STATE OF LOUISIANA
LEGISLATIVE AUDITOR

Department of Labor
State of Louisiana
Baton Rouge, Louisiana

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Financial and Compliance Audit Division

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Legislative Auditor

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DEPARTMENT OF LABOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

Management Letter
Dated December 6, 1999

February 2, 2000

OFFICE OF
LEGISLATIVE AUDITOR
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December 6, 1999

DEPARTMENT OF LABOR
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 Labor. 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 June 30, 1999, Annual Fiscal Report of the Department of Labor 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 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 improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior management letter dated February 5, 1999, we reported findings relating to leave without pay not reported timely, claims edit listings not reviewed, improper charging of payroll expenditures to federal programs, inadequate monitoring of JTPA and CSBG subrecipients, and Year 2000 compliance. The findings relating to improper charging of payroll expenditures to federal programs and inadequate monitoring of JTPA subrecipients have not been resolved and are addressed again in this report. The remaining findings addressed in our previous management letter were resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Ineffective Internal Audit Function

The Department of Labor did not have an effective internal audit function. Internal audit reports were not signed and issued timely, working papers were not always signed and dated, the working papers lacked evidence of adequate supervisory review, and not all of the auditors were performing internal auditing functions.

A review of the department's internal audit function disclosed the following problems:

- Twelve of 17 internal audit reports dated between July 1997 and May 1999 had not been reviewed and approved (signed) by the director of internal audit or issued to the department's senior management or to management of the unit audited. Failure to adequately communicate audit results provides no assurances to management and impedes timely corrective action and follow-up on any identified areas of concern.

- Each audit working paper should be signed and dated by the preparer. Evidence of supervisory review should be documented and should consist of the reviewer initialing and dating each working paper after it is reviewed. The internal auditors and their internal audit manager did not sign and date each working paper. Limited evidence existed of manager review before reports were submitted to the director of internal audit for review and approval.

- Two of the department's seven internal auditors did not perform an internal audit function. Their job responsibility was to monitor subrecipients of two federal programs to ensure adherence to grant requirements. Other divisions within the department were responsible for the administration of these two programs and already had monitors in place to perform this function.

Considering the department's assets and revenues totaling approximately $28 million and $153 million, respectively, an effective internal audit function is needed to ensure that assets are safeguarded and that state law and departmental policies and procedures are followed.

The department should ensure internal audit reports are signed and issued, working papers are signed and dated, adequate supervisory review occurs and is documented, and all internal auditors perform internal audit functions. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Inadequate Internal Control Over Disbursements

The department did not have adequate internal control for the Office of Workforce Development's disbursements cycle. Good internal control over disbursements requires that procedures are established and followed to ensure disbursements have original, complete, and accurate documentation; that funding is available; and that transactions are approved, processed, and reported in an accurate, consistent, and timely manner. The following conditions were noted for the $18.8 million of disbursements tested:

- Disbursements totaling $13.7 million did not have evidence that documentation was reviewed by the Fiscal Division for completeness and accuracy before and/or after the disbursement transactions were processed.

- Invoices totaling $4,080,307 were not canceled or marked as "Paid" to prevent duplicate payment.

- Liabilities totaling $2,156,996 were incurred and paid without review and approval by one or more of the following: the budget officer, the undersecretary, and/or the purchasing agent. Of this amount, $2,054,096 was not reviewed and approved by the budget officer for available funding.

- Disbursements totaling $1,917,630 were improperly coded/classified in the accounting system. Louisiana Revised Statute (R.S.) 39:78(B) provides that there are to be appropriate program structures so that the financial information is reflective of the program operations as specified in the appropriation acts.

- Disbursements totaling $1,591,014 were authorized by incorrect cost center managers and another $208,551 had no authorization for payment. For example, cost center managers of other projects/programs such as Information Services and Job Training Partnership Act approved invoices charged to the Unemployment Insurance program.

- Invoices totaling $834,902 were paid an average of 4½ months after the invoice date. R.S. 39:1695 requires invoices to be paid within 90 days.

- Invoices totaling $812,930 did not have evidence of pre-auditing for clerical accuracy.

- Payments totaling $675,315 were either paid from copies of invoices or had no invoice on file.

- Payments totaling $379,855 had errors and omissions. For example, the required approval from the state purchasing agency or state contractual review was missing; the amount paid did not agree to the invoice amount and/or exceeded the approved purchase order amount; payments for maintenance were made on surplused equipment; payment was made without evidence that the goods/services were received; and cancelled checks were not available.

These conditions exist because management did not place sufficient emphasis on monitoring internal control over the disbursement cycle. Failure to develop, follow, and enforce policies and procedures results in the risk of noncompliance with agency and state regulations and laws and increases the risk of errors and fraud.

The Department of Labor, Office of Workforce Development, should establish and follow internal control procedures to ensure disbursements are properly budgeted, approved, and supported by appropriate documentation and reported in a consistent and timely manner. Management partially concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

Improper Charging of Payroll Expenditures to Federal Programs

For the second consecutive year, tests of administrative expenditures disclosed that direct personnel charges were not based on the actual time worked or on an approved cost allocation plan or rate for administering the following six major federal programs and one nonmajor program.

- Community Services Block Grant (CSBG) (CFDA 93.569)
- State Administrative Matching Grants for Food Stamp Program (LaJET) (CFDA 10.561)
- Job Training Partnership Act (JTPA Title II) (CFDA 17.250)
- Employment and Training Assistance - Dislocated Workers (Title III) (CFDA 17.246)
- Welfare-to-Work Grants to States and Localities (CFDA 17.253)
- Unemployment Insurance (UI) (CFDA 17.225)
- Employment Services (ES) (CFDA 17.207)

Office of Management and Budget (OMB) Circular A-87 states that personal services for employees working on multiple activities be supported by time and attendance records based on actual time activity. In addition, according to OMB Circular A-133, the general criteria affecting allowability of costs under federal awards includes costs being reasonable and necessary for the performance and administration of federal programs.

Based on audit tests, expenditures of $725,004 were not properly charged to the actual programs affected and these amounts are questioned costs as follows:

- For one attorney in the Legal Division, the salary and related benefits of $58,108 were distributed equally to CSBG, JTPA, and the Office of Labor without regard to how the actual time was spent on each program.

- Although five Equal Opportunity and Compliance (EOC) Division employees performed work for other programs, salaries and related benefits were each charged at 100% as follows: $46,954 to CSBG, $47,235 to JTPA, $48,328 to UI, and $96,728 (two employees) to ES, respectively.

- For nine personnel in various sections (Fiscal Section, Audit & Security, Office Services, JTPA/ES Administration, and the Duplicating Center), salaries and related benefits totaling $170,105 were charged directly to the UI program for services performed that affected other federal programs.

- For five Fiscal Division employees, salaries and related benefits totaling $33,136 were charged to the LaJET program. That amount was overcharged in relation to the services performed for the program.

- For four Fiscal Division personnel, who performed the accounting and financial reporting functions primarily for JTPA Titles II and III, salaries and related benefits totaling $179,879 were charged without regard to how the actual time was spent to JTPA Title II, Title III, and Welfare-to-Work programs.

- For one JTPA fiscal monitor, salary and related benefits totaling $44,531 were charged to the program; however, no evidence existed that any JTPA monitoring function was performed.

The current method of charging salaries to programs was established several years ago. Because actual time spent on these programs by employees is not documented, the CSBG, LaJET, JTPA, Title III, Welfare-to-Work, UI, and ES programs are not being charged for the actual personnel expenditures incurred by these programs.

The department should make direct personnel charges to the CSBG, LaJET, JTPA, Title III, Welfare-to-Work, UI, and ES programs that reflect actual time/cost spent on these programs or should base those charges on an approved cost allocation plan or rate. Management concurred with the finding and recommendation (see Appendix A, page 5).

Noncompliance With the Unemployment Insurance Program Requirements

The department's Office of Workforce Development (OWD) charged other programs' costs to the Unemployment Insurance (UI) (CFDA 17.225) program and used UI program monies for an unallowed activity. OMB Circular A-87 provides that costs must be reasonable and necessary for the performance and administration of federal awards and must be allocable to the federal awards in accordance with the relative benefits received. In addition, Section 303(a)(8) of the Social Security Act, as amended, provides that administrative grant funds may be used only for the purposes and in the amounts necessary for proper and efficient administration of the UI program.

Expenditures for goods and services totaling $1,502,886 were charged 100% to the UI program but should have been charged or allocated to the other OWD programs using the department's federally approved indirect cost rate. In addition, the department used $320,630 of UI program funds for an advance payment of insurance premiums that benefited many other OWD programs besides the UI program. Thereafter, one-twelfth of the advance amount was allocated to the appropriate programs using the department's federally approved indirect cost rate. This transaction appears to be a loan by the UI program to other OWD programs and does not comply with UI program requirements.

The costs and activity charged to the UI program occurred because management did not place sufficient emphasis on establishing controls over expenditures to ensure that a manager of the project/program had reviewed and approved the expenditure. Consequently, the UI program paid for goods and/or services that directly or indirectly benefited other OWD programs and resulted in $1,823,516 of questioned costs.

The department should ensure that all expenditures comply with federal program requirements and are reviewed and approved by UI project/program managers. In addition, management should review all expenditures previously charged to the UI program for allowability and any questioned costs should be resolved with the U.S. Department of Labor. Management technically concurred with the finding and recommendation; however, management offered an explanation for all but $72,942 of the questioned costs (see Appendix A, page 6).

Additional Comments: The auditor does not concur with management's explanation. However, these questioned costs must be resolved with the U.S. Department of Labor.

Inadequate Control Over Monitoring JTPA Subrecipient Audits

The department did not have adequate internal control to ensure compliance with OMB Circular A-133 audit requirements for subrecipients of the Job Training Partnership Act (JTPA Title II) (CFDA 17.250) and the Employment and Training Assistance-Dislocated Workers (JTPA Title III) (CFDA 17.246) programs that comprise the Job Training Partnership Act Federal Cluster (JTPA). OMB Circular A-133 requires that the pass-through entity (1) ensure that subrecipients expending $300,000 or more in federal awards have met the audit requirements of the circular, (2) monitor subrecipient activities for compliance with federal requirements, (3) evaluate audit findings and determine that an acceptable corrective action plan has been prepared and implemented, and (4) inform each subrecipient of the Catalog of Federal Domestic Assistance (CFDA) title and number for federal awards received.

A review of the department's subrecipient monitoring function disclosed that although the department maintains an audit control log on subrecipient audits, the department does not always ensure that audit reports are received and that findings or questioned costs are resolved in a timely and proper manner. A review of the department's system over the receipt and resolution of subrecipient audit reports revealed the following:

- Five audit reports were received in excess of one year from the subrecipients' fiscal year end date and two audit reports had not been received and were overdue by 5½ and 18 months, respectively. OMB Circular A-133 provides that audits under the circular shall be completed no later than 9 months after the end of the audit period.

- There were two instances in which the receipt of the audit reports and the resolution of audit findings or questioned costs were not recorded in the audit control log.

- Resolution of audit findings was not made within 180 days after the receipt of the audit report as required by federal regulations for two audits reviewed. The resolution process for one of the two audit reports was completed 215 days after receipt. There was no evidence of a final resolution for the other audit report.

- For one audit report reviewed, the department relied on the subrecipient's written corrective action plan for the resolution of a repeat finding. There was no evidence that the department ensured implementation of the corrective action plan in either year.

- The department had not communicated CFDA titles and numbers to the subrecipients of the JTPA programs.

The department did not have adequate procedures for tracking the status, including resolution of any questioned costs or findings, of JTPA subrecipient audit reports. Failure by the department to adequately monitor JTPA subrecipients increases the risk that the subrecipient will not administer or expend JTPA funds in accordance with applicable state and federal laws and regulations and that instances of noncompliance will not be detected and resolved in a timely manner.

The department should monitor subrecipient compliance with applicable laws and regulations for the approximately $60 million of JTPA funds passed through to subrecipients. Management concurred with the finding and outlined a corrective action plan (see Appendix A, page 7).

Inadequate Compilation Process

The department did not submit accurate and complete annual fiscal reports (AFRs) to the Division of Administration (DOA) for the Office of Workforce Development (OWD) and the Office of Workers' Compensation (OWC) by the due date of September 1, 1999. R.S. 39:79 requires that a sworn statement be prepared in the format devised and approved by the commissioner of administration, and the affidavit attached to the AFR states that the financial statements present fairly the financial position of the department. The AFRs were due to the DOA's Office of Statewide Reporting and Accounting Policy (OSRAP) by September 1, 1999, for the year ended June 30, 1999.

The first report submitted and the subsequent drafts of the reports contained significant errors as follows:

1. Accounts payable supporting schedules were revised three times and continued to contain errors because of addition and subtraction mistakes.

2. For the OWD, the original AFR submitted on September 2, 1999, contained the following errors:

   - **Statement A** - The fund balance amount of $12,087,963 did not agree to the Statement B fund balance amount of $23,895,566.

   - **Schedule 8 (Federal Expenditures)** - The total disbursements reported for the JTPA Cluster were $49,126,151. The total per audit was $66,016,553.

   - Several notes contained errors including the notes on disallowed costs, leases, and fund deficits.

3. The OWD submitted a revised AFR on September 20, 1999. The following errors continued to be a problem:

- **Statement A** - The fund balance amount of $15,260,725 did not agree to the Statement B fund balance amount of $8,339,019.

- **Schedule 8** - The total disbursements reported for the JTPA Cluster were $49,126,151. The total per audit was $66,016,553.

4. The OWC submitted an original AFR and a revised AFR on the same day, September 2, 1999. The revised AFR included an error in that the fund balance on Statement B of $707,311 did not agree to the fund balance on Statement A of $937,026.

The department did not have adequate written procedures for employees to use to compile information included in the AFRs. Also, no one independent of the AFR preparation process performed a detailed review of the AFRs, including comparison of the accounting system reports and adjusting entries to the AFR amounts to ensure completeness and accuracy. Revised AFRs for OWD and OWC were submitted to DOA on September 27, 1999, which is 26 days late.

The department should develop written AFR compilation procedures and should perform supervisory review of the AFR compilation to ensure that timely, accurate AFRs are submitted in the future. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, page 8).

Inadequate Control Over On-Site Monitoring of JTPA Subrecipients

For the second consecutive year, the department did not adequately monitor subrecipients for compliance with the Job Training Partnership Act (JTPA Title II) (CFDA 17.250) and the Employment and Training Assistance-Dislocated Workers (JTPA Title III) (CFDA 17.246) programs that comprise the Job Training Partnership Act Federal Cluster (JTPA). OMB Circular A-133 includes requirements for the pass-through entity to monitor subrecipient activities for compliance with federal requirements. Federal regulations and the state's JTPA Coordination and Special Services Plan require on-site monitoring of JTPA subrecipients at least once each year. Also, the preamble to OMB Circular A-133 states that the OMB expects pass-through entities to consider various risk factors such as the relative size and complexity of awards administered by, and prior experience with, each subrecipient in developing subrecipient monitoring procedures.

The JTPA monitoring unit did not maintain a log to identify its on-site reviews of subrecipients. In addition, JTPA program monitors did not document the risk of subrecipient noncompliance in planning their monitoring procedures. A review of the on-site monitoring function revealed the following:

- The JTPA office did not have a comprehensive tracking system to identify all JTPA subrecipients, funding sources, dates when monitoring reviews were due or completed, dates monitoring reports were issued, or the scope and results of reviews.

- Planning was not documented for on-site monitoring reviews. There was no evidence that the size of awards, complexity of compliance requirements, results of audits, results of prior monitoring reviews, or results of desk reviews performed by the fiscal, technical assistance, or management information system units were used to evaluate risk in order to plan monitoring procedures.

- Three subrecipients that expended $4.5 million under Title II and Title III formula grants were not monitored during the year. Eight subrecipients that expended approximately $700,000 under the Title III National Reserve Shipbuilding Industry-Wide Project agreement (NR-022-7-003) were not monitored during the year.

- Nine subrecipients that expended $24.7 million under Titles II-A, II-C, and III were monitored in May and June 1999; however, as of September 10, 1999, reports have not been issued and findings and/or questioned costs, if any, have not been resolved.

- Ten subrecipients that were monitored and that expended $24.9 million under Titles II-A, II-B, II-C, and Title III were not adequately monitored in all cases to ensure compliance with various OMB Circular A-133 compliance features including allowable costs, cash management, equipment management, suspension and debarment, and program income, among other requirements.

- The "Monitoring Review Guide" used by the monitors had not been updated to reflect current OMB circulars. In addition, a test of 16 sets of JTPA program monitors' working papers revealed the following:

    1. In seven instances, working papers did not include or use the "Monitoring Review Guide" or other appropriate guidance.

2. In 15 instances, the preparer did not initial or date working papers and in 12 instances, there was no evidence that a supervisor reviewed the working papers for content and completeness.

3. In 11 instances, the working papers did not support all conclusions made in the monitors' reports.

4. In five instances, the follow-up on corrective action did not appear adequate. Either there was no evidence that findings or questioned costs were resolved or there was no evidence that the corrective action plan, as provided by the subrecipient, had been implemented.

The department did not have adequate procedures for tracking the status of JTPA subrecipient on-site monitoring reviews. In addition, the department neither ensured that monitors addressed the risk of noncompliance in planning nor considered the adequacy of its test procedures for detecting noncompliance. Finally, because of the retirement, resignation, and transfer of program monitors, four of eight monitor positions were vacant during the year.

Failure by the department to adequately monitor JTPA subrecipients increases the risk that the subrecipients will not administer or expend JTPA funds in accordance with applicable federal and state laws and regulations. Without adequate documentation of the monitoring function, the department cannot ensure that subrecipients have been properly monitored.

The department should implement procedures to ensure that on-site monitoring is adequate for determining subrecipient compliance with applicable laws and regulations for the approximately $60 million of JTPA funds passed through to subrecipients. Management concurred in part with the finding and recommendation and outlined a corrective action plan. Management stated that the compliance features mentioned in bullet 5 are not contained in OMB Circular A-133 (see Appendix A, page 9).

Additional Comments: OMB Circular A-133 requires the pass-through entities to ensure that subrecipients comply with federal laws and regulations. The compliance features mentioned in bullet 5 are contained in Appendix B to OMB Circular A-133, which is considered part of the Circular.

Inadequate Monitoring Procedures for Community Services Block Grant

The department did not ensure that questioned and disallowed costs for Community Services Block Grant (CSBG) (CFDA 93.569) subrecipients were adequately reported, tracked, and resolved, as part of its monitoring procedures. The department distributed approximately $11 million to CSBG subrecipients during the fiscal year. Section 678 of the CSBG Act provides that states must conduct on-site reviews of subrecipients. If the state determines that a subrecipient fails to comply with applicable program requirements and agreements, the state shall inform and require the subrecipients to correct the deficiency.

The monitoring records for 8 of the department's 43 CSBG subrecipients were reviewed and disclosed the following:

- Program monitors did not identify and resolve questioned costs in a timely fashion. Final determinations on six transactions questioned by monitors totaling $25,053 were not made until after the grant funds' period of availability had expired. Of this amount, $1,547 has not been collected from subrecipients and $9,068 has not been resolved as of the audit test date. In addition, the proper disposition of repaid disallowed costs totaling $3,162 was not communicated to the CSBG accountant and, therefore, was not properly returned to the federal grantor.

- Program monitors and their supervisors were not consistent in making decisions and documenting approval to allow or disallow questioned program costs. Questioned costs totaling $19,707 were allowed and questioned costs totaling $10,815 were not allowed for similar monitoring exceptions. In addition, monitors did not always require corrective action plans from subrecipients for deficiencies or conduct follow-up reviews to ensure that deficiencies had been corrected.

The department does not have adequate written procedures for reporting, tracking, and resolving questioned and disallowed costs reported by CSBG monitors. In addition, program monitors are not adequately supervised. As a result, there is an increased risk that subrecipients will not comply with laws and regulations applicable to the CSBG program. Failure to identify and collect disallowed CSBG program costs before the period of availability expires may result in the state losing these funds.

The department should ensure that its monitoring findings with questioned and disallowed costs for CSBG (CFDA 93.569) subrecipients are adequately reported, tracked, and resolved, as part of its monitoring procedures. Management concurred in part with the finding and outlined a plan of corrective action (see Appendix A, page 12).

Unemployment Insurance Tax and Wage Reports Not Reconciled

The department did not have procedures in place to ensure that Unemployment Insurance (UI) (CFDA 17.225) tax contribution reports and wage record reports submitted by employers, as well as the information in the department's UI databases, were accurate and complete. The department collects over $170 million in employer tax contributions annually. Good internal control requires that the department develop, implement, and document procedures to (1) reconcile employer tax contribution reports to wage record reports; (2) reconcile these reports to information contained in the department's UI databases; and (3) identify and resolve problems regarding missing, incomplete, and inaccurate tax and wage information.

Weaknesses existed for 60 UI tax contribution reports tested as follows:

- Thirteen (22%) UI tax contribution reports totaling $121,299 had not been reconciled to related wage record reports totaling $8 million or to the department's UI databases.

- The wage record reports totaling approximately $24 million could not be located for 11 (18%) UI tax contribution reports totaling $47,868. The department did not have procedures in place to identify and locate these missing reports and update its UI databases.

These conditions existed because management lacks procedures for reconciling and correcting discrepancies between UI tax contribution reports, wage record reports, and UI databases. Failure to reconcile these reports and databases results in increased risks that UI taxes remitted by employers may be incorrect.

The department should develop, implement, and document procedures to ensure that UI tax contribution reports and wage record reports submitted by employers, as well as the department's UI databases, are accurate and complete. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 14).

Inadequate Documentation and Monitoring for Information System Access

The department did not adequately document and monitor logical access to its various information systems to ensure the integrity of programs, processing, and data. Effective internal control over logical access to information systems in a decentralized security administration environment requires (1) an overall security administration function to coordinate and oversee the activities of each individual performing security administration duties; (2) procedures for assigning, documenting, and monitoring system users; and (3) assignment of access on a business-need-only basis with adequate segregation of duties.

The department did not have a comprehensive policy for overall security administration. The shared security administration responsibilities for two technical support personnel, three internal security personnel, and 136 cost center managers were neither coordinated nor monitored. The department had no standard procedures for authorizing or documenting user access, and there was no central record that identified each user by name and user ID, listed all access assigned to the user, and identified who assigned that access.

The information systems' security structure had not been reviewed in over 10 years to determine if it supported current needs of management and users, and security reports had not been generated for management's review and update. Inactive user IDs were not automatically revoked, and unsuccessful repeated attempts by users to access information systems were not reported to management for investigation. The following matters were also observed:

- Ninety-one percent of users, through one broadly defined security group, have access to various programs' databases that contain employer, employee, claimant, and participant information. Access to all of this information does not appear to be necessary in the performance of their job duties.

- Twelve users outside of the department's fiscal unit had access to the accounting system that was not required for their duties and three users had unnecessary duplicate user IDs.

- Fourteen users within the department's fiscal unit were given access to the accounting system to perform incompatible duties, including one or more of the following functions: vendor and/or employee masterfile maintenance; data entry of purchase requisition and purchase and receiving reports; processing of invoices, payments, and refunds; and posting to and adjustments for the general ledger.

- Two retired employees had active user IDs and there was evidence that one of these IDs was used six months after the employee retired.

These conditions existed because management did not place sufficient emphasis on controlling logical access to the department's information systems. Failure to establish adequate access controls over information systems and applications could result in increased risk that programs or data may be accessed and modified without proper authorization, review, and approval, and that errors or fraud could occur and not be detected in a timely manner.

The department should establish, document, and monitor comprehensive policies and procedures for logical access to its various information systems to ensure the integrity of programs, processing, and data. Management concurred in part with the finding and outlined a plan of corrective action. Management responded, in part, that it "does have a comprehensive policy for security administration, including standardized procedures for authorizing and documenting user access and centralized records. . ." (see Appendix A, page 16).

Additional Comments: No evidence of a comprehensive written security policy was provided when requested by the auditor for all systems and applications. No standardized procedures were provided for authorizing and documenting user access for all systems and applications. Documentation of access authorization was decentralized among numerous people with security administration functions and was not maintained in a usable manner to provide an adequate audit trail.

Noncompliance With the Annual Appropriations Act

The department expended funds that did not conform to the provisions of the annual appropriation act (Act 19 of the 1998 Regular Session of the Louisiana Legislature). R.S. 39:79(A) provides that in no case shall obligations be incurred or expenditures made in excess of the amount allotted. The Administrative Program of the Office of Workforce Development expended funds exceeding the appropriated amount by $1,361,830. The department did not adequately implement changes in its accounting system to reflect the changes caused by Act 1172 of the 1997 Regular Session of the Louisiana Legislature. Act 1172 reorganized the department's Administrative Program into three programs: Administrative, Management and Finance, and Occupational Information Services.

Certain expenditures such as salaries and related benefits, utilities, and maintenance continued to be charged to the Administrative Program during fiscal year 1998-99 instead of to the two new programs. The Administrative Program had actual expenditures of $3,355,347 compared to budgeted expenditures of $1,993,517.

The department should adjust its accounting system to properly charge expenditures to the correct appropriated programs. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, page 18).

Noncompliance With State Contracting Procedures

The department did not ensure that contracts with Job Training Partnership Act (JTPA Title II) (CFDA 17.250) subrecipients were properly approved before disbursing funds. R.S. 39:1502 provides that contracts for social services, which would include JTPA contracts, are not valid until approved by the director of the Office of Contractual Review (OCR). A review of JTPA contracts revealed the following:

- Seven Title II-B Summer Youth contracts totaling $4,544,374 were disbursed before OCR's approval.

- One Title II-A Older Worker contract for $5,250 and one Title II-A incentive contract for $86,157 were disbursed before OCR approval.

The department does not have adequate procedures for tracking the status of JTPA contracts or for communicating contract approvals to the fiscal unit responsible for disbursing the funds. In addition, the notice of the Title II-B grant award was received from the federal grantor less than one month before program operations were scheduled to start. Although limited time was available to complete the approval process for the contracts, the department did not have adequate plans for such a contingency.

Failure by the department to adequately plan for and monitor JTPA contracts increases the risk that the subrecipient will not administer or expend JTPA funds in accordance with applicable state and federal laws and regulations.

The department should ensure that contracts with JTPA subrecipients are approved by OCR. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, page 19).

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

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Legislative Auditor

STD:WMB:PEP:dl

[LABOR]

Appendix A

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

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October 15, 1999

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Baton Rouge, LA 70804-9397

Dear Dr. Kyle: Dan

The following is our response and plan to address the audit findings for the Audit and Security Division as presented by the Legislative Auditor:

1. Failure of Audit Director to review and sign several audit reports.

   The audit director was distracted by his involvement in a major civil service case. The reports in question had been misfiled with documents related to that case. Measures have been implemented to assure that the problem does not reoccur.

2. Lack of evidence of supervisory review of audit work papers.

   Audit managers have been instructed to evidence their review of workpapers. Spot checks will be conducted by the audit director.

3. Two internal auditors not performing an internal audit function.

   The duties of the two audit positions associated with the CSBG and JTPA programs are being evaluated and revised to insure that integrity and independence are maintained. The focus of the internal auditor duties will be shifted to auditing the performance of the CSBG and JTPA units (i.e. management, monitors and technical assistance) and only sample the subgrantees as necessary.

The procedures and actions above should correct the problems noted.

Cordially,

Garey Forster
Secretary of Labor

GF:WK

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

State of Louisiana
DEPARTMENT OF LABOR
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(225) 342-3011

GAREY FORSTER
SECRETARY

October 19, 1999

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

Dear Dr. Kyle:

The Louisiana Department of Labor does not fully concur with the audit finding that the department had inadequate internal controls over the disbursements of the Office of Workforce Development. There were controls in place to safeguard the department's assets and give reliability of the financial records. There were procedures in place to provide that the transactions were completed in accordance with authorization, and recorded properly in FARS accounting. A review of the disbursements and supporting documentation by the department has determined the following:

There were 192 checks included in the review totaling $13.7 million, which were determined to be issued for the correct amount and made payable to the correct vendor.

Of the 192 checks reviewed by the department, 134 totaling $10.3 million, the disbursement showed the intent to comply with the department's procedures. There were 82 checks, totaling $8.5 million, disbursed with one or two lines of coding with the supporting document attached which easily conveys that the correct amount was paid. The evidence of correct review is apparent by the correct invoice being stapled to the correct check. There were no "check marks" on the documentation to verify the review, however. The department has adopted this procedure. There were 52 checks, totaling $1.8 million did indicate evidence of verification of the accuracy of the payment, had original invoices and accurate documentation. Most had supporting documentation marked paid. However, there were instances when the invoice was not stamped paid. The department's procedure to staple the invoice to the copy of the check and place it in the file does not lend itself to having the invoice detached and paid for the second time. The probability of such an occurrence is small, in the department's opinion. However, the department has adopted the procedure of stamping all invoices paid.

The disbursements made without the review of the budget officer was the result of the Undersecretary temporarily assuming these duties. This was changed back as a result of discussions with the legislative auditor on last November and the budget officer has been reviewing all purchases for the availability of funds since then.

The current procedure relies on the cost center manager's coding and approval of the disbursements prior to payment by Fiscal. The department will advise cost center managers of the need to expedite the approved invoices to Fiscal. The department's conversion to ISIS should provide a greater control over the coding, with Fiscal verifying the reasonableness of coding. A review of the department's payment processing procedures is currently taking place to improve its efficiency. The department noted that this finding represents 4.44% of the disbursements tested. Review of invoices begins with the cost center manager. However, Fiscal assumes its responsibility to verify the invoices for accuracy. The department noted that of the $18.8 million tested, this finding represents 4.32% of the disbursements tested.

The department agrees that payments should be made from an original invoice. However, there are instances where the original is lost and the department is trying to comply with the required 90-day timeframe, requiring the use of a copy after a determining payment is outstanding. The $675,315 determined paid in this manner represents 3.59% of the disbursements tested.

The department recognizes that there are instances when the exact amount of the disbursement is unknown at the time an order is placed, and allows payment when the payment is within a 10% tolerance. It was noted that this amount was 2.02% of the disbursements tested. This facilitates timely payment to vendors and reduces the need to do Change Orders. The department places the Cost Center managers responsible for approving the payment of maintenance on their equipment and will require them to timely notify Office Services when equipment is surplused. The department will notify the cost center managers and review procedure to determine the feasibility of revising forms to include this reminder. Cancelled checks should be available in fiscal at the time of a review; however, a copy is available from the bank for an indefinite period. The implementation of the procedure to sign out for documents removed from the files should decrease this occurrence.

The department recognizes the auditor's review of these disbursements as a means to determine the level of internal controls. The department believes that there was evidence of internal controls with the successful outcome of payments being made to the correct vendors. The department's errors and omissions, leading to the inconsistencies in following procedures, are attributable to turnovers in almost all the key management positions in fiscal and the additional work and turmoil of converting to the state accounting system (ISIS) during this timeframe. The department's decision to conversion to ISIS should provide the training and support needed to operate successfully. The department's payments procedures will be revised to incorporate the suggestions from this audit. Additional accounting training, planned for Fiscal, should assist in reducing the types of errors included in this audit. New leadership is in place to assist in the implementation of these new procedures.

Corrective Action Plan:

The new Fiscal Director is responsible for the implementation of the corrective action. A memorandum, dated July 16, 1999 was sent to the new supervisors of Accounts Payable outlining the internal controls that should be established or re-established in the payments procedures. Written procedures will be prepared and given to each employee in the Accounts Payable Unit, by November 30, 1999. In addition, the supervisors will periodically review payments, to assure procedures are followed. The performance planning session for the Accounts Payable employees will include statements requiring the adherence to these procedures.

Cordially,

Garey Forster
Secretary of Labor

GF:KS

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

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GAREY FORSTER
SECRETARY

October 19, 1999

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

Dear Dr. Kyle: Dan

This is in response to your audit finding regarding Improper Charging of Payroll Expenditures to Federal Programs.

We must technically concur with the finding. The Department has reorganized its structure and is also undergoing a change in it accounting system. We are converting to the State ISIS and Uniform Payroll Systems. Once the reorganization and conversion are completed this problem should be corrected.

Cordially,

Garey Forster
Secretary of Labor

JB/

M.J. "MIKE" FOSTER, JR.
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GAREY FORSTER
SECRETARY

October 19, 1999

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

Dear Dr. Kyle:

This is in response to your audit finding regarding Noncompliance with the Unemployment Insurance Program Requirements.

We must technically concur with the finding, but would like to show how the charges could be correct.

The $1,823,516 was charged directly against the Unemployment Insurance Program and could be justified. If you take the $1,823,516 and apply the U. I. computer usage of 80% to the amount directly allocated this would be $1,458,812. The remaining $364,704 would then be allocated against all the various codes. Another 80% or $291,762 would then be charged against the U. I. Program for its portion. This leaves a balance of $72,942 in question. This could be justified by actual direct usage of the product by the U. I. Program.

Because of our staff turnover, our conversion to the ISIS system, and our running a dual system, we have not been able to research the exact reason for the charges. The question is how much should we spend on the adjustment of $72,942? Is it worth the addition cost or should we just take corrective action to prevent this from recurring in the future?

To prevent this from happening again we have instructed every Cost Center Manager to indicate the exact usage of the service or product. The manager will be held responsible for the charges. This should prevent this from happening again in the future.

Cordially,

Garey Forster
Secretary of Labor

GF/JB

LOUISIANA WORKS
DEPARTMENT OF LABOR

M.J. "Mike" Foster, Jr.
Governor

Garey Forster
Secretary

OFFICE OF THE SECRETARY

October 27, 1999

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

Dear Dr. Kyle:

Reference is made to Mr. William Burch's letter of October 20, 1999 concerning audit findings for the Louisiana Department of Labor. The following is our response to the listed findings:

Inadequate control over Monitoring of JTPA Subrecipient Audits

> Response: The Department maintains an audit control log for tracking the *status, including resolution of any questioned costs or findings for JTPA* subrecipient audit reports. In regard to the instances cited where the Department did not always ensure that audit reports are received and that findings and questioned costs are resolved in a timely and proper manner, please be advised that corrective action will be taken, where possible, to resolve the noted deficiencies and appropriate staff will be notified of the Department's written audit resolution procedures, as well as, the necessity for adherence to these procedures.
>
> With respect to the finding regarding the Department not communicating CFDA titles and numbers to subrecipients of JTPA programs, we have issued a memorandum to all JTPA subrecipients informing them of the Titles and numbers. Further, all JTPA subrecipients are furnished copies of the JTPA Regulations which contain the CFDA titles and numbers.

If you have any questions concerning this response, please contact us.

Cordially,

Garey Forster
Secretary of Labor

GJF/ACW/jg

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Governor

Garey Forster
Secretary

OFFICE OF THE SECRETARY

October 29, 1999

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

Dear Dr. Kyle:

The Louisiana Department of Labor concurs with the Inadequate Compilation Process Finding dated October 20, 1999. The department's Annual Financial Report for the year ended June 30, 1999 was based on information derived from the ICESA/ Financial Accounting Reporting System (FARS). The department consulted the Office of Statewide Reporting to request an extension for the report due to the department's workload as a result of its conversion to the Division of Administration's Accounting System, ISIS and the Uniform Payroll System. We were told there would be no extensions granted this year.

The additional workload placed on the Fiscal Staff for the conversions, and processing problems, resulted in the late processing of June FARS Accounting Reports. When the Fiscal Staff began its compilation of information for the Annual Financial Report, errors were discovered, requiring the reprocessing of the reports, in August.

The department is disappointed that it did not receive an extension, which it believed was certainly merited in light of its heavy workload, converting to ISIS, UPS and operating in dual accounting systems.

The department realizes its responsibility to provide accurate financial statements and a great attempt was made to do so under the most stressful circumstances and a compressed timeframe. The Fiscal Staff have been made aware of the errors addressed in this finding and the need to assure they are corrected. The department plans to do an interim statement, based on the ISIS information and consult with the OSRAP Staff. Written instructions and procedures are being drafted. The proper supervisory review will be performed and become a part of the procedures.

Cordially,

Garey Forster
Secretary of Labor

GF/KS

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October 27, 1999

M.J. "Mike" Foster, Jr.
Governor

Garey Forster
Secretary

OFFICE OF THE SECRETARY

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

Dear Dr. Kyle:

Reference is made to Mr. William Burch's letter of October 20, 1999 concerning audit findings for the Louisiana Department of Labor. The following is our response to the listed findings:

Inadequate Control over On-Site Monitoring of JTPA Subrecipients

- Finding: The JTPA office did not have a comprehensive monitoring tracking system.

  Response: We concur with the finding. A monitoring tracking system that identifies all subrecipients and appropriate dates has now been developed and implemented.

- Finding: There was no evidence of risk evaluation in planning on-site monitoring reviews.

  Response: We concur with the finding. We are scheduled to review every program during the current program year. The size of the awards, performance, and problems previously identified through our Management Information System and analysis of data are now considered when scheduling reviews.

- Finding: Three (3) Title II/III subrecipients (SDAs) and eight (8) Shipbuilding National Reserve Grant subrecipients were not monitored during the year.

  Response: We concur with the finding. Our monitoring unit was staffed by only 3 monitors as of January 1999 when the Office of Workforce Development was reorganized. Subsequent to this reorganization, four (4) new monitors were hired and trained. Their training was completed in September 1999 and their monitoring began in October 1999. The eight (8) National Reserve Grant programs that were not monitored last year were all monitored during October 1999. The three (3) subrecipients that were not monitored last year are at the top of our schedule and will be completed by December 31, 1999.

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- Finding: Nine (9) subrecipients that were monitored in May and June of 1999 have not had reports issued.

  Response: We concur with the finding. Reports have now been issued on the nine (9) subrecipients monitored in May and June of 1999 for whom reports had not been issued.

- Finding: Ten (10) subrecipients were not monitored adequately in all cases to ensure compliance with various OMB Circular A-133 compliance features including allowable costs, cash management, equipment management, suspension and debarment, and program income, among other requirements.

  Response: We do not concur with the finding as stated. The items identified here are not contained in OMB Circular A-133. Appropriate requirements in A-133 subsection D. with respect to Pass-Through Entity Responsibilities will be listed in our review guide to assure that they receive adequate emphasis.

- Finding: *The monitoring review guide used by the monitors had not been updated* to reflect current OMB circulars.

  Response: We do not concur entirely with this finding. OMB Circulars A-87 and A-102 are not applicable to our JTPA program. Appropriate requirements in A-133 subsection D. with respect to Pass-Through Entity Responsibilities will be listed in our review guide to assure that they receive adequate emphasis.

- Finding: In seven (7) instances monitors did not include working papers or use the monitoring review guide or other appropriate guidance.

  Response: We concur in part with this finding. While our monitors use the review guide to conduct their reviews, this document was not always made a part of their work papers and submitted to our administrative office. Our monitors have been instructed to always include the completed guide in their work papers and to submit all work papers with their report to the administrative office.

- Finding: In fifteen (15) instances the monitor did not initial or date work papers and in twelve (12) instances there was no evidence of supervisor review.

  Response: We concur with this finding. Our monitors are now required to initial and date all work papers. They have also been instructed to submit all work papers to the administrative office for supervisor review. Work papers are now being submitted and reviewed.

- Finding: In eleven (11) instances the work papers did not support all conclusions made in the report.

  Response: We concur that in some instances this did occur. We are now reviewing work papers to confirm that they support all findings.

- Finding: In five (5) instances there was no evidence that findings or questioned costs were resolved or corrective action implemented.

  Response: We concur that in some instances this did occur. Our new monitoring tracking system includes items on findings and resolution of findings. Our technical assistance unit will be notified when findings are not reported in a reasonable period of time as resolved.

Most of the corrective actions described above were being planned and designed at the time of the audit as a part of reorganization of this office. Our monitoring unit is now fully staffed and trained and our monitoring schedule and tracking system have been implemented.

If you have further questions concerning this response, please contact us.

Cordially,

Garey Forster
Secretary of Labor

GJF/ACW/jg

LOUISIANA WORKS
DEPARTMENT OF LABOR

M.J. "Mike" Foster, Jr.
Governor

Garey Forster
Secretary

OFFICE OF THE SECRETARY

November 12, 1999

Mr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Kyle:

This is in regard to Mr. William M. Burch's letter of October 26, 1999 concerning your office's audit of the Louisiana Department of Labor's Community Services Block Grant (CSBG) program. Specific findings are addressed as follows:

Finding: Program monitors did not identify and resolve question costs totaling $25,053 in a timely fashion.

Response: We concur with this finding.

Finding: Of the $25,053, a total of $1,547 has not been collected from the subrecipient and $9,066 has not been resolved.

Response: We concur that the amounts in question have not been collected from the subgrantee or totally resolved. The CSBG Unit issued its final determination regarding these amounts subsequent to the audit review. However, the subrecipient has appealed that determination.

Finding: Of the $25,053, the disposition of repaid disallowed costs totaling $3,162 was not communicated to the CSBG Accountant.

Response: We concur in part with this finding. We inadvertently failed to provide to the CSBG Accountant with copies of reports noting the disallowed costs. However, memos from the CSBG Unit to our Fiscal Unit, transmitting repayment checks identified the program year for the disallowed costs.

Finding: Program monitors and their supervisor was not consistent in making decisions and documenting approval to allow questioned costs.

Response: We concur that we were not consistent in documenting how we made decisions to allow or disallow questioned costs. However, we do not concur with that part of the finding that indicates we were not consistent in making decisions on whether to allow or disallow questioned costs. Before questioned costs are allowed or disallowed we look at the circumstances and take several factors into consideration.

Finding: Monitors did not always require corrective action plans from subrecipients or conduct follow-up reviews to ensure deficiencies had been corrected.

Response: We concur that we did not always require corrective action plans. In some cases corrective action plans may not have been warranted. We do not concur with that part of the finding concerning follow-up reviews. Part of our monitoring procedure requires that we follow-up on findings that were reported in a review when we conduct our next monitoring review. This was done.

Finding: The Department does not have adequate written procedures for reporting, tracking, and resolving questioned and disallowed costs and program monitors are not adequately supervised.

Response We concur that we do not have adequate written procedures as noted in this finding. We do not concur with the part that indicates monitors are not adequately supervised. However, we do agree that the CSBG Supervisor position was vacant from September 1998 until September 1999. The CSBG Director assumed the duties of the CSBG Supervisor during this period.

Corrective Action Plan:

1. We have issued a memo to CSBG staff reminding them that copies of all reports that require the repayment of disallowed costs must be sent to the CSBG Accountant.
2. Work with the Legislative Auditor to develop written procedures to ensure that questioned and disallowed costs are adequately reported, tracked and resolved in a timely manner. This will include procedures for corrective action plans and follow-up reviews.
3. Have a written procedure in place to correct these deficiencies by June 30, 2000.

Mr. Ivan Chatelain is the contact person who will oversee the following CSBG corrective action plan. His telephone number is 342-3053.

Should you have any questions or need further information concerning this matter, please contact us.

Cordially,

Garey Forster
Secretary of Labor

GJF/IC/maw

M.J. "Mike" Foster, Jr.
Governor

Garey Forster
Secretary

OFFICE OF THE SECRETARY

November 10, 1999

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

Dear Dr. Kyle:

The Louisiana Department of Labor submits this response to concur with the findings and recommendations regarding the "Unemployment Insurance Tax and Wage Reports Not Reconciled". The following corrective action plans shall be timely developed and implemented to remedy the stated conditions within the current system:

1) Reconciliation and correction of tax reports with wage reports:

   - An exchange and comparison study with other states shall be conducted to ascertain the most effective and accurate reconciliation system.

   - A compatible and comprehensive procedure shall be adopted and implemented to detect and enforce consistency in reporting.

   - Advancement in the means of employer reporting through the Internet is being approached for development to efficiently enhance our ability for reconciliation of the tax system

2) Identification and location of missing or inaccurate tax and wage information:

   - A reporting procedure shall be developed and implemented to identify missing or incomplete wage or tax information.

   - Automation shall be enhanced to generate reports to identify and notify employers for accuracy or failure to submit wage reports. Preparation for implementation of these procedures is underway.

   - Current automation presently identifies employers who fail to submit tax reports and notifies such employers through delinquent notices.

- Measures to counter employers' non-reporting of taxes and wage information shall be explored.

3) Reconciliation of reports with UI databases:

- The accuracy and completeness of the UI mainframe information are reliant upon input from the wage and tax reports. The above corrective action plans shall have the positive effect of matching reports with the UI data screens.

- The archiving and retrieval of data shall be significantly improved through the implementation of an imaging system presently targeted to be in place by the end of this calendar year. Records shall accordingly be made readily available to the department on demand, thereby eliminating the present cumbersome process.

For more information please contact Marianne Sullivan, Program Compliance Manager, (225) 342-7103; Michael Delafosse, UI Tax Chief, (225) 342-2992; Karen Salvant, Fiscal Director, (225) 342-3103 and Raj Jindal, Assistant Secretary/Office of Occupational Information Services, (225) 342-3222.

Cordially,

Garey Forster
Secretary of Labor

GF:GJ:ae

LOUISIANA WORKS
DEPARTMENT OF LABOR

M.J. "Mike" Foster, Jr.
Governor

Garey Forster
Secretary

OFFICE OF THE SECRETARY

November 9, 1999

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

Dear Mr. Kyle:

In reference to the letter dated October 26, 1999, signed by Mr. William M. Burch, CIA, CGFM concerning the audit finding of "Inadequate Documentation and Monitoring for Information System Access," we concur in part. The reasons we concur in part are as contained in the following response:

The Department of Labor does have a comprehensive policy for security administration, including standardized procedures for authorizing and documenting user access and centralized records which define users by name or social security number. All accesses assigned to a user ID may be obtained through a RACF report on a user-by-user basis. All changes to accesses are logged. Changes made by Cost Center Managers/Designees are logged through CICS journaling; all RACF changes are logged to SMF datasets. RACF is now set to automatically revoke inactive user IDs after a period of 90 days. The Internal Security unit now receives a monthly report of all separations. This report is reviewed when received, and action is taken to delete any user IDs which may have been overlooked in the separation process. The Internal Security unit is currently reviewing the Cost Center Manager/Designee accesses, and will take action to reduce the number of employees who have been granted this access. The current plan is to recommend that the Regional Managers function as the backup to each Cost Center Manager under their supervision, thereby eliminating a large number of backup designees.

The Internal Security Unit currently receives reports on a daily basis of all access violations, including unsuccessful repeated sign-on attempts. In addition, the Department has re-activated weekly reports that list 1) all Cost Center Manager/Designee access, 2) all accesses by application/functional group, 3) all accesses by non-Department employees, and 4) a complete list of all accesses by Cost Center.

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The Department, through the Internal Security Unit, is currently organizing a user committee which will meet semi-annually to review the security environment. This committee will review the structure (i.e., grouping of resources), the policies, and all procedures related to ensuring that access to critical resources is defined and maintained on a business-need-only basis. The initial planning meeting will be held in November. One item which will receive priority during this first meeting is to formalize signoff procedures to oversee the activities of individuals performing security administration duties.

The ICESA/FARS accounting system has been replaced by ISIS. Deficiencies related to this system are no longer applicable.

The corrective action plan is as stated in the above narrative and the anticipated completion date is November 30, 1999. Please contact Wayne Knight, Audit Director, if you need further information.

Cordially,

Garey Forster
Secretary of Labor

GF/jm

LOUISIANA WORKS
DEPARTMENT OF LABOR

M.J. "Mike" Foster, Jr.
Governor

Garey Forster
Secretary

OFFICE OF THE SECRETARY

October 20, 1999

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

Dear Dr. Kyle:

This is in response to your audit finding regarding Noncompliance with the Annual Appropriation Act

We concur with the finding.

Act 1172 reorganized the department Administration section into three new programs. The funds appropriated to the Administrative section were divided into the three new programs without the benefit of any historical documentation. Our approach was to capture the cost by using a function code for each program. The full implementation of this change was never completed because of turnover in staff, our conversion to the ISIS system, and our conversion to the UPS system. With everything going on, we neglected to monitor the expenditures properly and didn't discover the problem until the end of the Fiscal year. Had this reorganization not taken place the three previous Administration programs would not have exceed its appropriated level. Once we discovered that the Administration program had exceeded its appropriation level, we realized that all the changes were not made. We decided it would be best to let the over expenditure stand and not distort the historical data by trying to correct the problem.

Now that we have converted to the ISIS System and we have the historical data for the budgets this problem should be corrected.

Cordially,

Garey Forster
Secretary of Labor

GF/jb/

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October 27, 1999

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

Dear Dr. Kyle: Dan

Reference is made to Mr. William Burch's letter of October 20, 1999 concerning audit findings for the Louisiana Department of Labor. The following is our response to the listed findings:

1. Noncompliance with State Contracting Procedures

- Seven (7) Title II-B Youth contracts totaling $4,544,374 were disbursed prior to OCR approval.
- One (1) Title II-A Older Worker contract for $5,250 and one Title II-A Incentive contract for $86,157 were disbursed prior to OCR approval.

Response: The Department has subsequently developed procedures for tracking the status of JTPA contracts and for communicating contract approvals to the fiscal unit as recommended by the auditor.

If you have any questions concerning this response, please contact us.

Cordially,

Garey Forster
Secretary of Labor

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