following the funding techniques established in the CMIA agreement. The affected programs and components include Foster Care - Title IV-E, SSBG, State Administrative Matching Grants for Food Stamp Program, TANF, and CCDBG for the payroll and administrative cost components and Foster Care - Title IV-E and SSBG for the assistance payments component.
- . The administrative costs component of the Rehabilitation Services - Vocational Rehabilitation Grants to States program should be drawn using the actual-at-fixed-intervals funding technique. This method allows a state to draw federal funds based on actual expenditures of the prior week. Draws were based on the actual and adjusted estimate funding technique.

Management of the department has not placed sufficient emphasis on compliance with the CMIA agreement. Failure to develop clearance patterns in a timely manner and failure to request federal funds in accordance with the Treasury-State agreement may result in the assessment of interest penalties payable to the federal government for the State of Louisiana.

DSS should establish and implement procedures to ensure that actual clearance patterns are developed for each program in accordance with the CMIA, should revise clearance patterns in a timely manner when there are significant changes to a program that could affect a clearance pattern, and should apply the correct funding technique when calculating federal draws. Management did not concur that its methodology used in developing clearance patterns violates CMIA policy; however, management did agree to develop a new clearance pattern as a result of significant changes in TANF payments (see Appendix A, pages 14-15). Management noted that each subsystem, with the exception of the Tracking Information Payment System (TIPS), represents a single federal program, and even though TIPS has various funding sources, this does not indicate that the recipients or vendors are varied. Management concurred in part with the comments on funding techniques and indicated that administrative expenditures are determined on a monthly basis and in accordance with the federally

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approved Cost Allocation Plan. In addition, management stated that the department has not paid any interest penalties for noncompliance with the CMIA agreement.

**Additional Comments:** We concur that the department may use various funding sources to provide services through TIPS to its Foster Care clients. However, management has not verified that all of the funding sources participate equally in providing such services. Furthermore, the department has failed to recognize that the Child Care and Development Block Grant transactions are also processed through TIPS. This federal program does not serve recipients or vendors that are similar to those of the other programs within TIPS.

Management did not respond to the audit comments on funding techniques that relied on the use of allocated costs instead of actual costs to request federal funds. Management indicated that administrative costs are funded using the Cost Allocation Plan. If this is the case, management should revise the CMIA Treasury-State agreement to indicate the actual method that is used and should request federal funds monthly.

Management noted that it has not paid any interest penalties for noncompliance with the CMIA agreement. However, the Division of Administration, Office of Statewide Reporting and Accounting Policy is responsible for payments of interest penalties to the federal government not the department.

#### **Ineffective Internal Audit Function**

DSS does not have an effective internal audit function to serve management by examining, evaluating, and reporting on its internal control, including electronic data processing, and evaluating its compliance with the policies and procedures of the control system. The department's Internal Audit Charter indicates that the professional standards outlined in the Statements on Internal Auditing Standards will be followed. The standards require that "the director of internal auditing should conduct an assessment of risks confronting the organization and should generally assign higher audit priorities to activities with higher risks." Good internal control requires that an effective internal audit function be in place to ensure that the department's assets are safeguarded and that policies and procedures are uniformly applied. A review of the internal audit function disclosed the following:

- The Internal Audit Plan states, "None of the EDP systems are included in the risk ranking." The department maintains 35 EDP side systems, which makes EDP a significant factor in the assessment of control risk.

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- . The Internal Audit Plan identified five risk factors to be used in assessing risk. Neither the risk of fraud nor the risk of misappropriation of assets was included within these five factors.
- . The Internal Audit Plan was not properly updated for fiscal year 1999. The current plan does not contain a complete and accurate listing of federal financial resources. In three instances, the audit plan did not reflect changes in the department's federal programs that occurred in prior fiscal years.
- . The Internal Audit Plan has not adequately addressed significant federal financial and compliance issues for the 31 federal programs administered by the department, which had federal program expenditures of \$465,710,371 and food stamp issuances of \$464,491,143 in fiscal year ended June 30, 1999. Since inception, the majority of internal audits were limited to areas such as Time and Attendance, Property Control, Fleet Management, Telecommunications, Violence in the Workplace, and Safety.
- . The department did not schedule or obtain an external review of its internal audit function, which is required by the Statements on Internal Auditing Standards at least once every three years. The internal audit function has been in operation for four years.

These conditions occurred because of limited auditor experience and the department's failure to properly use the internal audit function. Considering the size of the department (assets of \$59,136,867 and revenues of \$756,939,870), an effective internal audit function is needed to ensure that the department's assets are safeguarded and that department policies and procedures are uniformly applied.

DSS should take the necessary steps to ensure that its internal audit staff make EDP a significant factor in the assessment of risk, assess the risk of fraud or misappropriation of assets when determining audit assignments, update its audit plan, address significant federal financial and compliance issues of the federal programs administered by the department, and obtain an external review of its internal audit function. Management partially concurred with the finding and provided corrective action plans for some issues (see Appendix A, pages 16-17). Management agreed that the EDP systems should be audited and will seek additional training in this area. Management also agreed to schedule an external review of its internal audit function. Management did not concur with the audit comments concerning risk assessment and stated that internal auditors use five factors to assess risk. Management also stated that the risk of fraud and the risk of misappropriation of assets are outcomes of the risk analysis process, not

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factors to be considered in the risk analysis process. In addition, management noted that the changes to federal programs administered by the department would not have affected the audit work plan for fiscal year 1999 because changes to program descriptions are considered if and when programs are selected for audit.

**Additional Comments:** Two of the risk factors used by the internal auditors to assess risk are "reactive" in nature; one other risk factor considers the capabilities and/or resources of the auditing staff. Management should have an audit plan that identifies high risk areas so that audit assignments can be made on a "pro-active" basis. To address the risk of fraud during the risk assessment process, auditors should consider the Statement on Auditing Standards No. 82 (Consideration of Fraud in a Financial Statement Audit) issued by the American Institute of Certified Public Accountants.

The policy of adjusting the audit plan for federal program changes only when a program is selected for audit is another example of a "reactive" policy. New programs have a higher risk of audit concerns than do older, more established federal programs. This is emphasized by the federal government in Office of Management and Budget Circular A-133, section 525(d).

#### **Inadequate Control Over Vocational Rehabilitation Grants to States Program**

DSS, Division of Rehabilitation Services (LRS), did not maintain adequate internal control nor did it consistently adhere to its established procedures in the administration of the Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126) program. Office of Management and Budget Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs that provides reasonable assurance that the state is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

#### **Review of Internal Controls**

Interviews with LRS management and staff disclosed the following:

1. Management was unable to effectively monitor the program's obligations and expenditures for comparison to the budget. The LRS central office failed to perform oversight monitoring of the regional offices and, therefore, the regional offices did not timely enter obligations into the accounting (BRIS) system. Management's failure to adequately oversee regional office operations

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and the regional offices' failure to timely enter obligations caused an unexpected fiscal situation that required LRS to seek additional funding and to cut services to clients.

2. Management disclosed that three counselors (one in Monroe and two in Alexandria) served clients to which they were related. This situation could impede an impartial judgment of severity of disability and affect decisions on services that LRS should provide. Management should obtain an opinion from the Board of Ethics to determine whether this practice is a violation of Louisiana law.
3. There is a lack of segregation of duties in certain regional offices. Some rehabilitation counselors have incompatible duties in that they authorize services and have access to the BRIS system to both obligate the funds and process payments to service providers and clients.

**Review of Client Files**

- 29 USC 722(a)(5)(A) (Chapter 16-Vocational Rehabilitation and Other Rehabilitation Services) and LRS Policy and Procedures Manual, Section on "Eligibility and Ineligibility Decisions" require that eligibility be determined within a reasonable time not to exceed 60 days after application by client. An extension beyond the 60-day time frame requires the client's agreement. Two of 20 cases (10%) examined failed to document the extension of the 60-day determination and to obtain the client's consent to such extension. This exception has occurred for the second consecutive year.

These conditions occurred because management did not adequately monitor LRS program operations to ensure that employees followed established policies and procedures. Failure to follow established policies and procedures that have been developed in accordance with laws and regulations could result in unallowable or unauthorized payments and increases the risk of theft or fraud.

We acknowledge that LRS has begun implementation of corrective measures to address the weaknesses noted in this finding. These corrective measures should include detailed, written policies and procedures that allow for the proper and efficient administration of funds in accordance with all authorizing statutes. Management concurred in part with the finding and outlined plans of corrective action (see Appendix A, pages 18-21). Management maintains that there is



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proper segregation of duties between rehabilitation counsel or associates and rehabilitation counselors.

**Additional Comments:** Audit procedures disclosed that some rehabilitation counselors could authorize services, enter obligations, and process payments. Management should restrict BRIS access for counselors to reduce the risk that errors or fraud could occur and not be detected in a timely manner.

#### **Inadequate Control Over Temporary Assistance for Needy Families Program**

DSS, Office of Family Support (OFS), does not have adequate internal control to ensure compliance with grant regulations in the administration of the Temporary Assistance for Needy Families (TANF) (CFDA 93.558). OFS uses the TANF program funds to operate two programs titled "Family Independence Temporary Assistance Program" (FITAP) and "Family Independence Work Program" (FIND Work). Office of Management and Budget Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs that provides reasonable assurance that the state is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

The audit of the TANF program disclosed the following conditions:

- . In two of 31 cases (6%) examined, documentation was not sufficient to verify citizenship of the members of the client assistance unit (family). Title 8 USCS 1612 and 1613 require recipients of federal funds to be U.S. citizens or qualified aliens.
- . In nine of 31 cases (29%) examined, school attendance was not verified for school age children during the six months before re-certification or was not monitored monthly for children with excessive absences. Louisiana Revised Statute 46:231.3 and the TANF State Plan require recipients to provide documentation as part of the re-certification process that any school age child receiving payments has not been absent without cause from school for more than 15 school days during the previous six months. Where there are excessive absences, school attendance should be monitored monthly until attendance requirements are met.
- . In seven of 31 cases (23%) examined, the client did not meet the weekly minimum number of work activity participation hours or

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documentation in the FIND Work file and computer database (JAS) was not sufficient to make that determination. Also, documentation was not sufficient to determine if the case manager verified work activity hours. Mandatory work requirements are required by 42 USCS 607.

- In five of 31 cases (16%) examined, client information in the L'AMI database did not agree with the documentation in the client's FITAP file.
- In five of 31 cases (16%) examined, client information in the JAS database did not agree with the documentation in the client's FIND Work file and/or the L'AMI database. Data from JAS and L'AMI are used in preparing federal data and financial reports.
- The TANF PMS 272 financial report for the quarter ended March 31, 1999, for the federal fiscal year 1996-97 grant award was overstated by \$6,750,850. After notification of the error by the auditor in June, the accountant corrected the error on the PMS 272 for the quarter ended June 30, 1999.

These conditions can be attributed to insufficient emphasis on internal control by management and employees. Failure to establish and follow adequate control procedures can result in penalties for inaccurate data and financial reporting or ineligible recipients.

Management should require all employees to adhere to federal and state regulations and established procedures in the administration of the TANF program. Although management's response included some exceptions and comments, management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 22-26).

#### **Inadequate Controls Over Receipts**

For the third consecutive year, DSS does not have adequate controls over receipts to ensure that receipts are deposited immediately and properly recorded in the department's accounting records. Article VII, Section 9(A) of the Louisiana Constitution of 1974 requires that all money received by a state agency be deposited immediately upon receipt. In addition, a good system of internal control requires (1) the placement of a restrictive endorsement on checks upon receipt, (2) preparation of a daily log of funds received to ensure that all receipts are properly recorded in agency accounting records, and (3) proper segregation of duties so that no one employee is in a position to commit errors or fraud that

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would not be detected timely by another employee in the regular course of assigned duties.

The department does not have adequate procedures to ensure that all receipts are deposited promptly. All checks and money orders received in various locations of the department are not logged or restrictively endorsed upon initial receipt. Many checks and money orders are routed to other sections for review before they are sent to the revenue supervisor in the Office of Management and Finance for deposit. The revenue supervisor ultimately prepares a log of receipts. However, the revenue supervisor also restrictively endorses the checks and prepares the deposits.

These conditions occurred because the department has not placed adequate emphasis on internal control over cash receipts. Failure to establish adequate controls over receipts and deposits of funds increases the risk that receipts will be lost and such losses will not be detected in a timely manner by other employees in the normal course of regular assigned duties. Untimely deposits also result in lost interest for the state.

DSS should establish adequate controls over receipts to ensure that all receipts are deposited immediately and that all receipts are properly recorded in the accounting records. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 27-28).

#### **Inadequate Control Over Movable Property**

For the third consecutive year, DSS, Office of the Secretary, failed to maintain adequate internal control over movable property. The Louisiana Administrative Code 34:VII.307 requires that all acquisitions of qualified property be tagged and all pertinent inventory information be sent to the Louisiana Property Assistance Agency (LPAA) within 45 days of receipt of the property. Good internal control requires that adequate procedures be in place to ensure that (1) the acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records and (2) the amounts reported in the financial statements are materially correct. The test of movable property disclosed the following:

- . The movable property balance at June 30, 1999, according to the Annual Fiscal Report, is \$610,022 more than the projected balance according to the LPAA records at June 30, 1999.
- . Twelve of 24 items tested (50%) were not tagged and entered as new acquisitions in the LPAA system within 45 days of receipt.

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- Six of 48 items tested (12.5%) were not in the proper location according to the LPAA Master File Inventory Listing. The internal property transfer forms for the items were either not processed timely or not recorded in the LPAA system.

These conditions occurred because monthly reconciliations between department records and LPAA records were not performed to ensure accurate movable property records. Failure to maintain adequate internal control over movable property increases the risk that movable property is not accurately reported in the financial statements, movable property is not tagged timely, and information is not accurately reflected in the LPAA system.

DSS should ensure that monthly reconciliations between department records and LPAA records are performed. In addition, the department should ensure that the property control manager understands all of the position's required duties. Management partially concurred with the finding and recommendation and outlined plans of corrective action. Management concurred in part to the section of the finding related to items not tagged within 45 days of receipt. Management noted that a delay by LPAA in completing a property transfer document caused 10 of the 12 exceptions noted previously to exceed the 45-day requirement (see Appendix A, pages 29-31).

**Additional Comments:** According to Floyd Rector, LPAA Program Compliance Office Supervisor, items should be tagged within 45 days of receipt. If there is a delay in the completion of the property transfer document that prevents tagging of an item, management should contact LPAA.

#### **Untimely Eligibility Re-Determinations and Re-Certifications in the Foster Care Program**

For the third consecutive year, DSS, Office of Community Services (OCS), did not consistently adhere to its established procedures in the administration of the Foster Care - Title IV-E (CFDA 93.658) program. The U.S. Department of Health and Human Services Program Instruction #89-05 for the foster care maintenance program requires eligibility re-determinations every six months and requires that states be able to show that a child continues to meet the eligibility requirements. The OCS Program Policy Manual requires a re-certification study of each foster family home and specialized family foster home six months after the initial certification and annually thereafter. The audit of the Foster Care - Title IV-E program disclosed the following conditions:

- Two of 40 cases examined (5%) were not re-determined eligible for foster care within the six-month time frame. The two cases

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exceeded the six-month time frame by two months and nine months.

- Four of 40 foster homes or residential facilities (10%) were not re-certified within one year. Two of the homes or residential facilities exceeded the re-certification period by 7 months, while one home exceeded the re-certification period by 20 months. One home had no certification documentation in the file.

These conditions may be attributed to poor record-keeping practices, poor coordination between staff in processing documentation required to determine continuing eligibility, and an inadequate monitoring system to detect foster care homes that require re-certification. Failure to follow prescribed procedures could result in unallowable payments or the placement of clients in unsuitable or unsafe environments. The federal government could require OCS to reimburse the federal government for the federal share of payments made for ineligible children, foster homes, or residential facilities.

OCS should require all foster care workers to adhere to the established procedures by coordinating the timely dissemination and processing of documentation required for re-determining client eligibility and monitoring the timely re-certification of foster care homes. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 32-33).

#### **Child Support Enforcement Program - Untimely Obligation of Non-Custodial Parents**

DSS, Office of Family Support (OFS), did not consistently adhere to its established procedures in the administration of the Child Support Enforcement (CFDA 93.563) program. Title 45 CFR 303.4 requires the non-federal agency to use appropriate state statutes and legal processes in establishing the support obligation within 90 calendar days of locating the non-custodial parent. The audit of the Child Support Enforcement program disclosed that in three of 30 cases examined (10%), the service of process necessary to establish a support obligation was not completed within 90 calendar days of locating the non-custodial parent. One case took 446 days to begin the process to establish an obligation, while the other two cases took 282 and 666 days.

These conditions may be attributed to an inadequate monitoring system to detect when necessary actions are required on a case. Failure to follow prescribed regulations may result in children being without the proper support for extended periods of time and increased enrollment in welfare programs.

LEGISLATIVE AUDITOR

DEPARTMENT OF SOCIAL SERVICES  
STATE OF LOUISIANA

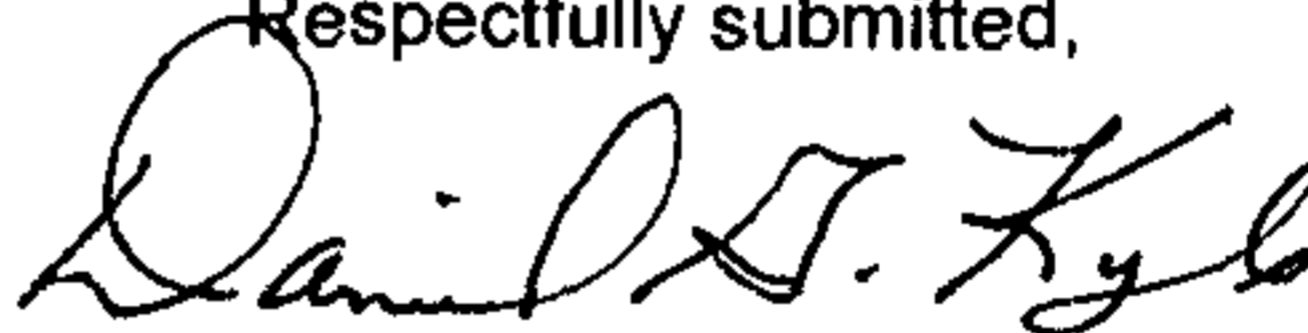
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OFS should immediately require all support enforcement staff to comply with the established regulations by establishing the support obligations or documenting the unsuccessful attempts to comply. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 34-35).

The recommendations in this report 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. The findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

MCF:ES:DSP:ss

[DSS]

## Appendix A

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



State of Louisiana  
Department of Social Services  
OFFICE OF MANAGEMENT AND FINANCE  
DIVISION OF FISCAL SERVICES  
ADMINISTRATIVE

M. J. "MIKE" FOSTER, JR.  
GOVERNOR

P. O. BOX 3927 - PHONE - 225/342-4247 FAX # 225/342-4220  
BATON ROUGE, LOUISIANA 70821-3496

J. Renea Austin-Duffin  
SECRETARY

January 6, 2000

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
1600 N. Third Street  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

RE: Inadequate Monitoring of Federal Subrecipients  
And State Contractors

Dear Dr. Kyle:

The Department of Social Services (DSS) concurs in part with above referenced finding. Our comments for each affected office are as follows:

**Office of Management and Finance (OM&F)**

We do not concur with the comments made. On May 28, 1996, we wrote your office requesting assistance on the revision of DSS Contract Clause No. 3 in anticipation of the pending OMB Circular A-133 revisions. No response was received, and a follow-up letter was sent on May 28, 1996. Finally, we received a response on July 9, 1996. Comment was deferred, and reference was made to two attached **PPC Nonprofit Update** publications. On November 13, 1996, a letter was sent to your office posing specific questions raised by the \$300,000 threshold and R.S. 24:513, the State Audit Law. On May 7, 1997, a letter was sent to your office about audit costs for audited cost reports, originally mandated by your office. On July 9, 1997, a letter was sent to you directly concerning the audit clause, alternative procedures, and audit costs for audited cost reports. On July 16, 1997, a letter was received from your office reciting excerpts from clause 230(b)(2) of the newly-revised OMB Circular A-133, and proposing increased monitoring efforts and/or agreed-upon procedures. Finally, on August 5, 1997, a letter from DSS was sent to



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the Commissioner of Administration, outlining prior correspondence, explaining problems with alternatives identified in your July 16<sup>th</sup> correspondence, and requesting assistance in dealing with the advent of OMB Circular A-133.

On December 5, 1997, we sent a copy of our proposed changes to the contract clause to the Audit Manager. On December 16, 1997, you responded by saying that your interpretation of the clause did not require a subrecipient contractor to obtain a single audit if he expends more than \$300,000 in federal funds. This was changed in accordance with your observation.

On March 11, 1998, which was the exit conference for the 96/97 period, a spirited discussion was held with representatives from your office about F97-AG-DSS1-Audit Reports Not Monitored. At that time, a partial chronology of events was presented to your staff indicating an unwillingness to assist us at all in dealing with this problem, and the fact that audit reports were never actually examined, as evidenced, by a scheduled of audit reports being left behind after the 96/97 audit had been completed. The Director of Financial Audits for your office, and the Assistant Director stated that in order to alleviate their concern, all we had to do was to amend DSS Contract Clause No. 3 to require that every provider notify us whether or not they will have a Single Audit. This was done, along with incorporating the guidance offered in the Louisiana Government Audit Guide for those entities whose total federal funds fall below \$300,000.

In spite of following what directives your staff proffered, another finding was made in 1998. In our response, we pointed out that the OM&F External Audit Section would make all determinations, and that 30-day and 60-day letters would be generated at the end of each contract, and if no responses were received, then an exception report would be prepared and sent to the Assistant Secretaries for further action. Your office gave no indication one way or the other as to the acceptability or unacceptability of the actions taken.

Now, with respect to the findings shown in this current-year's audit, a number of assumptions are made which are misleading to the reader. Bullet No. 1 under item No. 1 reads, in part, as follows:

“Eleven of 46 contracts (24%) examined were identified as federal subrecipients...even though the contracts were 100 percent state-funded.”

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We acknowledge that our staff was unaware of the fact that many of Louisiana Rehabilitation Services' contracts were wholly state-funded, and that an erroneous assumption was used in filling out the checklists originally furnished to us by your office. However, with respect to subrecipients, we fail to see what difference that makes from an entity standpoint, that is, just because our grant is wholly state-funded, does not mean that all of the provider's contracts are State-funded. As you will readily acknowledge, the determination as to whether an A-133 audit is needed is made at the entity level, and not on the basis of any one contract .

This finding was shown under the following description:

**“The department does not have reliable procedures in place to ensure the proper identification....”**

Apparently, what is being said here is that the federal /state designation is tantamount to any other consideration. Is your office saying that no form of financial reporting is required for state-funded subrecipients?

With regard to failure to make a determination and enter into the tracking system two contracts totaling \$4.5 million dollar. The contract for \$4.1 million was designated as a subrecipient. The \$428,341 contract is not a contract but an Inter Agency Transfer Agreement, which in our opinion does not meet level of a standard contract.

We do agree the Schedule of Non – State Subrecipients of Major Federal Programs was not prepared properly.

**Office of Community Services (OCS)**

**OCS Subrecipients for which this finding was made:**

CFMS # 528389	Lincoln Parish Police July/HELP
CFMS # 528393	North Central, Inc.
CFMS # 528399	St. Bernard Parish Government
CFMS # 524233	City of Shreveport

For the above-identified subrecipient contracts, the specific deficiency in monitoring procedures entailed failure to obtain or receive an audit report from the subrecipient. Other attributes of required monitoring procedures examined in the audit were fulfilled.

Dr. Daniel G. Kyle, CPA, CFE

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**OCS Response:** We concur with the finding that an audit report was not received from all subrecipients on a timely basis. Subsequent to the audit review, all missing audit reports for contractors in the audit sample were secured.

**Corrective Action:** OCS is revising its procedures to ensure that required audit reports from subrecipients contractors are received on a timely basis. A tracking system had previously been initiated for monitoring compliance with applicable timelines for receipt of engagement letter and audit reports from OCS contractors. This procedure is to be more stringently and rigorously implemented. Furthermore, in designing the OCS Contract Database (Visual Basic on an Oracle Platform) currently under development, the tracking of contract monitoring requirements (including receipt of audit reports) shall be an important element of the database's functions.

**OCS Subrecipients for which this finding was made:**

CFMS#515920 Caddo Community Action Agency, Inc.

**OCS Response:** We concur with the finding that the audit finding was not resolved on a timely basis. The finding has been resolved.

**Corrective Action:** OCS is revising its procedures to ensure that required audit reports from subrecipients contractors are received and issues resolved on a time basis. A tracking system had previously been initiated for monitoring compliance with applicable timelines for receipt of engagement letters and audit reports from OCS contractors. This procedures is to be more stringently and rigorously implemented. Furthermore, in designing the OCS Contracts Database (Visual Basic on an Oracle platform) currently under development, the tracking of contract monitoring requirement (including receipt and resolution of audit reports) shall be an important element of the database's functions.

**OCS Subrecipients for which this finding was made.**

CEMS # 515912	ASSIST
CFMS # 515916	Assumption Parish Police Jury
CFMS # 515931	Natchitoches Office of Community Services
CFMS # 515920	Caddo Community Action Agency

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January 6, 2000

For the above-identified subrecipient contracts, it was found that notification of federal award information was insufficient, i.e. the written notification of funding allotments did not include the CFDA number (93,568) for the Low-Income Home Energy Assistance Program (LIHEAP)

**OCS Response:** We concur with the finding that the LIHEAP CFDA number was omitted from notification of federal award information to the LIHEAP contractors.

**Corrective Action:** All future notifications of federal award information under programs administered by OCS shall include the CFDA number of the respective federal funding source.

### **Office of Family Support**

The department did not perform monitoring procedures for eleven of the subrecipients.

Seven of the subrecipients were Family Independence Work Program contracts.. ALL FIND Work contracts were subject to an on-site state-level monitoring review by FIND Work State Office staff which was programmatic in nature. The remaining contracts noted were Child Care Assistance Program contracts, which were review by the Head Start-State Collaboration Unit, which pulled and evaluated the eligibility determination activities performed by contractors on a sample of cases.

Effective 10/99, the Contract Accountability Review Team (CART) was assigned FIND Work and Child Care Assistance contract monitoring responsibilities which consist of an extensive and complete review of financial and billing records as well as on-site monitoring and a programmatic review.

With respect to timely informing eleven subrecipients of the department's decision on the monitoring and/or audit findings, and failure to ensure timely corrective measures were taken by the subrecipients.

The Child Care Assistance Program will contact Jefferson Council On Aging requesting an audit be forwarded to Office of Management and Finance as soon as possible. No desk findings concerning the remaining subrecipient were received for this time period. Therefore, no further corrective action is necessary.

Dr. Daniel G. Kyle, CPA, CFE  
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January 6, 2000

The contact person by each office is as follows:

<b>Office</b>	<b>Contact Person</b>	<b>Telephone Number</b>
Office of Management & Finance	Joseph Green	(225) 342-4911
Office of Community Services	Bob Hand	(225) 342-4016
Office of Family Support	Linda Beauvais	(225) 342-2603

Respectfully,



Thomas Joseph, CPA  
Fiscal Director

TJ/dt

c: J. Renea Austin-Duffin  
Paula M. Roddy  
Al Sanford  
Vera Blakes  
Shirley Goodwin  
Joe Green  
Bob Hand  
Linda Beauvais  
Linda Robinson  
Ronald Patty



State of Louisiana  
Department of Social Services  
OFFICE OF MANAGEMENT AND FINANCE  
DIVISION OF FISCAL SERVICES  
ADMINISTRATIVE

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BATON ROUGE, LOUISIANA 70821-3496

M. J. "MIKE" FOSTER, JR.  
GOVERNOR

RENEA AUSTIN-DUFFIN  
SECRETARY

December 22, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
1600 North Third Street  
Baton Rouge, La. 70804

Dear Dr. Kyle:

The following represents the Office of Community Services' official response to the legislative audit concerning the agency's mainframe Tracking (not Transaction as cited in audit) Information and Payment System (TIPS) internal controls. Our response is organized and presented in the order of the findings.

**Inadequate Control and Insufficient Corrective Action Regarding Vendor Reimbursements**

**Control Weaknesses**

- 1 Inadequate segregation of duties exists in the Foster Care-Title IV-E program. Caseworker Assistants are allowed to shop for the children and also have the capability to input requests for vendor reimbursements (TIPS 212).

Response: OCS concurs that there should exist, to the degree possible, adequate segregation of duties related to procurement and payment. Towards this end OCS has always had in place policy which requires multi-level review. Despite multi-level review OCS understands that an additional procedure of requiring a physical separation of staff and duties could enhance fraud deterrence.

As many OCS Offices have only one Caseworker Assistant, the segregation of purchasing articles for clients and clerical data entry duties is unable to be accomplished without involving professional staff to do one of the caseworker's civil service job functions. As OCS does not have the T/O to provide two such positions in the smaller offices, we will issue policy which changes the payment processing from a review by professional staff to a process which stipulates segregation. Policy will specifically state the purchaser of an article can not be the data enterer for payment issuance.

Dr. Daniel G. Kyle, CPA, CFE

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Lastly, OCS proposes to establish a Surveillance and Utilization system whereby selected state office and regional administrative staff will review a periodic sample of paid claims to verify adherence to correct payment procedures. Suggested review procedures will determine if proper segregation of purchase and payment exist; if proper documents and invoices were reviewed and filed; and contact with provider to confirm service/item delivery.

It is recognized that staff awareness of additional and more frequent audit activity of payment processes will heighten attention to following proper procedures. Each local office will be directed to evaluate local TIPS payment processing procedures and to take corrective action as necessary to adhere to all payment related policies including forthcoming segregation verbiage. March 1, 2000 is target date for issuance of finalized policy and July 1, 2000 is anticipated date for implementation of Surveillance and Utilization function and generation of first periodic sample for review.

- 2 Inadequate review and approval procedures exist for the TIPS 212 documents and the service authorizations. TIPS is not designed for on-line approvals; therefore, supervisors must manually approve all TIPS 212 documents and service authorizations. Caseworker assistants then input all information into TIPS. Input validation procedures at the parish/regional office level do not include a comparison of input to source documents to ensure that all transactions were properly authorized.

Response: OCS concurs that improvement in determination of staff adherence to review and approval procedures can be made. OCS contends TIPS was designed and implemented with a comprehensive system of administrative controls in accordance with audit standards. We do recognize that since its initial payment in 1988, use of automated controls and processes have evolved to a higher standard and corresponding auditor expectations have risen. TIPS does have on-line approvals but agency policy also requires supervisors to manually approve documents before TIPS input. There is policy requiring comparison of source documents and input for validation of properly authorized transactions. As pointed out in response to item 1 above, the creation of a system to monitor adherence via periodic sample audit reviews should minimize the opportunity for fraud.

- 3 Inadequate security and accountability over the TIPS 212 documents exists at the parish/regional office. The TIPS 212 documents are stored in the supply room with open access to all parish/regional employees. There is no accounting for the numerical sequence of the TIPS 212 documents.

Response: OCS concurs that creating a specific procedure for accounting for the TIPS 212 documents will decrease an opportunity for fraud. OCS will publish policy guidelines to instruct local offices to institute the creation of a log to control access and record sequence of documents used. Such policy should be in place by 3/1/2000.

- 4 OCS does not require the foster parent to sign an itemized invoice acknowledging receipt of purchases on behalf of the foster child.

Response: OCS concurs that in our efforts to minimize the number of forms required of foster parents we avoided creating one specific to this finding. To comply with this finding we will develop new procedures to instruct staff to have foster parents sign receipts for verification of itemized receipt of purchases made on behalf of foster children. Procedures are scheduled to be in place by 3/1/2000.

- 5 Prior to August 1999, OCS did not require vendors to identify OCS employees by their state identification cards prior to purchases. Even though the new policy requires employees to present state identification cards OCS does not notify vendors of employees that are authorized to purchase good on behalf of the department.

Response: OCS concurs that procedures can be improved to enhance the vendor's responsibility to assure proper purchases by properly identified OCS staff is in place. It should be noted that the fraud reported by OCS to auditors which prompted this finding concerned staff that were authorized as purchasers. In that virtually all OCS local office professional staff are authorized to make purchases it is considered by OCS to procedurally be more effective to request vendors to follow typical business procedures by requiring purchasers to show proper id and to sign for purchases. Policy has been in place, even prior to the inception of TIPS, to require staff to use Form 449 (Authorization of Purchases for Children in Foster Care) whenever making purchases. The August 1999 additional procedures involved use of specific state id cards to assist in identification.



- 6 TIPS does not provide adequate preventative measures, such as computer generated warnings, reports, or rejection edits, to prevent overspending of maximum allowances in certain client service codes.

Response: OCS concurs that preventative measures to prevent overspending is advantageous and has computer generated warnings, reports and rejection edits related to this matter. Although TIPS does have some computer generated edits, warnings, and reports, OCS welcomes specific suggestions and requests identification of example occurrences of maximums being exceeded to adequately address concerns.

- 7 In January 1999, the department's Office of Management and Finance (OMF) transferred the TIPS 212 review function to OCS in an effort to improve the effectiveness of the function. However, this reassignment created a lack of segregation of duties within the OCS Information Management Unit. This unit is now responsible for authorizing, entering, and reviewing TIPS transactions, as well as authorizing TIPS computer program changes, testing and user sign-off, addition or modification of provider records, addition of worker records, and modification of security access.

Response: OCS was required to absorb the transfer of the TIPS 212 review function along with other payment processing functions without a commensurate transfer or increase in staff. Due to the timing of the transfer, the skill set required to perform the transferred functions and the need to keep payments flowing timely OCS's best solution was to assign to Information Management staff. Although OCS did not seek the TIPS 212 workload transfer, it is now OCS's contention that accountability and accurate payment procedures have significantly improved by the new configuration.

### **Insufficient Corrective Action**

Failure to establish adequate internal controls resulted in the alleged misappropriation of assets and falsification of department documents by two caseworker assistants who were responsible for shopping and for inputting TIPS 212 documents. Interviews of OCS management disclosed the following:

- 8 OCS management failed to adequately address and timely implement corrective action. OCS now requires employees to identify themselves to vendors using their state identification card prior to purchases. This corrective action was implemented in August 1999, nearly one year after the discovery of the alleged fraud. Furthermore, the transfer of responsibility for reviewing the TIPS 212 from OMF to OCS to improve the effectiveness of the review function was not made until three months after the discovery.

Response: The transfer of TIPS 212 review from OMF to OCS finding appears to be based on the premise that it was a direct result of the alleged fraud. It was not. OCS does contend that timely corrective action was taken concerning the employees. The specific policy change to require state identification cards may appear to have been delayed as the TIPS Section dealt with inheritance of new payment review processes, multiple concurrent legislative audit requests, responses arising from legislative session, new federal ASFA requirements and Y2K mandated initiatives.

- 9 OCS management failed to assess the risk and magnitude of the alleged theft. The department did not expand the investigation to determine the time frame or full dollar amount of the misappropriations. Instead, the department sought only to support a personnel action for dismissal for cause. In addition, the department did not determine if other employees of the East Baton Rouge Parish office or other OCS offices had perpetrated similar abuses.

Response: OCS, at the advice of legal counsel, undertook an investigation that was considered adequate to ascertain a sufficient threshold that fraud had occurred. Employees were suspended with pay while being investigated to preserve integrity of documents and evidence and to assure lack of access. Upon investigation conclusion employees were terminated and the matter was referred to the District Attorney. It would appear that it would be a criminal matter to ascertain the potential full dollar misappropriation and consequences. As regards other employees potential perpetration of similar abuses, there was no evidence, allegation, suspicious documentation or behavior to support cause to arbitrarily challenge the integrity of staff.

- 10 OCS management failed to notify and request assistance from either the Fraud and Recovery or the Internal Audit sections within the department to investigate the alleged theft at the East Baton Rouge Parish/Regional office.

Response: OCS did informally contact Fraud and Recovery. As an OFS Section, Fraud and Recovery can not carte blanche take on OCS allegations of misconduct and fraud. OCS will develop procedures to refer any instance of future fraud to DSS Management and Legislative Auditors. OCS will seek to explore with the Department for resources to undertake such investigations.

- 11 OCS management failed to seek restitution from the employees involved in the alleged theft. Based on information provided by the supervisors, the internal investigation disclosed a total of \$5,365 in questionable transactions. According to the department's legal counsel, the matter has been referred to the District Attorney's Office.

Response: In this matter OCS considers involuntary restitution to be a legal issue for addressing by the judicial system. Referral to the District Attorney was considered the most appropriate avenue given one staff member denied allegations. As the two employees terminated earned \$1863 and \$1349 monthly, the likelihood of full and prompt recoupment was remote. The ability to recover the goods (clothing) to obtain replacement value was also considered to be a legal matter with minimal to no gains for the effort.

- 12 OCS management failed to determine the funding sources of the fraudulent transactions and refund the federal government its portion of the costs. Questioned costs have been identified as follows: Foster Care-Title IV-E (CFDA 93.658), \$4,884; Family Preservation and Support Services (CFDA 93.556), \$1,493; and Social Services Block Grant (CFDA 93.667), \$226.

Response: OCS concurs it is proper to credit the appropriate federal funding sources and will do so. It should be noted that **no** Family Preservation and Support Services (CFDA 93.556) funding was involved. The applicable funding source which should have been cited is from the Title IV-B Part 1 (CFDA 93.645).

In general, OCS recognizes with the resources made available to administer the mandated programs comes the responsibility to adequately assess risk in Foster Care and TIPS program operations and develop policies and procedures that would reduce that risk to an acceptable level. OCS is also faced with balancing its limited resources to provide services without "excessive" controls and procedures which not only diverts resources from services to administration but delays payments and frustrates vendors and state staff alike.

Dr. Daniel G. Kyle, CPA, CFE


December 22, 1999

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OCS concurs the department should adequately assess areas of risk in the operation of each program, then establish and implement internal control procedures to ensure that department employees comply with all established regulations and that department assets are safeguarded from loss or theft. Management should take timely action to re-assess risk and change those procedures when control weaknesses are identified. However, no system or strict procedures can prevent all fraud or every theft/loss. With the upcoming SACWIS project to redesign TIPS an opportunity to incorporate newer, sound and more automated audit principles exists.

Should additional information or clarification be required, please advise.

Sincerely,

  
Thomas Joseph, CPA, Director  
Division of Fiscal Services

TJ:SBG:TJS



State of Louisiana  
Department of Social Services  
**OFFICE OF MANAGEMENT AND FINANCE**  
DIVISION OF FISCAL SERVICES  
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J. Renea Austin-Duffin  
SECRETARY

December 14, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of the Legislative Auditor  
1600 N. Third Street  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

RE: *Non-Compliance with the Cash Management  
Improvement Act Agreement (CMIA)*

Dear Dr. Kyle:

**Development of Clearance Patterns**

The Department does not concur that our methodology used in developing our clearance pattern violate CMIA policy.

A.) The Department developed the clearance patterns based on the checks issued by the subsystem as they clear the bank. Each of the subsystems, with the exception of Tracking Information Payment System (TIPS), represents a single federal program. The payments made by the subsystems are for services provided to groups of eligible recipients determined by federal program guidelines. Even though the TIPS subsystem has various funding sources, this does not indicate that the recipients or vendors are varied. The recipients and vendors are similar in that they provide services to Foster Care clients. Foster Care is a federal program that may be funded by various federal funds. These clearance patterns have been federally certified in CMIA since 1990

We do however, concur that we did not develop a new clearance pattern when a change was made to the Jobs Automated Subsystem. We now have submitted a revised *clearance patterns for certification*.

Dr. Daniel G. Kyle, CPA, CFE  
Page 2  
December 14, 1999

**Use of Funding Techniques**

We concur in part. Each of the subsystems, with the exception of TIPS, represent a single federal program. All of DSS' administrative costs are funded by means of a federally approved Cost Allocation Plan. Funding for administrative expenditures are determined using reports produced in the Integrated Statewide Information System on a monthly basis. TIPS represents the Foster Care program and provides funding for services rendered to Foster Care Clients.

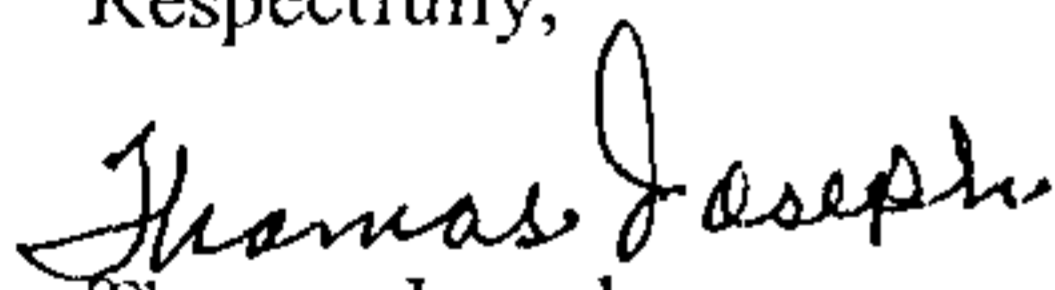
Administration and Payroll should be funded using actual and adjusted estimate. The technique for the payroll and administration component of Basic Support was changed in error when the CMIA was amended for the Department of Education. We are submitting an amendment to Office of Statewide Reporting and Accounting Policy to correct.

Unless and until we have more information it is not feasible or reasonable for the Department to alter our methodology.

The Department has not paid any interest nor penalties for non-compliance

If further information is required, please contact Cheryl Sullivan at (225) 342-4375.

Respectfully,

  
Thomas Joseph  
Director

TJ/dt

c: J. Renea Austin-Duffin  
Paula M. Roddy  
Al Sanford  
Kathleen Morales  
Linda Robinson  
Ronald Patty



State of Louisiana  
Department of Social Services  
OFFICE OF MANAGEMENT AND FINANCE  
DIVISION OF FISCAL SERVICES  
ADMINISTRATIVE

P. O. BOX 3927 - PHONE - 225/342-4247 FAX # 225/342-4220  
BATON ROUGE, LOUISIANA 70821-3496

M. J. "MIKE" FOSTER, JR.  
GOVERNOR

J. Renea Austin-Duffin  
SECRETARY

January 7, 2000

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Re: Ineffective Internal Audit Function

The internal audit plan for the current fiscal year identifies 27 federal financial resources, 37 EDP systems and 26 other areas that need to be audited. The department concurs that the current resources for internal audit are not sufficient to provide audit coverage in all these areas. The department, however, would like to comment on other parts of the finding as noted below.

**EDP Auditing**

The Department concurs that the EDP systems should be audited, however, the current staff has not been trained to do EDP audits nor have they attended EDP training. EDP auditing is a highly technical, specialized field of auditing. The Director of the Bureau of Audit Services has a Ph.D. in Management Information Systems and is a Certified Information Systems Auditor (CISA) in addition to being a Certified Public Accountant (CPA), audit staff does not have EDP auditing knowledge or experience and thus, are not presently auditing EDP systems. Audit staff is presently receiving on-going training relative to the audit work they are currently performing. At the direction of the Secretary of the department, the Bureau of Audit Services will investigate the feasibility of having at least one member of its staff trained in EDP audits in addition to the Director, who is a CISA, providing in-house training.

**Internal Audit Plan**

The current internal audit plan and all past internal audit plans have used five risk factors in making a risk analysis: 1) previous audit findings (identified by internal, legislative,

Dr. Daniel G. Kyle, CPA, CFE  
Re: Ineffective Internal Audit Function  
Page: 2

federal, or other auditors), 2) requests from executive management or recommendations of the legislative auditor, 3) dollar size of the programs, 4) time since last audit, and 5) capabilities and/or resources of the auditing staff. The purpose of the risk analysis is to identify those areas, which are at a high risk for fraud or misappropriation of assets. Thus, the risk of fraud and the risk of misappropriation of assets are outcomes of the risk analysis process, not one of the factors to be used in the risk analysis process.

Further, all of the audit programs contain procedures that tend to identify fraud and/or misappropriation of funds and in fact, some of the internal audits have uncovered instances of misappropriation. Internal audit plans are updated on an annual basis and use program descriptions based on current available information at the time that the plan is prepared. Changes to program descriptions are considered if and when programs are selected for audit. The three instances of program changes mentioned in the audit finding would not have had any effect on the audit workplan for fiscal year 1999. At the direction of the Secretary of the department, we are investigating the feasibility of engaging an independent review by an outside party to assist in the review and assessment of key processes and procedures. This independent assessment will aid us in our development of the internal audit plan.

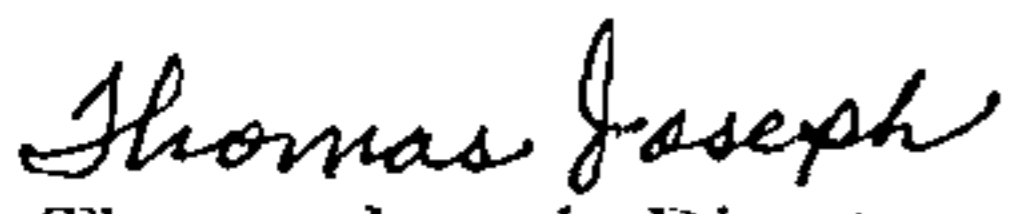
#### **External Review**

We concur that the department did not schedule or obtain an external review. At the direction of the Secretary of the department, the Bureau of Audit Services will schedule a review before the end of the current fiscal year, provided funding is available.

In conclusion, we do agree that the department has some deficiencies in our internal audit function. However, due to the number of repeat findings by your office and the relative size of the department, we do recognize our need to improve. Please know that from a management perspective, the audits that have been performed by the Bureau of Audit Services have made a very significant impact on the effectiveness and efficiency of operations of the Department of Social Services. The findings as presented do not rise to the level which would call into question the knowledge or experience of the internal audit staff. The internal audit staff has extensive combined years of auditing and accounting training and experience.

The contact person for this finding is Janet Slaybaugh; she may be reached at (225) 342-4896.

Sincerely,

  
Thomas Joseph, Director  
Division of Fiscal Services





M. J. "MIKE" FOSTER, JR.  
GOVERNOR

State of Louisiana  
Department of Social Services  
OFFICE OF MANAGEMENT AND FINANCE  
DIVISION OF FISCAL SERVICES  
ADMINISTRATIVE  
P.O. Box 3927-Phone - 225/342-4247 FAX # 225/342-4220  
Baton Rouge, Louisiana 70821-3496

J. RENE AUSTIN-DUFFIN  
SECRETARY

February 10, 2000

Dr. Daniel G. Kyle, Ph. D., CPA, CFE  
Legislative Auditor  
1600 N. 3<sup>rd</sup> Street  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Re: Inadequate Control Over Vocational Rehabilitation Grants to States Program

Dear Dr. Kyle:

In response to the above-referenced audit finding, the Department of Social Services submits the following:

**REVIEW OF INTERNAL CONTROLS:**

**FINDING #1:**

**RESPONSE:**

The Agency agrees with this finding.

**CORRECTIVE ACTION:**

Regional managers have received training and are accountable for monitoring and ensuring that fiscal data related to obligations, payments, and cancellations by regional field staff are entered accurately and timely into the system database. The Fiscal Section will monitor fiscal data inputted by field personnel into the database during periodic on-site case reviews.

**FINDING #2:**

**RESPONSE:**

The Agency agrees with this finding.

**CORRECTIVE ACTION:**

The Agency discovered this initial situation during a review of the counselor's caseload and has established guidelines to address this issue. The Agency also completed a statewide review to determine if there were additional counselors serving relatives and discovered two other cases. In all cases, a transfer to other counselors have been processed.

In addition to these guidelines, the LRS training section has recently covered this issue in training presented in each region.

**FINDING #3:**

**RESPONSE:**

The Agency does not concur with this finding. The Rehabilitation Counselor Associate enters the obligations in accordance with the services authorized by the Rehabilitation Counselor for the cost associated with the assessment or the Individualized Plan of Employment.

**CORRECTIVE ACTION:**

As stated in the letter dated November 19, 1998, to the Legislative Auditors' office from the Department of Social Services (DSS), the corrective action was to have the Regional Managers hold an in-service training no later than January 29, 1999, to review these guidelines with the appropriate staff. The Agency has documents which include the agenda and the signatures of the staff attending this training. This type of training was to be ongoing and another in-service training specifically with the Rehabilitation Counselor Associates was completed by State Office staff.

In addition, Rehabilitation Counselors are not assigned BRIS User I.D.'s which enable them to enter obligations or process payments. These User I.D.'s are assigned to Rehabilitation Counselor Associates who are required to sign the attached agreement. A memorandum will be sent to the Regional Managers requiring them to conduct in-service training in order to review the agreement. This is part of a formal audit control process to ensure segregation of duty and will be an annual certification.

Dr. Kyle  
February 10, 2000  
Page 3

REVIEW OF CLIENT FILES

**RESPONSE:**

The Agency agrees with this finding.

**CORRECTIVE ACTION:**

The Agency training unit recently provided statewide training and this was included as part of the training. This also has been and will continue to be a part of the Academy of Rehabilitation Counselors Training.

If you have any questions, please feel free to contact this office.

Sincerely,



Thomas Joseph, CPA  
Director

TJ:MN:jms

Attachment

ON-LINE USERID REQUEST FORM

(Please type or print)

USER INFORMATION

Name (last, First, Middle Initial):

Agency:

Title:

Office Telephone (area code)

Office Name & Address:

Office Contact Person:

TYPE OF REQUEST

USERID TYPE (TSO, DHHR, SYSM, NDM, ETC)

DHHR TRANSACTIONS NEEDED:

Requested Userid:

Add Capabilities:

Effective Date:

COMPUTER USER AGREEMENT

Users shall not obtain information from the DSS computer for purposes other than official business.  
 Users shall not share any information that is obtained from the DSS computer, except in the official performance of their duties with agency co-workers, without official authorization.  
 Users shall not remove STATE-owned information containing confidential data (computer print-outs, etc.) from the work place without official authorization.  
 Each user is responsible for selecting a computer password.  
 Users must log on and establish their password within 15 calendar days after userid creation or it will be deleted.  
 Userids not used in a nine month period will be deleted from the system. Users who have only occasional need for their userids can keep them current by logging on briefly at regular password intervals.  
 Each user is responsible for the confidentiality of his or her computer password. At no time shall a user "sign on" any terminal for use by someone else. Terminals must be "signed off" immediately when not in use.  
 Each user is responsible for all computer activity logged against his/her userid, regardless of who input the transaction.  
 If the user has any reason to believe his/her password has been compromised, a new password shall be selected immediately.  
 Users agree to immediately report to their supervisor and/or the Information Services Security Section any information they become aware of regarding unlawful or fraudulent activities concerning department Data.  
 Any questions regarding this agreement may be directed to the Information Services Security Section at (504) 342-4177, 342-0811.

USER STATEMENT

I hereby certify that I have read, and understand, the computer security policy for users of the DSS computer and have received a copy of password guidelines. I agree to abide by this policy and understand that non-compliance with any part of the policy may constitute grounds for any action listed below to be administered by the appropriate appointing authority.

- (1) Written reprimand
- (2) Suspension without pay
- (3) Reduction in pay
- (4) Involuntary Demotion
- (5) Dismissal
- (6) Recommended criminal prosecution

User Signature:

Date:

SUPERVISOR STATEMENT

I hereby certify that I have discussed this agreement with the above named user and answered any questions pertaining to the agreement.

Signature:

Date:

USERID ASSIGNED:

Etc:

SIGNATURE:

DSS APPROVAL

USERID:

DATE:

SECURITY OFFICER:

COMPLETE THIS FORM FOR ALL DSS COMPUTER USERS REQUESTING ACCESS TO ANY DSS COMPUTER SYSTEM. SEND THE ORIGINAL TO: DSS INFORMATION SERVICES, SECURITY SECTION 755 THIRD ST., RM 410 BATON ROUGE, LA. 70802.



State of Louisiana  
Department of Social Services  
OFFICE OF FAMILY SUPPORT

P. O. BOX 94065  
755 THIRD STREET  
PHONE - 225-342-3950 - FAX 225/342-4252  
BATON ROUGE, LOUISIANA 70804-9065

M.J. "MIKE" FOSTER, JR.  
GOVERNOR

J. RENE AUSTIN-DUFFIN  
SECRETARY

February 15, 2000

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following is the official response to the finding of the Single Audit of the Department of Social Services, Office of Family Support:

**Inadequate Control Over Temporary Assistance for Needy Families Program**

The Office of Family Support concurs with the finding and recommendation, with the following exceptions and comments:

- **In 2 of 31 cases, case documentation was not sufficient to verify citizenship of the members of the client assistance unit.**

According to program policy, verification is required only when citizenship is questionable.

- **In 5 of 31 cases, client information in the L'AMI database did not agree with documentation in the client's file.**

**Case 1:** Incapacity had been established by the AP/FS Program Specialist's approval on two Form 90's. The first was approved on 12-4-97 for 12-97 through 11-98. The second was approved on 9-4-98 for 12-98 through 11-99. The second exemption period had not been correctly entered on L'AMI. This has now been corrected. The client was exempt from Time Limits for the period of 12-97 through 11-99.

**Case 3:** Audit findings were correct as of the time of the review. We have determined from available information, however, that the client did not actually exceed the time limit because she has been exempted from the time limit due to incapacity from 11-98 through 4-00. Medical documentation has been approved by the AP/FS Program Specialist.

- **FIND Work - In 5 of 31 cases, client information in the JAS data base did not agree with the documentation in the client's FIND Work file and/or the L'AMI data base.**

**Case 1:** Audit findings are correct. The child has been removed from JAS.

**Case 2:** The finding states that a child should be added to JAS. However, the JAS and FITAP cases were closed on 11/2/98, so the child cannot and should not be added to JAS at this time.

**Case 3:** The audit finding states that the FITAP case was closed 12/14/98 and the JAS case was not closed until 6/30/99. Although the parish does not have complete documentation, they state that the JAS case was kept open in 02 status (payments only) in order to make a transitional payment in 7/99. There is no indication in the record to indicate the reason for the JAS case to remain open until 6/99.

**Case 4:** Audit findings are correct.

**Case 5:** The audit finding states that there are no entries in the case record since 8/13/97. The parish contends that they possess the documentation and other information, but they failed to file it in the case record and they failed to make appropriate entries.

- **FIND Work - In 7 of 31 cases, the client did not meet the weekly minimum number of work activity participation hours, or documentation in the FIND Work file and computer data base (JAS) was not sufficient to make that determination. Also, documentation was not sufficient to determine if the Case Manager verified work activity hours.**

**Case 1:** Audit findings are correct. The client had heart surgery in 3/98 and was granted "good cause" from participating at that time. However, the client's doctor released the client to allow participation in 10/98, but there is no documentation as to why the client did not begin participating at that time.

**Case 3:** The audit finding states that there is no information on work activities after 8/98, which is when the client's child reached age 1. Although this is correct, the parish states that when the client lost her FIND Work exemption in 8/98, the Case Manager began scheduling assessment interviews, but the client did not keep these appointments. The client then requested case closure in 10/98 and the FITAP and JAS cases were closed on 11/2/98. Correct policy was applied, but the case record was not adequately documented.

**Case 4:** The audit finding states that there are no entries in the case record for 7/22/98-11/98 and for 6/99. The parish states that the entries were in the FITAP case record instead of the FIND Work case record.

**Case 7:** The audit finding states that there are no entries in the case record since 8/13/97. The parish contends that they possess the documentation and other information, but they failed to file it in the case record and they failed to make appropriate entries. Also, the parish states that the client attended her WEP activity from 2/99-6/99, but she did not attend enough hours to be countable.

We will implement the following corrective action plan:

**Responsible Person:** Vera W. Blakes, Assistant Secretary, Office of Family Support

**Corrective Action:** See attached plan.

**Completion Date:** January 31, 2000

Please advise if any additional information is required.

Sincerely,



Vera W. Blakes  
Assistant Secretary  
Office of Family Support

copy: Thomas Joseph

## CORRECTIVE ACTION:

- The AP/FS Program Specialists have already been advised to instruct the field to take appropriate action immediately to correct the deficiencies noted by the audit. Any overpayments that may have occurred will be reported to the Agency's Fraud and Recovery Section. The AP/FS Specialists have also been advised to include the specific month(s) for which an incapacity decision is approved, rather than a decision for a certain number of months.
- A statewide Corrective Action Memorandum will be released advising all staff involved in the administration of the TANF Program of the results of your audit and reminding staff of the proper policy and procedures to address the deficiencies cited. Staff responsible for second level case reviews will be instructed to focus on problem areas, the school attendance policy in particular, to assure compliance in the future. Supervisory staff will be mandated to have unit meetings to discuss the audit findings and plan steps to be undertaken to assure that the staff understands policy and will apply policy correctly in the future. This Corrective Action Memorandum should be released no later than January 1, 2000.
- We also plan an additional measure to address the problem the field is experiencing in applying the school attendance policy. A committee of two AP/FS Program Specialists and a Division of Financial Assistance Policy Section representative has been formed to develop a training package on school attendance policy and procedures. This committee will also study the current School Attendance Tracking Form, CR 10, to determine if modifications could be made to the form to improve its effectiveness as a tracking tool. This committee will meet the third week of December 1999 and will develop this training package in an expeditious manner. The training package will then be disseminated and trained to the supervisory staff by the AP/FS Program Specialists.
- A reference guide was recently developed by one of the AP/FS Program Specialists to instruct field staff on correctly entering exemptions to the 24 month time limit due to "actively seeking employment" on the L'AMI system. This guide was distributed to the AP/FS Program Specialists in a November 8, 1999 meeting and has now been distributed to the field. Use of the guide should assist field staff with accurately documenting and tracking those clients seeking an exemption for this reason and result in better compliance with this eligibility factor.



**CORRECTIVE ACTION:**

- The parish offices have been advised to make the necessary corrections to any of these cases that are currently active. Some of the cited errors have already been corrected. It should be noted that the errors cited in item #5 did not impact benefits.
  
- A statewide Corrective Action Memorandum has been released advising all staff involved in the administration of the TANF Program of the results of the audit and reminding staff of the proper policy and procedures to address the deficiencies cited. FIND Work Program Specialists and FIND Work State Office staff have been advised to focus their mandatory case readings on the deficient areas cited in this audit report.



State of Louisiana  
Department of Social Services  
**OFFICE OF MANAGEMENT AND FINANCE**  
DIVISION OF FISCAL SERVICES  
ADMINISTRATIVE

M. J. "MIKE" FOSTER, JR.  
GOVERNOR

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BATON ROUGE, LOUISIANA 70821-3496

GWENDOLYN P. HAMILTON  
SECRETARY

September 23, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of the Legislative Auditor  
1600 N. Third Street  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

The Department of Social Services (DSS) concurs that several receipts were not timely deposited. Although, in the past fiscal year the DSS committed to making improvements in this area, it did not materialize due in part to budget constraints and other factors. However, as of today's date a contract has been signed with a firm for the express purpose of reviewing the Cash Receipts function and making recommendations to improve the process. We anticipate this phase to be completed by January, 2000.

Upon completion the DSS can begin to implement the recommendations made. We believe by fiscal year end significant progress will have been made in the control of receipts.

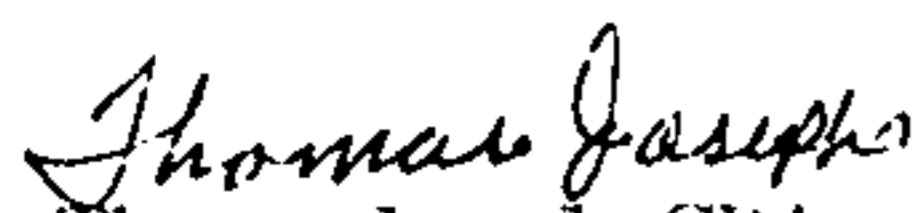
Dr. Daniel G. Kyle, CPA, CFE

Page 2

September 23, 1999

If further information is required, please contact Thomas Joseph at (225) 342-4247.

Respectfully,

  
Thomas Joseph, CPA  
Fiscal Director

TJ/dt

c: Gwendolyn P. Hamilton  
Paula M. Roddy  
Al Sanford  
Vera Blakes  
Shirley Goodwin  
May Nelson  
Bob Hand  
Linda Robinson  
Ronald Patty



State of Louisiana  
Department of Social Services  
OFFICE OF MANAGEMENT AND FINANCE  
DIVISION OF FISCAL SERVICES  
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GWENDOLYN P. HAMILTON  
SECRETARY

October 18, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
Office of the Legislative Auditor  
1600 N. Third Street  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

RE: Inadequate Control Over Movable Property

Dear Dr. Kyle:

The Department of Social Services (DSS) concur in part to the above referenced finding our comment on deficiencies noted are as follows:

**Movable Property Balance**

1. We concur that the movable property was more than the projected balance per Louisiana Property Assistance (LPAA) records.

**Corrective Action:**

2. An attempt to balance these two figures has begun. The DSS Property Manager started a test ledger beginning with the 1999 inventory certification amount and will follow the same formula as demonstrated by the auditor throughout this fiscal year. Our goal is to balance with the annual fiscal report ending balance for June 30, 2000.

**Item Not Tagged**

3. We concur in part that of the 24 items tested, 12 items noted as exceptions, 10 items (41.7%) were received on BF-11's which means they were interagency transfers. What is not noted is that DSS Property Control's keying ability is contingent upon specific

actions by LPAA. In all 10 instances, the property was received by DSS on 7/15/98, but was not actually deleted from the old agency's inventory until 8/3/98, which is 19 days. The action of deleting the tag numbers from the delivering agency's inventory must be completed by LPAA and is called a PT (property transfer). The PT must be completed by LPAA prior to the receiving agency (DSS) keying our tag numbers into the system. Since DSS keyed the items on 9/9/98 and 9/10/98, we would have been well within our 45 day window had the PT been performed earlier.

We agree two items were found to not be within the 45 day timeframe due to delay in tagging by the Cost Center Property Control Managers.

#### **Corrective Action**

4. DSS has initiated an accountability program for all Cost Center Property Control Managers (CCPCM) which includes alerting the CCPCM and their supervisors of any movable property not tagged and/or submitted in the timeframe allotted by Louisiana statutes. The goal of this action is to alert all DSS personnel of the importance of maintaining and tracking all movable property of the Department.

#### **Property Location**

We concur.

#### **Corrective Action**

5. DSS Property Control completed the most recent update of its procedures for the Cost Center Property Managers. In addition to the procedures, the OM&F Training Room has now been set up which enables Property Control to begin formal training of property managers. OS/OMF property managers who are based in Baton Rouge will be the first targeted for this training. We will also draft a letters to all Cost Center Managers that item(s) of property transferred without prior approval may result in disciplinary action.

Dr. Daniel G. Kyle, CPA, CFE

Page 3

October 18, 1999

The contact person for this finding is Moncia Williams, she may be reached at 225 342-4148.

Respectfully,



Thomas Joseph, CPA  
Fiscal Services Director

TJ/dt

cc: Gwendolyn P. Hamilton  
Paula M. Roddy  
Al Sanford  
Johnathan White  
Ronald Patty  
Linda Robinson



State of Louisiana  
Department of Social Services  
OFFICE OF MANAGEMENT AND FINANCE  
DIVISION OF FISCAL SERVICES  
ADMINISTRATIVE

M. J. "MIKE" FOSTER, JR.  
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BATON ROUGE, LOUISIANA 70821-3496

J. Renea Austin-Duffin  
SECRETARY

December 7, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

**Re: Untimely Eligibility Re-Determinations and  
Re-Certification in the Foster Care Program**

Dear Dr. Kyle:

Attached, please find our response to the finding of the Legislative Auditor as it relates to the above referenced subject.

Respectfully,

A handwritten signature in cursive script that reads "Thomas Joseph".

Thomas Joseph, CPA  
Fiscal Director

TJ/dt

c: J. Renea Austin-Duffin  
Paula M. Roddy  
Al Sanford  
Shirley Goodwin  
Bob Hand  
Linda Robinson  
Ronald Patty

## **DEPARTMENT OF SOCIAL SERVICES**

### **Untimely Eligibility Re-Determinations and Re-Certification in the Foster Care Program**

#### **State Agency Response**

The Office of Community Services concurs with the findings and recommendations. The agency plans the following corrective action plans to minimize the potential for errors in these areas in future reviews:

1. Financial eligibility for Title IV-E is a function of the agency that supports its federal claim. Foster care staff are contacted prior to the scheduled re-determination to ascertain the child's ongoing eligibility for these benefits. To assure that the workers are notified when the re-determination is due, the agency previously relied on the scroll generated by the now obsolete Welfare Information System. This system has now been replaced by the Medicaid Eligibility Determination System (MEDS). The eligibility staff continue to receive scrolls of cases that require a redetermination. However, included with the system upgrade is the capacity for the eligibility supervisors to identify cases whose re-determinations are overdue. The eligibility staff are now engaged in a clean-up of the data converted from the WIS to MEDS. Once the converted data clean-up is completed, the highlighting of overdue re-determinations will be activated. This supervisory/management tool should facilitate enhanced monitoring of the eligibility determination process.
2. Re-certification of foster homes is an important issue for the agency. The agency will issue a Regional Administrators Memorandum reminding staff of the importance of completing this process in a timely manner. In addition, the regions that had the deficiencies will be contacted and required to submit a corrective action plan.

The contact person for the corrective action plan for the financial re-determination process is Carmen Weisner, Assistant Division Director, Division of Field Services. The anticipated completion date is December, 1999.

The contact person for the corrective action plan for the foster home certification issue is Jean Pittman, Section Administrator, Division of Program Development. The anticipated completion date is December, 1999.





State of Louisiana  
Department of Social Services  
OFFICE OF MANAGEMENT AND FINANCE  
DIVISION OF FISCAL SERVICES  
ADMINISTRATIVE

M.J. "MIKE" FOSTER, JR.  
GOVERNOR

J. RENE AUSTIN-DUFFIN  
SECRETARY

P. O. BOX 3927 - PHONE - 225/342-4247 FAX # 225/342-4220  
BATON ROUGE, LOUISIANA 70821-3496

November 29, 1999

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following is the official response to the finding of the Single Audit of the Department of Social Services, Office of Family Support:

**Child Support Enforcement Program – Untimely Obligation of Non-custodial Parents**

The Office of Family Support concurs with the finding and recommendation. We will implement the following corrective action plan:

**Responsible Person:** Gordon Hood, Director, Child Support Enforcement Program

**Corrective Action:** The Child Support Enforcement Program has a management system in place to notify the Specialist when a case needs locate action, paternity establishment, order establishment, or enforcement of support and medical orders. The Louisiana Automated Support Enforcement System (LASES) provides this management system and alerts workers when action is necessary. The cases indicated in the audit report were reviewed; it was established that the workers were alerted to the action that should have been taken; however, they failed to take appropriate action. All three of these cases are assigned to the Lake Charles SES Regional Office. That office has been notified to submit a corrective action plan to the SES State Office.

**Anticipated Completion Date:** The Lake Charles SES Regional Office will be expected to complete its corrective action by January 31, 2000.

Child Support Enforcement Program Audit Finding Response  
page 2

Please advise if any additional information is required.

Sincerely,

Handwritten signature of Thomas Joseph in cursive script.

Thomas Joseph  
Director