STATE OF LOUISIANA

Department of Social Services
State of Louisiana
Baton Rouge, Louisiana

April 7, 2004
(Reissued on)

LEGISLATIVE AUDITOR

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

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DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

Management Letter
Dated February 2, 2004, except
for Management's Response
dated March 29, 2004

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

April 7, 2004
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February 2, 2004, except for
Management's Response
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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, 2003, we considered the Department of Social Services' internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget (OMB) Circular A-133.

The Annual Fiscal Report of the Department of Social Services is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Department of Social Services for the year ended June 30, 2002, we reported findings relating to insufficient controls over the Foster Care - Title IV-E Program, noncompliance with certain requirements of the Temporary Assistance to Needy Families Program (TANF), fraudulent transactions in TANF, noncompliance with federal property regulations, noncompliance with state movable property regulations, noncompliance with federal and state regulations regarding subrecipient monitoring, inaccurate reporting in TANF, noncompliance with federal requirements of the Vocational Rehabilitation Program, insufficient reimbursements from child support collections, failure to disclose related party transactions, child support escrow fund not reconciled, access to property and payroll system not properly restricted, and control weaknesses over time and attendance data. The findings concerning fraudulent transactions in TANF, insufficient reimbursements from child support collections, failure to disclose related party transactions, and access to property and payroll system not properly restricted have been resolved by management. The remaining findings have not been resolved and are addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2003.

Improper Contracting of Guard Services

The Department of Social Services (DSS) did not follow state regulations for a two-year guard services contract that costs the state over $1 million. The requirements for this type of contract are provided in Louisiana Revised Statute (R.S.) Title 39 Chapter 16 (Professional, Personal, Consulting, and Social Services Procurement), including approval by the Office of Contractual Review (OCR), as well as descriptive requirements in the language of the contracts.

A review of the guard services contract disclosed the following concerns:

1. The contract was not approved by OCR.

2. DSS could not provide adequate documentation to support the administrative costs charged by the contractor. Administrative costs totaled $123,033 and $128,269 for fiscal years 2002 and 2003, respectively, which represented 25% of the total contract cost.

    - Administrative costs included payments to Nacoste Consultant Services or its owner Otis Nacoste, who is a police officer with the City of Baton Rouge, of $5.00 per hour for every hour worked by the guards, which represented $104,078 and $104,410 for fiscal years 2002 and 2003, respectively. These costs were to cover scheduling and recruitment of police officers and for the cost of a liability insurance policy. However, the department could not provide the cost of the insurance policy or how the hourly rate was determined to be reasonable for the services provided. In addition, the adequacy of the insurance policy's coverage was not reviewed by the DSS legal section.

    - Administrative costs also included payments to RLA Police Security or Steve Wilkinson, a police officer, of $1.00 per hour for every hour worked by the guards, which represented $18,955 and $23,859 for fiscal years 2002 and 2003, respectively. These costs were to cover handling paperwork such as time sheets. Once again, the department could not provide support for how this hourly rate was determined to be reasonable for the services provided.

3. The contract's payment terms were not accurate. The contract provided that guard services would be paid for five guards at two locations. However, payments were actually made for nine guards at six locations.

DSS could not provide written agreements covering the additional guards or locations. Administrative costs were based on time worked at the six locations.

Failure to submit contracts to OCR for approval results in noncompliance with state regulations and prevents OCR from ensuring that the contract's content, purpose, and evaluation is reasonable and consistent with applicable state regulations. In addition, the lack of review increases the risk that public funds will not be expended in an effective manner.

DSS management should ensure that departmental designees understand and follow state regulations regarding contracts and should submit this contract to OCR for subsequent approval. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Fraudulent Benefit Charges

DSS has weaknesses in internal control procedures relating to benefits payments, which led to possible fraudulent charges to several federal programs. Office of Management and Budget (OMB) Circular A-87 requires that federal program cost must be necessary and reasonable. In addition, good internal control requires DSS to maintain adequate security over EBT cards and sustain an adequate review function to reduce the risk of misappropriation and ensure the proper expenditure of federal funds.

Based upon review of work performed by the DSS Fraud and Recovery Section, the following issues were identified:

- An employee has allegedly falsified documentation in case folders and electronic records, which allowed ten clients to fraudulently receive benefits. These individuals may have improperly received benefits from the Temporary Assistance for Needy Families Program (TANF) (CFDA 93.558) totaling $48,244; Food Stamps program (CFDA 10.551) totaling $22,129; and the Child Care Cluster (CFDA 93.575 and 93.596) totaling $51,480. DSS has taken legal action.

- An employee has allegedly changed a relative's case file data and improperly issued two EBT cards to another relative, which resulted in likely questioned cost of food stamp benefits of $8,610. DSS terminated the employee, but no legal action was taken.

- Two employees have allegedly misappropriated $3,940 in food stamp benefits and $883 in TANF benefits by obtaining EBT cards before the cards were mailed to clients from their parish office. DSS has taken legal action in both cases.

- Various employees of the Algiers District Office - Orleans Region were working under other employees' USER IDs and passwords. Employees were working on friends' and relatives' cases. These actions violate DSS Computer Security Policy 5-3 that prohibits the sharing of passwords regardless of the circumstances and DSS Policy I-510 that prohibits Office of Family Support employees from taking any action on a case involving an immediate family member, friend, or social acquaintance.

Our audit procedures performed on controls involving the EBT card and EBT card benefits disclosed the following:

- For the employee mentioned previously who allegedly allowed ten clients to fraudulently receive benefits, Case Validation Forms, which document supervisory review of cases on a random basis, contained numerous questions and concerns regarding the clients' case files prepared by the employee. However, none of the forms had a worker's response or signature and did not indicate that the concerns were addressed.

- DSS Policy M-310, Minimum Number of Case Readings, provides that the supervisory review of case files by program will be 50% Food Stamps, 25% TANF, and 25% Child Care and Development Fund Cluster. However, in a review of six parish offices for a three-month period, the breakdown of case readings between programs averaged 77% Food Stamps, 17% TANF, and 6% Child Care and Development Fund Cluster.

- DSS does not have adequate security measures established for EBT cards before they are mailed. Reconciliations are not performed between the number of cards issued and the number of EBT cards mailed, which increases the risk that EBT cards can be removed from the mail without detection. In addition, although the various parish offices perform reconciliations of blank EBT cards received and issued, these reconciliations do not receive supervisory review on a consistent basis.

Ineffective supervisory review of case files increases the risk that errors and/or fraud could occur and not be detected in a timely manner. Insufficient internal controls and noncompliance with departmental policy increases the risk of fraud and/or error and may have subjected the department to likely questioned costs in the following federal programs: Food Stamps totaling $34,679; TANF totaling $49,127; and Child Care Cluster totaling $51,480.

DSS management should strengthen internal control procedures relating to the EBT cards and related benefits to deter fraudulent or erroneous charges to federal programs. Management provided plans of corrective action for each issue to implement the finding's recommendation (see Appendix A, pages 3-4).

Child Support Escrow Fund Not Reconciled

For the fourth consecutive year, DSS is not reconciling the Child Support (Title IV-D) Escrow Fund to the client accounts on a periodic basis. Good internal control includes periodic reconciliations of cash accounts (such as the Title IV-D Escrow Fund) to subsidiary records (such as the client accounts). A proper reconciliation would provide management with a basis to ensure that errors and/or fraud are detected in a timely manner and that accounting data are both accurate and reliable.

The Title IV-D Escrow Fund is the clearing account that is used to process child support receipts and payments. Child support receipts from noncustodial parents are deposited into the fund and credited to the accounts of custodial parents. Distributions are then made to the custodial parents and/or to the state General Fund, depending on the status of each parent's account. During fiscal year ended June 30, 2003, total collections and disbursements of the escrow fund were approximately $298 million ($24.8 million per month) and $300 million ($25 million per month), respectively. The balance in the account at June 30, 2003, is approximately $555,000.

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

DSS management should require monthly reconciliations of the Title IV-D Escrow Fund to the client accounts to ensure that the accounting records are both accurate and reliable and that child support receipts and related distributions to both the state and custodial parents have been appropriately recorded. Management concurred with the finding, but noted that corrective action would require major modification to the LASES system, which is the database for the Child Support Enforcement Program (CFDA 93.563) (see Appendix A, page 5).

Temporary Assistance for Needy Families Program: Noncompliance With Certain Federal and State Requirements

DSS, Office of Family Support (OFS), did not comply with certain federal and state requirements for administering TANF (CFDA 93.558). OFS uses TANF funds to operate several programs, including the "Family Independence Temporary Assistance Program" (FITAP), "Family Independence Work Program" (FIND Work), and "TANF Initiatives."

Audit procedures performed on 45 FIND Work and TANF Initiatives contract payments and 45 FITAP client case files disclosed the following conditions:

- For the second consecutive year, OFS did not monitor its TANF Initiative partners for compliance with federal requirements.
- For the second consecutive year, certain contract payments were determined not to be reasonable and necessary.
  - Audit procedures performed for a 16-month period on a transportation contract that pays $3,600 per month for transportation of up to 25 FIND Work participants per day disclosed that an average of 13 participants were served at a rate of $90.36 per participant per day. Questioned costs are $57,600.
  - Audit procedures performed on a Teen Pregnancy Prevention for At-Risk Youth program invoice noted that 165 gift cards totaling $1,610 to Target, Wal-Mart, and Blockbuster were purchased, but neither the invoice nor the contract contained explanations as to for whom or why the cards were purchased. Questioned costs are $1,610.
- Errors related to duplicate and unsupported charges, mathematical errors, and noncompliance with travel regulations for five TANF contract payments resulted in questioned costs of $3,930.
- In 23 of 45 client case files (51%) tested, documentation was insufficient or did not exist to support compliance with TANF eligibility requirements. This was the fifth consecutive year for exceptions involving certain eligibility requirements. In eight of these cases, clients received benefits totaling $14,244 that are questioned costs because of no supporting documentation, lack of sufficient income verification, and clients that exceeded the 24-month FITAP assistance limit.

- For the fifth consecutive year, certain TANF client information in the department's databases did not agree with, or was not supported by, documentation in the client's case file. The errors were detected in 21 cases and such errors could cause a client to incorrectly receive or be denied benefits.

Failure to establish and follow adequate internal control procedures to ensure compliance with federal and state regulations can result in payments made to ineligible clients, payments made in the wrong amounts, or failure to provide benefits to eligible clients. As a result of the exceptions noted previously, questioned costs total $77,384.

Management should require all employees to adhere to federal and state regulations and established procedures in the administration of the TANF program. Independent monitors should sample case files and contract payments for compliance. Management concurred in part with the finding and provided a corrective action plan relating to each issue (see Appendix A, pages 6-7).

Temporary Assistance for Needy Families Program: Inaccurate Reporting

For the second consecutive year, DSS does not have adequate control procedures to ensure federal reports for TANF (CFDA 93.558) are accurate and complete and in compliance with program regulations. Regulation 45 CFR 265.7 requires that reports must be complete and accurate and filed by the due date.

Audit procedures included tests of the TANF ACF-196 Financial Report for the quarter ending September 30, 2002; the Federal Cash Transactions Report (PMS-272) for quarters ending December 31, 2003, March 31, 2003, and June 30, 2003; and the Annual Report on State Maintenance-of-Effort (MOE) Program (ACF-204) for federal fiscal year 2002. The following deficiencies were disclosed:

- For the ACF-196 report, DSS reported $121,454,264 as federal unliquidated obligations but does not have supporting documentation to verify that this amount consists of valid obligations.

- For the PMS-272 report, DSS understated disbursements by $5,192,213 for the December 31, 2002, report and $40,362,082 for the March 31, 2003 and June 30, 2003, reports.

- For the ACF-204 report, DSS could not provide support for its allocation of MOE expenditures to the Family Independence Temporary Assistant Program, Kinship Care Subsidy Program, and FINDWork programs; could not provide support for the number of families/children served for the Domestic Violence, Remediation and Tutoring, Starting Points, Wrap-Around Child Care, Diversion Assistance, and Office of Community Services Child Welfare programs; and included Domestic Violence amounts that should not be considered because those expenditures are not allowable MOE expenditures.

DSS has not placed sufficient emphasis on the preparation and review of federal reports for completeness, accuracy, and compliance with program regulations. Failure to prepare and submit accurate federal reports places the department in noncompliance with program regulations and increases the risk that penalties will be assessed by the federal grantor agency.

Management should establish procedures to ensure that federal reports are prepared in accordance with program requirements and are properly reviewed before submission to the federal grantor agency. Management concurred in part with the finding noting that the department had documentation of unliquidated federal obligations and that supporting documentation was provided for the number of families/children served for Starting Points, Wrap Around Child Care, Diversion Assistance and Office of Community Services Child Welfare programs (see Appendix A, pages 8-9).

Additional Comments: In response to the finding, DSS provided a listing of net encumbrances that may not represent true obligations existing at September 30, 2002. Furthermore, the majority of amounts listed were for other state agencies, which is not allowed by federal guidelines. In addition, audit procedures performed at several large state agencies with numerous TANF subrecipients disclosed that DSS does not request these agencies to provide actual obligations for reporting purposes.

Information provided by DSS regarding Starting Points was an estimate based on contract terms not on actual amounts, while information relating to Wrap Around Child Care, Diversion Assistance and Office of Community Services Child Welfare programs did not support the numbers reported on the ACF-204 report.

Noncompliance With State's Movable Property Regulations

For the second consecutive year, DSS does not have adequate internal control over movable property and may be in violation of movable property laws and regulations. Good internal control requires that adequate control procedures be in place to ensure that (1) the acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records; (2) property is safeguarded against loss; (3) movement of items from one location to another is properly recorded; and (4) errors in processing transactions are recognized and corrected in a timely manner. Furthermore, R.S. 39:324(B) and 39:325, and Louisiana Administrative Code Title 34 Part VII Section 307(A) and Section 313(A) require the following:

1. Property managers are required to update the master inventory listing on a monthly basis by submitting all property transactions to the commissioner of administration.

2. Upon completion of the annual inventory, each property manager is required to submit a certified report to the commissioner containing all exceptions or discrepancies found when comparing the results of the physical inventory to the perpetual inventory records.

3. Acquisitions are tagged and information is forwarded to the Louisiana Property Assistance Agency (LPAA) within 60 days after receipt of these items.

4. Property managers are required to take a complete physical inventory of all property at least once each fiscal year and record the true and actual results of the physical inventory.

Tests of movable property transactions and controls identified the following deficiencies:

<u>Office of the Secretary (OS)</u>

OS reported 229 items valued at $740,051 as unlocated during fiscal year 2003 on its Certification of Annual Property Inventory submitted to LPAA on May 29, 2003. Of these items, 165 items totaling $526,942 related to items identified in the prior year audit as accepted by OS, but not reported on the LPAA records. An additional 64 items totaling $213,109 were also noted as unlocated during the current fiscal year.

<u>Office of Community Services (OCS)</u>

The OCS property manager failed to record on LPAA records 170 computers and nine printers totaling $259,694 that were purchased in June 2001. Although the property manager was aware of the purchases, the purchases were not identified in OCS' certification of annual property inventories for the past two years.

The OCS property manager does not reconcile LPAA monthly property reports to departmental records to ensure accurate movable property records.

As a result of inadequate property controls and lack of sufficient effort to locate the property, OCS is scheduled to delete 90 property items totaling approximately $403,000 from LPAA records during fiscal years 2003 and 2004, which represents 5% of OCS' total property.

Louisiana Rehabilitation Services (LRS)

The LRS property manager does not reconcile LPAA monthly property reports to departmental records to ensure accurate movable property records.

These deficiencies occurred because agency personnel responsible for movable property did not exercise sufficient care in performing their duties and management failed to emphasize the importance of maintaining adequate internal control over movable property records. Failure to maintain adequate internal control over property increases the risk that errors and/or fraud could occur and remain undetected and that property will not be properly safeguarded. In addition, the department may be subject to R.S. 39:326(D), which provides the commissioner with the authority to invoke sanctions upon an agency that is in noncompliance with movable property regulations, including the restriction of property acquisitions by that agency.

Management should ensure that the department maintains adequate internal control and accurate records over movable property to comply with state movable property regulations as prescribed by the commissioner of administration and Louisiana law. In addition, management should ensure that a diligent effort is made to locate the state's movable property before it is removed from the LPAA records. Management concurred with the finding and recommendation and outlined plans for corrective action (see Appendix A, pages 10-11).

Child Care Cluster:
Noncompliance With Grant Requirements

DSS did not comply with certain federal requirements for administering the federal child care cluster. The child care cluster is comprised of the Child Care and Development Block Grant (CFDA 93.575) and the Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596) programs. OMB Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with grant provisions, which would include providing accurate financial reporting. In addition, the child care cluster has specific earmarks that are required by Congress, and the amounts required to be spent on each earmark are specified by the Administration for Children and Families (ACF) for each federal fiscal year (FFY).

Reporting and Earmarking

A review of the *Child Care and Development Fund Financial Report* (ACF-696) for the quarter ended September 30, 2002, for the FFY 2001 grant award, disclosed the following:

- Expenditures of $21,793,299 shown for the earmark to infant and toddler [line 1(b)(2)] were overstated by $21,790,435. As a result, DSS failed to meet the Infant and Toddler Earmarking requirement of $2,567,444. The actual expenditures were only $2,864.
- Expenditures of $17,471,337 shown for the earmark to school-age/resource and referral [line 1(c)] were overstated by $16,854,222. The actual expenditures were only $617,115.
- Expenditures of $39,620,781 shown for direct services [line 1(d)] were understated by $38,644,657. The actual expenditures were $78,265,438.
- DSS failed to meet the Quality Expansion Earmarking requirement of $4,433,257, as $3,971,687 was reported on the ACF-696.
- DSS failed to meet the Quality Activities Not Included in Earmarks requirement of $5,135,904, as $3,817,734 was reported on the ACF-696. Quality Activities Not Included in Earmarks [line (1)(b)(1) of the ACF-696 report] must equal at least 4% of the total of federal expenditures and state matching expenditures.

Eligibility

For 24 of 30 (80%) children tested, case files did not have copies of the child's immunization record evidencing that the state assured the child was age-appropriately immunized in accordance with 45 CFR 98.41(a)(1)(i) and Section 6.7 of the Child Care State Plan.

DSS has not placed sufficient emphasis on the preparation and review of financial reports for accuracy and compliance with grant requirements. In addition, DSS is incorrectly reporting amounts paid to providers for child care assistance on the lines for the Infant and Toddler and School-Age/Resource and Referral earmarks. Also, although federal regulations exist to ensure a child is age-appropriately immunized, DSS personnel are electing not to follow those regulations. Noncompliance with federal program requirements may subject DSS to reduced federal funding and disallowed cost.

DSS management should ensure that adequate control procedures exist to ensure adherence to federal requirements of the child care cluster. Management concurred with the reporting and earmarking portion of the finding and provided a plan of corrective action but did not concur with the eligibility portion of the finding (see Appendix A, pages 12-13).

Additional Comments: Federal and state regulations require DSS, not providers, to ensure that children receiving services are age-appropriately immunized. In addition, family child day care homes and in-home providers are not required to maintain immunization history.

Control Weaknesses Over the LaCarte Purchasing Card Program

DSS did not follow state and departmental control procedures relating to the LaCarte Purchasing Card Program. The State of Louisiana, Division of Administration's Louisiana "LaCarte" Purchasing Card Policy assigns agencies with various responsibilities in relation to the administration of the purchasing card and the department has established DSS Policy 1-19 (LaCarte Procurement Card Program) to provide detailed control procedures over the purchasing card. In addition, good internal control requires proper segregation of duties to reduce the likelihood that errors and/or fraud could occur and not be detected in a timely manner.

The review of controls over the LaCarte Purchasing Card Program disclosed the following:

- In three of seven (43%) field offices visited, the supervisors reviewing LaCarte purchases did not review the purchasing log, receipts, and/or the Bank of America statement. The regional administrator/division director is responsible for reviewing and approving all information and documentation submitted by the cardholder to verify purchases and for verifying that acceptable documentation exists to support every purchase.

- DSS carried over $231,493 in unclassified expenditures from fiscal year 2003 to fiscal year 2004 because OCS did not zero out the default account (PXXX account) for its LaCarte purchases. Agencies are responsible for distributing costs from the default accounting codes to the proper accounting codes and should complete the distribution process each month, before receiving the next billing. Failure to allocate the default accounts results in misclassified expenditures.

- As of June 25, 2003, OCS Fiscal Services has not reconciled $291,562 of OCS LaCarte purchases to the electronic payments because the regional offices have not submitted all of the purchasing logs. Some of the unsubmitted logs date back to the beginning of the fiscal year. State control policies provide that agencies are responsible for reconciling the cardholder statement to the electronic payment made to the Bank of America. Departmental policy requires DSS agencies to reconcile the Bank of America paper statement at the state office level to the electronic payment made to the Bank of America within 25 days of receipt of the statement.

- No post audits were performed during fiscal year 2003 by the LaCarte program administrator. State and departmental policies require post audits of cardholder transactions to monitor the number and amount of purchases made and vendors used, including detailed transaction information.

- Info Span reports were not used to monitor cardholder transactions for the majority of fiscal year 2003. Departmental policy requires the agency purchasing card program administrator to use Info Span reports to monitor spending, ensure that cards are issued to employees with a business need, research information, and streamline the purchasing process.

- Improper segregation of duties exists because an Administrative Specialist 2 with the Division of Support Services inputs the request for a new card into the Card Program Administrator system, receives the card, and distributes the card to the regional administrators.

Although the state's Division of Administration and DSS have established control procedures over the LaCarte Purchasing Card Program, certain departmental personnel are choosing not to follow these controls. Failure to adhere to control procedures increases the risk that errors and/or fraud could occur and remain undetected. In addition, since certain expenditures made with the LaCarte card are funded by the Foster Care - Title IV-E Program (CFDA 93.658), the department may be more susceptible to disallowed cost.

DSS management should ensure that employees and supervisors comply with state and departmental control procedures relating to the LaCarte Purchasing Card Program. Management concurred with the finding and recommendation and outlined plans of corrective action (see Appendix A, pages 14-17).

**Vocational Rehabilitation:
Noncompliance With Federal Requirements**

DSS, LRS did not comply with certain federal requirements for administering the Rehabilitation Services - Vocational Rehabilitation Grants to States Program (CFDA 84.126).

Audit procedures disclosed the following:

- DSS has retained approximately $2 million of program income that has exceeded its period of availability and the federal government may require the program income to be returned.

- For five of 30 (17%) expenditure items tested, the department may have improperly charged the federal program. Four items did not include sufficient documentation. Departmental procedures do not require documented verification of certain vendor and client invoices, which increases the risk that fraudulent/erroneous invoices could be submitted and paid. One item had inaccurate transportation cost. Total questioned cost is $4,442 ($3,496 - federal and $946 - state).

- Five of 25 (20%) clients tested had an Individualized Plan for Employment that did not accurately specify the entity responsible for providing the vocational rehabilitation services as required by 29 USC 722 (b)(3)(C).

- For the second consecutive year, the review of the *Program Cost Report* (RSA-2) disclosed errors in reporting. The review of the RSA-2 for federal fiscal year 2002 disclosed that total expenditures shown on Schedule I were understated by approximately $2.85 million, which also caused the expenditure amounts shown for administration and services to individuals with disabilities to be incorrect. Also, amounts related to program income on Schedule IV were incorrect.

- The eligibility determinations for four of 30 (13%) clients tested were not completed within 60 days after application. The four eligibility determinations ranged from 78 days to 139 days to completion.

Noncompliance with federal program requirements may subject the department to reduced federal funding or disallowed cost.

Management should strengthen procedures to ensure compliance with federal requirements of the Rehabilitation Services - Vocational Rehabilitation Grants to States Program. Management concurred with the majority of the finding and has implemented or planned corrective action for each issue (see Appendix A, pages 18-21).

Noncompliance With Federal Property Regulations

For the second consecutive year, DSS does not have internal controls over movable property acquired in whole or in part with federal funds and therefore is in violation of federal regulations. The U.S. Department of Education [34 CFR 80.32(d)(e)] and the U.S. Department of Health and Human Services [45 CFR 92.32(d)(e)] require that property records be maintained that include a description of the property, a serial number or other identifying number, the source of property, the titleholder, the acquisition date, the cost of the property, the percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Audit procedures performed regarding federal property requirements disclosed that OCS and LRS did not indicate the percentage of federal participation for property acquired during fiscal year 2003. For fiscal year 2003, OCS and LRS acquired movable property items totaling approximately $1.1 million and $129,000, respectively. Departmental personnel responsible for tracking movable property failed to adhere to federal regulations regarding equipment acquired in whole or in part with federal funds. Failure to establish and maintain controls over property increases the risk that errors and/or fraud could occur and remain undetected.

Management should ensure that all movable property acquired in whole or in part with federal funds is identified by documenting the percentage of federal participation in the LPAA system. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 22).

Subrecipient Monitoring - Noncompliance With Federal and State Regulations

DSS did not comply with certain federal and state regulations in its monitoring of federal subrecipients and state contractors. R.S. 39:1500 requires a state agency to file a final report with OCR within 60 days of the completion of a professional, consulting, or social service contract. In addition, R.S. 39:1500(D) states, "No contract shall be entered into by a using agency with any contractor for which a delinquent final evaluation report remains outstanding for a contract with such using agency."

Audit procedures performed on the department's monitoring function disclosed the following:

- A review of 25 contracts disclosed that DSS did not obtain corrective action responses in a timely manner as required in the Contract Accountability Review Team policy manual for four of the 10 contracts (40%) that required corrective responses.

- For the sixth consecutive year, DSS did not ensure that applicable compliance requirements were provided to subrecipients as required by OMB Circular A-133. A test of 25 contracts disclosed that 10 contracts (40%) did not advise the subrecipients of the requirements imposed by laws and regulations and the provisions of contract or grant agreements.

- For the second consecutive year, DSS failed to designate 12 contracts as vendor or subrecipient. Four contracts with payments ranging from $21,000 to $2.3 million were determined after the fiscal year ended to be subrecipients. Timely designation is necessary to ensure proper monitoring and reporting.

- For the fourth consecutive year, DSS did not comply with R.S. 39:1500. A review of 25 contracts disclosed that 22 final evaluation reports (88%) were not submitted within 60 days. Thirteen reports were outstanding as of September 30, 2003, while nine reports were submitted 32 to 106 days late. In addition, nine entities have entered into contracts totaling approximately $12.6 million while their reports were delinquent.

Failure to ensure federal subrecipients and state contractors receive federal program requirements and are properly monitored increases the risk of noncompliance with applicable program regulations. In addition, failure to comply with the revised statute denies OCR timely information on contract performance.

Management should ensure monitoring procedures are established to comply with OMB Circular A-133 requirements and that final reports are filed with OCR pursuant to R.S. 39:1500. Management concurred with the finding and recommendation and provided *plans of corrective action* (*see* Appendix A, *pages* 23-24).

Foster Care - Title IV-E Program: Insufficient Controls Over Certain Grant Regulations

For the third consecutive year, DSS, OCS does not have adequate control procedures to ensure compliance with certain grant regulations in the administration of the Foster Care - Title IV-E (CFDA 93.658) program. OMB Circular A-133, Subpart C, Section

300(b) requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Reporting

A review of the *Title IV-E Foster Care and Adoption Assistance Financial Report* (ACF-IV-E-1) for the quarter ended March 31, 2003, disclosed that the underlying records for the ACF IV-E-1 report were not accurate and complete. Report percentages used to calculate the unallowable cost amount are sometimes inaccurate or missing, which may result in the Foster Care IV-E program being over/undercharged. Since the actual amount of social services cost is unknown, questioned cost cannot be determined.

Allowable Cost

- In four (16%) of the 32 payments tested, the foster care program was over-charged by $9,470 (federal - $6,750, state - $2,720) related to retainer payments and special board fees, which represents questioned costs.

- DSS did not require the facilities to provide documentation supporting the social services cost percentages; therefore, the reasonableness of the percentages could not be determined.

Failure to prepare and submit accurate financial reports increases the risk that future grant payments and/or awards to the department will be based on erroneous information. In addition, DSS personnel did not follow established controls relating to board payments.

Management should strengthen procedures relating to the preparation and review of financial reports for completeness, accuracy, and compliance with program regulations. In addition, management should ensure that employees follow established control procedures to ensure adherence with program policies. Management concurred with the finding and outlined plans of corrective action (see Appendix A, page 25).

Insufficient Control Over Purchasing Card Transactions and Accounts

DSS did not follow state and departmental control procedures relating to purchasing card transactions and accounts. The State of Louisiana, Division of Administration's Louisiana "LaCarte" Purchasing Card Policy assigns agencies various responsibilities in relation to the administration of the purchasing card and the department has established

DSS Policy 1-19 (LaCarte Procurement Card Program) to provide detailed control procedures over the purchasing card.

A review of LaCarte card purchasing transactions and accounts disclosed the following:

- The purchasing logs associated with five of the 87 (6%) transactions tested were not reconciled in a timely manner. The reconciliation is considered timely if it is done 25 to 30 days after the bank statement is received. For three transactions, the reconciliation was 38 days after the bank statement was received while there was no indication of reconciliation/review for the other two transactions. For 14 transactions, the timeliness of the reconciliation could not be determined because the supervisor did not indicate the date of review. DSS Policy 1-19 (LaCarte Procurement Card Program) provides that agencies should complete the reconciliation processes each month and before receiving the next billing cycle.

- For eight of the 146 (5%) terminated OCS employees tested, the employees' LaCarte purchasing card accounts remained open as of July 31, 2003, even though their termination dates ranged from December 2002 to June 2003. State and departmental policy requires cards/accounts to be cancelled when employment is terminated.

Although the state's Division of Administration and DSS have established control procedures over the LaCarte Purchasing Card Program, certain departmental personnel are choosing not to follow these controls. Failure to adhere to control procedures increases the risk that errors and/or fraud could occur and remain undetected. In addition, since certain expenditures made with the LaCarte card are funded by the Foster Care - Title IV-E program (CFDA 93.658), the department may be more susceptible to disallowed cost due to insufficient controls.

DSS management should ensure that employees follow control procedures relating to purchasing card transactions and accounts. Management concurred with the finding and recommendation and outlined plans of corrective action (see Appendix A, pages 26-28).

Control Weaknesses Over Time and Attendance Data

For the second consecutive year, DSS did not consistently follow state and departmental control procedures relating to time and attendance data. DSS Policy 4-2, Time and Attendance, requires that for each pay period the Time Entry Audit Report (ZT02) is reconciled by someone other than the timekeeper to the time entry sign-in sheets and supporting documentation, such as leave slips and overtime forms. The signature and title of the person reconciling the report and the date reconciled must be affixed to this form. Also, Civil Service Rules Chapter 15.2 states in part, "The appointing authority or his agent designated for this purpose shall certify on each payroll or subsidiary document the fact of the actual rendering of service in the position, the actual number of hours of attendance on duty, and the number of hours of absence from duty."

Audit procedures performed on the department's time and attendance data disclosed the following:

- Eight of the 11 (73%) offices were not properly reconciling the ZT02 report to the time entry sign-in sheets and supporting documentation, such as leave slips and overtime forms, and/or not including the signature and title of the person reconciling the report and the date reconciled on the form.

- Nineteen of the 87 (22%) time entry sign-in sheets tested did not agree to the hours shown on the ZT02 report.

- In 18 of the 73 (25%) items tested where leave was documented, there were twelve instances where the department could not provide a leave form and six instances where the leave form did not agree to the time entry sign-in sheet.

- In six of the 28 (21%) items tested where overtime was documented, there were five instances where the department could not provide an overtime form and one instance where the overtime form was not signed by the supervisor.

- Seven of the 87 (8%) time entry sign-in sheets tested were not signed by the supervisor.

- Five of the 87 (6%) time entry sign-in sheets tested were not signed by the employee.

Although time and attendance control procedures are established, certain departmental personnel are either unaware of the policies or choose not to follow them. Failure to comply with state and departmental policies relating to time and attendance records could result in the failure to prevent or detect errors or fraud in payroll transactions.

DSS management should ensure that employees comply with state and departmental policies relating to the certification of time and attendance data. Management concurred with the finding and recommendation and outlined plans of corrective action (see Appendix A, pages 29-30).

Insufficient Controls Over Information System Applications

DSS does not have sufficient controls for the Advanced Governmental Purchasing System (AGPS), the Contract Financial Management System (CFMS), and the state's payroll system (ISIS/HR). These systems are components of the Integrated Statewide Information System (ISIS). Access to these systems is restricted through the use of passwords and user identification (ID) codes; however, this access was not properly restricted to ensure that the integrity of data was maintained. The DSS ISIS USERID Program Policy (Policy 1-13) provides that employees are permitted business-need-only access to data files and functions necessary to perform their duties, and DSS Policy on Time and Attendance (Policy 4-2) provides that the security officer verifies and submits the ISIS/HR forms to the Office of Information Services (OIS) to establish appropriate security records. In addition, good internal control includes a proper reconciliation between ISIS/HR and the Advantage Financial System (AFS), which is the financial component of ISIS. A proper reconciliation provides management with a basis to ensure that errors are detected in a timely manner and that financial data are both accurate and reliable.

Audit procedures on ISIS access controls disclosed the following exceptions:

<u>ISIS/HR</u>

- Signature stamps for the Assistant Secretary of OCS and the Human Resource (HR) Director of OCS are used by HR analysts and HR managers to approve Request for Position Security and Incumbent Security Update forms. The Request for Position Security form establishes positions with ISIS\HR access, while the Incumbent Security Update form provides ISIS\HR access to those positions. Since access to signature stamps is not restricted, there is an increased risk that HR employees could submit a request for position, and provide access to the employee in that position without proper oversight or approval. Furthermore, there was no evidence that OCS monitors access on a routine basis using the Security Access by Personnel Area Report, which would mitigate this risk.

- Four employees were given unnecessary access through certain activity groups because the system could not accommodate the employees' true needs. When these situations occur, a written request should be made to OIS to determine if there is an existing activity group that would be more appropriate or if a new activity group is needed.

- DSS is not reconciling ISIS/HR expenditure totals to AFS expenditure totals.

AGPS/CFMS

- Fifteen of 31 employees (48%) tested had job functions that did not necessitate the access given in CFMS.

- Nine of 94 employees (10%) tested had job functions that did not necessitate the access given in AGPS. Six employees had moved to different sections and three employees had access that was not business-need-only.

DSS does not have a separate policy to address security of ISIS/HR users. DSS Policy 1-13 only applies to AFS, AGPS, and CFMS. In addition, certain employees responsible for security access to AGPS and CFMS did not comply with departmental policy. Failure to comply with management's policy for on-line data processing system controls and having no specific policies for ISIS/HR could result in the loss of data and the failure to prevent or detect errors or fraud in processing transactions.

DSS management should develop and implement ISIS/HR system access policies, restrict employee access to on-line data systems to employees with a business-need-only, and perform monthly reconciliations between ISIS/HR and AFS expenditures. Management concurred in part with the finding and provided a corrective action plan for each issue (see Appendix A, pages 31-33).

Employees Paid for Unearned Hours and Unnecessary Expenses

Mr. Aldora Sanford, Deputy Undersecretary, Office of Management and Finance (OMF) and Mr. Johnathan White, Director, OMF, Division of Support Services, allegedly submitted false time sheets and expense reports causing them to receive $1,722 and $750, respectively, for hours they did not work and for which they failed to take leave and received travel expenses for a conference they did not attend.

The information provided below was a result of procedures performed by the Office of Legislative Auditor Fraud and Abuse Audit Division.

<u>National Institute of Governmental Purchasing Conference</u>

Legislative auditors were present at the three-day conference and observed that neither Mr. Sanford nor Mr. White were in attendance during the scheduled classes. As a result, Mr. Sanford received $1,378 in pay and expense reimbursement for a conference that he did not attend. Mr. White received $481 in pay and expense reimbursement while at the conference on September 10 although he did not attend any of the classes. In addition, $240 in public funds was used to pay the employees' conference registration fees.

<u>Daily Work Observations</u>

Observations by the auditors revealed that while the employees reported working full eight-hour days, Mr. Sanford and Mr. White did not work an eight-hour day and did not take leave. For two days that Mr. Sanford was observed, he was paid for 7.5 hours that he claimed on his time sheet that he did not actually work and did not record leave. Therefore, he received $344 that he was not entitled to receive. For three days that Mr. White was observed, he was paid for 8.5 hours that he claimed on his time sheet that he did not actually work and did not record leave. Therefore, he received $269 that he was not entitled to receive.

These actions are in violation of DSS policy and may be in violation of Louisiana criminal statutes.

Management should adhere to its policies and procedures for time and attendance to ensure that employees are paid for time actually worked. Furthermore, management should ensure that employees on travel status comply with departmental policy and attend classes. Management noted that once additional details and requested information are received appropriate disciplinary action will be taken (see Appendix A, page 34).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,

Grover C. Austin, CPA
First Assistant Legislative Auditor

DLB:EFS:PEP:ss

[DSS03]

Appendix A

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

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

GWENDOLYN P. HAMILTON
SECRETARY

December 1, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Re: Improper Contracting of Guard Services

We concur that the Department of Social Services did not follow state regulations for a two-year guard services contract.

The Support Services Procurement Director 3 has prepared a Request for Proposal for solicitation through the Office of Contractual Review to cover six departmental locations.

Documentation for administrative cost was provided on the time and attendance sheets based on what was agreed to in the original MOU. The costs were to cover scheduling and recruitment of officers and the cost of liability insurance. As in other contracts we required a valid Certificate of Insurance. However, we do not verify with the Insurer the cost of the policy.

Administrative cost of $1.00 per hour for every hour worked by the guards was paid to RLA Police Security. Initially, the City of Baton Rouge Police Department and the East Baton Rouge Sheriff Department were not interested in handling this through their respective agencies because extra duty was considered overtime.

You may contact Johnathan White, Director Division of Support Services at 342-4148 for any additional information on the contracting of guard services.

Sincerely,

Cathy H Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

c: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Carmen Weisner
Mary Joseph
Johnathan White

State of Louisiana
Department of Social Services

M. J. "MIKE" FOSTER, JR.
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GWENDOLYN P. HAMILTON
SECRETARY

December 18, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70804

RE: Legislative Auditor Finding - Fraudulent Charges of EBT Card Benefits

Dear Mr. Austin:

This is in response to the letter from Mr. Ernest F. Summerville, Jr., of your staff to Ms. Cathy Lockett of the Department of Social Services, Division of Fiscal Services regarding the referenced subject matter.

We did not pursue legal action against the employee who was involved in unauthorized work on the cases of relatives because we were unable to prove that the employee directly benefited monetarily from the actions. This employee has been terminated.

Results of the investigation pertaining to allegations that several employees of the Algiers District Office - Orleans Region shared their computer userid numbers and passwords to work on relatives' or friends' cases, found that no ineligible benefits were issued in the affected cases. Further, most of the employees involved in this activity have either resigned or transferred to other offices. Parish management will be required to review DSS/OFS Computer Security Policy and DSS/OFS policy regarding working on cases of relatives, friends, and acquaintances with all staff members to assure compliance.

Staff responsible for conducting case readings will be required to follow up with workers on all questionable issues resulting from the review to assure that concerns are addressed appropriately and timely. Measures will also be taken to assure that staff is reading the minimum number of cases and the correct percentage of cases.

The agency has measures in place to address separation of duties for the authorization of benefits and issuance of EBT cards. In parishes where a separation of duties is not feasible because of staffing limitations, the Parish Manager is responsible for incorporating provisions for monitoring and documenting the activities of any individual(s) having benefit authorization and EBT card issuance capabilities. The separation of duties may not totally prevent theft or misappropriation of benefits, however, it facilitates the detection of such theft. Moreover, the agency takes steps to effect investigation and appropriate legal/disciplinary action to deter such activity by staff. In reference to EBT cards taken prior to being mailed to the recipients, the agency will be moving toward the centralized issuance of EBT cards in an effort to provide better security.

If you need further information, please feel free to contact David D. Sigue by calling 342-3877.

Sincerely,

Mary M. Joseph
Assistant Secretary

MMJ/DDS/GDB

c: Gwendolyn P. Hamilton
Joel Hincks

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M. J. "MIKE" FOSTER, JR.
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GWENDOLYN P. HAMILTON
SECRETARY

October 22, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Re: Child Support Escrow Fund Not Reconciled

We concur that the Department is not reconciling the Child Support Escrow Fund to the client accounts on a periodic basis. The Child Support Escrow Fund has been reconciled through June 30, 2003. This reconciliation consist of using the daily and monthly totals of the receipts and disbursements for the month of reconciliation between the ISIS and the LASES systems.

As previously communicated the LASES system does not have the capability of producing reports that reflect individual client account balances. The LASES would require major modifications to produce the type of reports that would reflect individual client account balances.

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

Sincerely,

Cathy H. Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

C: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Mary Joseph

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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

January 29, 2004

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Temporary Assistance for Needy Families Program:
Noncompliance with Certain Federal and State Requirements

We concur in part with the finding that the agency did not have monitoring procedures established to ensure that TANF Initiative partners administered the federal funds in compliance with federal requirements and/or the requirements of the Memorandums of Understanding between DSS and the TANF Initiative partners. Although other state departments receive direct appropriation for TANF funds, the Department of Social Services, DSS is ultimately accountable for TANF spending as OFS is the Federally designated TANF agency. All Memorandums of Understanding between DSS and other state departments or entities have specific language regarding the partner's responsibility for directly monitoring their programs. Each partner must follow the same requirements as the Department of Social Services as they are also monitored by the Legislative Auditor. Also, each partner will be held accountable for any misappropriation and contractual obligations. The TANF Office of Evaluation and Oversight, in the Division of Administration, also monitors all state departments and entities that receive TANF funds. OFS has established a monitoring plan to ensure that TANF Initiative partners are administering federal funds in compliance with federal requirements.

We concur in part that certain contract payments were not reasonable and necessary. We also concur in part that the Office of Family Support (OFS) did not have adequate documentation to support contract expenditures. OFS has established procedures requiring contractors to provide documentation to support payment request.

We concur in part that documentation in client files tested was insufficient or did not exist to support compliance with TANF eligibility requirements. Each region will address the necessity of documenting case records with complete and accurate information and in taking action on cases in a timely manner. All workers responsible for FITAP will receive training on the policy of "residing in the home of a parent or other qualified relative."

We concur in part that certain TANF client information in the Department's database did not agree with, or was not supported by, documentation in the client's case file. Training will be conducted on verification required for updating participation hours. Each region will review the importance of all information being properly filed in the case record as the case is handled. Case records will be labeled when more than one case record exists. Staff will also be trained on the policy for budgeting income of household members for KCSP and verifying income at application or re-determination.

If additional information is needed, you may contact David Sigue at 342-3877 or Gwendolyn Brooks at 342-2783.

Sincerely,

Cathy H. Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

c: Ann Williamson
Joel Hincks
Al Sanford
Mary Joseph

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KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
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January 21, 2004

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Temporary Assistance for Needy Families Program: Inaccurate Reporting

Dear Mr. Austin:

We do not concur that we did not have supporting documentation for federal unliquidated obligations submitted on the ACF-196 for the quarter ending September 30, 2002. Fiscal Services has documentation of unliquidated obligations in excess of the amount reported for the period audited. Further, this grant was completely liquidated as of the September 30, 2003 quarter.

We concur that the PMS-272 report was understated by $ 5,192,213 for the December 31, 2002 quarter and $ 35,169,869 for the March 31, 2003 and June 30, 2003 quarter. These amounts were corrected on the September 30, 2003 PMS-272 report.

We concur that we could not provide support for allocation of MOE expenditures to the Family Independence Temporary Assistance Program (FITAP), Kinship Care Subsidy Program, and FINDWork Programs submitted on the ACF-204 for federal fiscal year 2002. MOE expenditures reported on the ACF-204 balance in total to the expenditures in ISIS and on the ACF-196. Currently, there is not a conversion in ISIS to separate Kinship Care from regular assistance payments. Therefore, calculations were done to determine the amounts for FITAP, Kinship Care and FINDWork, which as previously stated balance in total to ISIS. A user request has been submitted to capture Kinship Care expenditures in separate coding in ISIS. The coding has already been set up by Fiscal Services for this purpose. FINDWork expenditures are identified in ISIS.

Support documentation is available for the number of families/children served for Starting

Points, Wrap Around Child Care, Diversion Assistance and Office of Community Services Child Welfare Programs. This information has been provided to the auditors.

The methodology used by the Department of Education for certifying MOE funds for the Remediation and Tutoring program experienced problems. According to Ms. Beth Scioneaux with the Department of Education, during the audit of their Department by the Legislative Auditors for fiscal year 2002 a review of the methodology for certifying funds for the MOE was performed. The auditors recommended that the Department of Education revise its procedures, which has been done to provide more accurate data.

The Domestic Violence program does not meet the requirement for MOE designation. The state MOE can only be claimed for expenditures on "eligible families," which are defined as families which include a child living with a parent or other adult caretaker relative and which are determined to be financially eligible according to income/resource standards as established in the TANF State Plan. Expenditures for the Domestic Violence program are spent on services for the general public and are not limited to "eligible families."

The ACF-204 will be revised to correct MOE expenditures and total number served with MOE funds.

Procedures will be implemented to ensure that these reports are prepared in accordance with program requirements and that all supporting documentation is maintained with the completed reports.

You may contact Cheryl Sullivan if you need additional information on the ACF-196 or PMS-272 at 342-4164. Additional information on the ACF-204 can be obtained from Gwen Brooks at 342-2783.

Sincerely,

Cathy H. Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

c: Ann Williamson
Joel Hincks
Al Sanford
Mary Joseph

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

GWENDOLYN P. HAMILTON
SECRETARY

October 6, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Re: Noncompliance with State's Movable Property Regulations

We concur that the Department of Social Services did not follow State Movable Property Regulations.

As of September 24, 2003, 146 of the 165 items accepted by the Office of the Secretary (OS) from the Office of Community Services (OCS) totaling $485,815, remain unlocated. Efforts are ongoing to locate all missing inventory items. Due to consolidation of the Deparment's Office of Information Services, reassignment and disposal of equipment continues to be processed throughout the Department. We are confident that upon completion of this project all equipment will be accounted for, old and new, properly tagged and tracked.

The 170 computers previously not recorded in LPAA records have been added to the system this year. This error was also the result of the huge undertaking by the Department to consolidate all DSS Information Technology staff. These computers were purchased shortly before OCS Information Management Unit (IMU) staff was transferred. The printers have been located and either transferred to Information Services or sent to surplus.

We are required each year to report unlocated equipment. We are required to carry unlocated items for 3 years, each year trying to locate prior unlocated items and bring that number lower. Items are deleted from the active inventory after they have been unlocated for 3 full years. The following is the information reported on OCS Certification of Annual Property Inventory submitted 6/22/03:

Adjusted Total Dollar Amount of Inventory: $7,643,462.

Previous Years Discrepancies:
1st Previous Year Dollar Amount (2002) 6 Items $ 14,664
(1st Year will be deleted year after next- 2005)

2nd Previous Year Dollar Amount	*(2001)*	*42 Items*	*$226,637*
(2nd Year will be deleted next year-2004)			
3rd Previous Year Dollar Amount	(2000)	48 Items	$176,276
(3rd Year was deleted this year - 2003)			

When FY 2000 unlocated was first reported, the figure was $921,940. This discrepancy was addressed in a letter to LPAA in that same year. The original figure of $921,940 included $329,424 lost in the fire we suffered in our Lake Charles Regional office and Calcasieu Parish office which LPAA deleted after we submitted the loss to Office of Risk Management. Subsequently, $592,516 remained unlocated ($540,456 was computer equipment). It was found that the majority of the unlocated was related to a contract OCS had with Data Systems Network as well as movement of equipment by IMU Staff. There were meetings and letters addressing the problems and corrective action taken at that time. Over the past 3 years, we have located $416,240 from the original FY 2000 figure. Also, in 2000, our Adjusted Total Dollar Amount of Inventory was $18,271,877 (much more than our current $7,643,462). The $176,276 (2000 unlocated) that was deleted from the inventory this year, was less than 1% of what the total dollar inventory was at that time.

When 2001 unlocated was first reported, the figure was $307,657. Again, the majority of this equipment was computer equipment and during that year, there were many changes in how computer equipment was being handled and movement of positions of IMU Staff and responsibilities. This was also the year OCS began transferring computer equipment to DSS OM&F/Division of Information Services.

Over the past 2 years, we located $ 81,020, and expect to locate more this coming inventory before the certification is turned in. Again, in 2001, our adjusted total dollar amount of inventory was $18,419,930. Even the current 2001 unlocated figure of $226,637 is about 1% of what the total dollar inventory was at that time.

On June 1, 2003, the new State inventory system, Protégé, became available and all agencies are using it. The Protégé system prints reports on demand. These reports are user-friendly and offer an up-to-date analysis of property transactions. Property records are updated as they are reported from organizational units throughout the state. Protégé reports are printed by LRS and OCS Agency Property Managers and reconciled on a monthly basis.

If you have any questions or need additional information, you may contact me at 342-0863.

Sincerely,

Cathy H. Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

C: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Carmen Weisner
James Wallace
Johnathan White

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

GWENDOLYN P. HAMILTON
SECRETARY

December 15, 2003

Grover C. Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Child Care Cluster: Noncompliance with Grant Requirements

Reporting and Earmarking

We concur that the Department did not comply with certain federal requirements for administering the federal child care cluster program. Currently, neither the child care subsystem reports nor ISIS reports identify earmarks. We have submitted a request to the Administration for Children and Families to allow us to use an agreed upon percentage to calculate the earmarks. Hence, a revised ACF-696 has not been submitted pending the response from our federal partner. In addition, Fiscal Services staff and Program staff are working diligently to resolve this problem as expeditiously as possible. If you need any additional information regarding the status of the ACF-696, you may contact Cheryl Sullivan at 342-4164.

Eligibility

We do not concur with the aspect of the finding because the Child Care Assistance Program requires child care providers to maintain proof of immunization for children enrolled in their care.

Questions on the case files can be addressed to Gwen Brooks 342-2783 or David Sigue at 342-3877.

Sincerely,

Cathy H. Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

c: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Mary Joseph

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M. J. "MIKE" FOSTER, JR.
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October 22, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Re: Control Weaknesses Over the LaCarte Purchasing Card Program

We concur that the Department of Social Services did not follow state and departmental control procedures relating to the LaCarte Purchasing Card Program.

Bulleted Item #1

The Division of Support Services will take corrective action to change the current Purchasing Log Form to include statements that require the Supervisor to read and verify that they have reviewed the bank statement, the receipt logs and the purchasing log. The anticipated date of completion is October 30, 2003.

You may contact Johnathan White, Division of Support Services Director if any additional information is needed at 342-4148.

Bulleted Item #2 & 3

OCS Administrative Memorandum 03-18 dated June 24, 2003 was issued to notify all state office, regional and parish staff regarding specific deficiencies cited in preliminary audit findings related to LaCarte control procedures. All staffs were instructed to review relevant LaCarte and TIPS policy. Supervisory staffs were reminded of their responsibility for insuring staff adherence to policy through review of staff expenditures, and education of cardholder staff regarding policy.

OCS Regional Administrator Memorandum 01-127 was issued September 8, 2003 directing the attention of OCS Regional Administrators to the necessity for follow-up on the remaining balance of unreconciled and unclassified expenditures incurred for LaCarte purchases for fiscal year 2002/2003. A list was forwarded to each region with the names of staff that had not responded to requests from Fiscal Services for submission of required documentation. Regional Administrators were asked to ensure that these workers submit missing LaCarte logs to OCS Fiscal Section and that corresponding TIPS forms also be completed and processed. A new procedure was instituted whereby the OCS Fiscal Services Section will notify the worker, the parish manager and the Regional Administrator in communications concerning incomplete LaCarte reconciliations to ensure that logs and TIPS forms are completed and processed timely.

As of October 15, 2003, the remaining unreconciled/unclassified balance of all LaCarte purchases for the Fiscal Year period July 2002 through June 2003 was $71,718.000 (down from $203,312.96 as of August, 2003). The total amount of all LaCarte purchases for this period, which had been reconciled and classified was $2,109,773.95, of a grand total of $2,181,491.95 in FY 03 agency expenditures charged through LaCarte.

Because OCS foster care caseworkers throughout the state have responsibility to procure necessary items for foster children (clothing, etc.) in DSS custody (approximately 4200 foster children), OCS probably has more LaCarte cardholders and volume of small purchases than any other agency. The manual reconciliation of the caseworker log sheets and the agency's Bank of America statement by OCS Fiscal Services is very time consuming. A major element in the initial classification of LaCarte purchases by OCS cardholders is the breakout of "client-related" purchases as separate and distinct from non client-related purchases (office supplies, etc.). It has been suggested that this aspect of the reconciliation process would be facilitated if we could distinguish on the OCS Bank of America master statement those specific LaCarte card numbers issued to employees whose main procurement responsibility is the purchase of non-client related (office administration) purchases. Generally there is only one LaCarte cardholder per OCS office site who is responsible for administrative or "non-client" purchases. DSS initiated an inquiry to DOA Office of State Purchasing and Travel (OSP) on the issue of whether it would be possible for OCS employees who are responsible for non-client related purchases to be issued LaCarte cards within an identifiable numeric series or have a numeric or letter indicator embedded in the card number string to enable us to distinguish the purchases listed for these cards as non-client related/administrative costs. A response was received from D of A that they would check with the Bank of America; however, if the bank could not comply with this request, OSP asked whether it would be of any assistance to create an alphabetical listing of cardholders who purchase for clients. Then DSS could use the master statement, the cardholder summary and not the cardholder activity, to find the cardholders and mark the statement. A plan has also been suggested for exploring possible methods, which could be developed by DSS through Infospan to see how reports from the statement can be specified.

Since the institution of Louisiana's LaCarte Procurement Card Program in December 2000, the Office of Community Services has been following a manual process for reconciliation of our LaCarte purchases with the agency's Bank of America Statement and for appropriate classification of costs for allocation to budget categories and funding sources. A project for developing an automated database system to facilitate the reconciliation process is underway. In this regard, OCS prepared a (DSS) System Planning Template documenting a proposed project for design and implementation of an automated database system to record, maintain and reconcile credit card purchases by OCS LaCarte cardholders. DSS Information Services has evaluated the needed functions of the proposed system and detailed specifications have been described in a Technical Design Document for a LaCarte Reconciliation Process System. Since the LaCarte reconciliation database will be used by OCS staff across the state, DSS Information Services has envisioned approaching this as a web project. The projected completion date for the development of this automated LaCarte Reconciliation System, which is intended to record, maintain and reconcile credit card purchases by OCS cardholders, is December 31, 2003.

You may contact Keyth Devillier, OCS Financial Management Director at 342-4028 or Debbie Johnson, OCS Budget Manager at 342-2766.

Bulleted Item #4

The Compliance Section has taken corrective action by completing policy and procedures, which were implemented October 3, 2003.

Bulleted Item #5

The Division of Support Services has taken corrective action by putting procedures in place to ensure reports are run monthly and forwarded to the Procurement Card Administrator for review. This procedure should be implemented by November 1, 2003.

Bulleted Item #6

The Division of Support Services will take corrective action by contacting Bank of America for an implementation of an automated approval process to ensure segregation of duties will exist. This action should be complete by November 30, 2003.

You may contact Johnathan White, Division of Support Services Director, if any additional information is needed relative to item numbers 4, 5 or 6, at 342-4148.

Sincerely,

Cathy H Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

C: Gwendolyn C. Hamilton
Joel Hincks
Al Sanford
Carmen Weisner
Johnathan White

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

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GWENDOLYN P. HAMILTON
SECRETARY

December 29, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Re: Legislative Audit Finding – **Vocational Rehabilitation: Noncompliance with Federal Requirements**

The following is in response to your letter of December 12, 2003, regarding reportable audit findings of Louisiana Rehabilitation Services.

►Period of Availability – Program Income

Agency Response: The agency concurs with this finding. Louisiana Rehabilitation Services has contacted the Rehabilitation Services Administration advising of this finding. Louisiana Rehabilitation Services has documentation back to state fiscal year 1998, but the amount in this report is an accumulation of revenue back to 1993. The Rehabilitation Services Administration has advised the agency that the work papers will be requested from your office.

No corrective action necessary. The procedures for tracking Program Income were previously revised to include both State and Federal Years. The agency has documentation to support the figures for the last five years beginning with July 1998. If you have any questions, please contact Becky Blankinship.

►Federal Financial Reporting

Agency Response: The agency concurs with this finding.

Name Person Responsible for Corrective Action: Becky Blankinship

Corrective Action Planned: The federal report will be revised to correct the errors and understated expenditures.

Anticipated Completion Date: February 1, 2004

► Responsible entity not accurately specified

Agency Response: The agency concurs with this finding.

Contact Person Responsible for Corrective Action: Roseland Starks and Steve Roberts

Corrective Action Planned: The agency will implement in-service training to clarify procedures and instruct field staff regarding procedures for accurately identifying on the Individualized Plan for Employment (IPE) the entity (ies) responsible for providing vocational rehabilitation services. The LRS Quality Assurance program will continue to monitor for this item as it has done since January 2001.

Anticipated Completion Date: In-service training will be completed by March 15, 2004, and the QA program will continue to conduct annual monitoring exercises in each of the eight LRS regions.

► Eligibility determinations not completed within 60 days

Agency Response: The agency concurs with these findings.

Contact Person Responsible for Corrective Action: Roseland Starks and Steve Roberts

Corrective Action Planned: The agency will implement in-service training to clarify procedures and instruct field staff regarding the federal regulations 34 CFR Part 361.41 (b) (1). Also, agency procedures will be revised to stipulate that eligibility determinations must be made within 60 days, unless "exceptional and unforeseen circumstances beyond the control of the [agency] precludes" making an eligibility determination within 60 days. The agency's procedures were revised on June 25, 2003, to stipulate that if the eligibility decision cannot be made within 60 days the counselor and applicant must "agree to a specific extension of time" for the determination to be made. The LRS Quality Assurance program will continue to monitor for this item as it has done since January 2001.

Anticipated Completion Date: Procedure revisions and in-service training will be completed by March 15, 2004; and the QA program will continue to conduct annual monitoring exercises in each of the eight LRS regions.

► Department may have improperly charged the federal program

Agency Response: LRS concurs in part with this finding. Three of the four cases identified as not including sufficient documentation for the payment of invoices followed established agency procedures for processing payments to vendors and the agency is of the opinion that the costs associated with these cases were legitimate. LRS agrees, however, that by not requiring documented verification (signatures) on certain vendor and client invoices the risk of paying fraudulent or erroneous invoices is increased.

In a fourth case, involving the purchase of computer equipment for a consumer, LRS agrees that the counselor did not follow established agency procedures for completing an amended Individualized Plan for Employment (IPE) to initiate the purchase. LRS further agrees that there was no "validation" signature on the BRIS-3 document authorizing payment for the purchase and that there was no verification in the record that the consumer actually received the equipment. It is the agency's opinion, however, that since the purchase was made for an eligible LRS consumer, there are no "disallowed" federal costs associated with this action.

The fifth cited case involves the payment of transportation costs to an individual during semester breaks when he was not actually attending the training program for which the transportation assistance was being provided. LRS concurs with the finding in this case.

Concerning the questioned costs involved in all of these cases, the Rehabilitation Services Administration has advised the agency of the following: "We are going to wait until the Audit report is released and then see if there is enough detail in the report to write a Program Determination Letter to recover the funds. If not, we will request the work papers and go from there."

Contact Person Responsible for Corrective Action: Roseland Starks, Claire Hymel

Corrective Action Planned: The LRS Technical Assistance and Guidance Manual will be revised to specifically require case record documentation or verification of an individual's receipt of goods or services prior to the authorization of payment. In cases involving the reimbursement of consumer expenses for PCA services, procedures will be revised to require consumers (as employers) to verify payments to persons providing PCA services prior to LRS authorizing reimbursement.

LRS will require training for the Lafayette regional staff concerning the authorization of transportation payments for only those days an individual is participating in authorized training or other services for which transportation assistance is being provided. In addition, LRS will initiate steps to recoup the over payment of transportation assistance. Training concerning the proper completion of an amended IPE, as well as the approval process and required signatures for IPE amendments will also be required in Lafayette.

<u>Anticipated Completion Date</u>: Procedure revisions and in-service training will be completed by March 15, 2004; and the QA program will continue to conduct annual monitoring exercises in each of the eight LRS regions.

If you require any additional information, please let us know.

Sincerely,

James Wallace

James Wallace
Director

JW/SR/ssb

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

GWENDOLYN P. HAMILTON
SECRETARY

September 25, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Noncompliance with Federal Property Regulations

We concur that the Office of Community Services and Louisiana Rehabilitation Services did not follow federal property regulations in that they did not indicate the percentage of federal participation for property acquired during fiscal year 2003.

Procedures are in place at both agencies to ensure that any movable property acquired in whole or in part with federal funds will reflect the percentage of federal participation. On June 1, 2003, the new state inventory system, Protégé, became available. Both offices are using this new system, which allows them to enter the required federal financial participation into data fields for funding type.

If you have any questions or need any additional information, you may contact me at 342-0863.

Sincerely,

Cathy H. Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

C: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Carmen Weisner
James Wallace

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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

January 23, 2004

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Subrecipient Monitoring – Noncompliance with Federal and State Regulations

Dear Mr. Austin:

We concur that the department did not monitor one contract. CART is now receiving reports that identify all of the department's contracts. Effective July 1, 2003, the Contract Accountability Review Team (CART) requested and is receiving a report from the Division of Support Services, which identifies all active contracts on CFMS. CART will compare this record to existing CART reports to identify new and terminated contracts. We also agree that the department did not require one subrecipient to take timely corrective action. These procedures are revised effective January 2004. A copy of the CART findings will be sent to the contract manager and to the contractor. The contract manager will be responsible for ensuring that the subrecipient takes timely corrective action. CART will also institute a tickler system to track corrective action responses to assure that if plans are not received timely, immediate follow-up will be done.

We concur that the Office of Family Support (OFS), Temporary Assistance for Needy Families (TANF) contracts that were tested did not include the CFDA Program Name in the applicable section on the first page of the contract. Further, 10 of the contracts tested did not identify the requirements imposed by laws, regulations, and the provision of contract or grant agreements and the only law mentioned in the contract is the Personal Responsibility & Work Opportunity Reconciliation Act of 1996 (PRWORA). The regulation numbers were not available from the Administration for Children and Families (ACF) when these contracts were originally set up and a master boilerplate for Teen Pregnancy contracts was completed. When PRWORA/TANF regulations were finally issued, the agency failed to insert the numbers in these contract documents. Program staff is aware of the requirement and the importance of informing contractors of all applicable federal laws and regulations.

We concur that 12 contracts were not designated as vendor or subrecipient. All of the twelve contracts have been designated post audit. Eight of the twelve were vendor type contracts and four were subrecipient type contracts. The External Audit unit did not receive copies of the contracts for designation. Program offices have once again been prompted to forward a copy of all contracts (excepting certain types of contracts) to External Audit to make the vendor/subrecipient determinations and to be entered into the audit report tracking system.

We concur that 22 final evaluation reports were not submitted to the Office of Contractual Review (OCR) within 60 days. At the time of the audit nine had been submitted late. Of the remaining 13, two are Memorandums of Understandings (MOU). We are not required to submit monitoring reports to the OCR on MOUs. Six were submitted to the OCR after the audit was performed and the remaining five are being processed for submission. A tickler system is in place whereby the Division of Support Services sends transmittals to appropriate staff to bring about timely submission of the final performance reports. The Office of Community Services will maintain a log of all evaluation reports that are due and entering the date each is received. Weekly follow up will be done on evaluation reports that have not been submitted. In addition, they will routinely send follow up reminders or requests via e-mail to the assigned contract monitor (and/or supervisor) for reports that are missing or late.

If any additional information is needed, you may contact me at 342-0863.

Sincerely,

Cathy H. Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

C: Ann Williamson
Joel Hincks
Al Sanford
Mary Joseph
Carmen Weisner
James Wallace

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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

January 21, 2004

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Foster Care – Title IV-E Program: Insufficient Controls Over Certain Grant Regulations

Dear Mr. Austin:

Reporting
We concur that underlying records for the ACF IV-E-1 were not accurate and complete. Percentages were being applied incorrectly in the calculation of IV-E Adoption expenditures. This procedure has been corrected as of the June 2003 quarter. The March 31, 2003 quarter report cited in the finding was revised on the September 30, 2003 submission of the report. Procedures have also been put in place to ensure that all supporting documentation is maintained with the completed reports.

Allowable Cost
We concur that the Office of Community Services (OCS) did not rigorously follow control procedures related to retainer payments and special fees, resulting in the foster care program being overcharged by a total of $9,470 (federal - $6,750, state - $2,720) in four of the payments tested.

OCS Regional Administrator Memorandum 2003-82 dated May 23, 2003 was issued to remind placement authorizing staff that OCS policy does not allow payment to any private provider program to hold a bed for a child pending placement.

Sincerely,

Cathy H. Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

c: Ann Williamson
Joel Hincks
Al Sanford
Carmen Weisner

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

GWENDOLYN P. HAMILTON
SECRETARY

November 21, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Re: Insufficient Control Over Purchasing Card Transactions and Accounts

We concur that the Office of Community Services (OCS) did not rigorously follow state and departmental control procedures and completely fulfill all procedural requirements relating to purchasing card transactions and accounts.

OCS Administrative Memorandum 03-18 dated June 24, 2003 (attached) was issued to notify all state office, regional and parish staff regarding specific deficiencies cited in preliminary audit findings related to LaCarte control procedures. All staff were instructed to review relevant LaCarte and TIPS policy. Supervisory staff were reminded of their responsibility for insuring staff adherence to policy through review of staff expenditures, and education of cardholder staff regarding policy.

OCS Regional Administrator Memorandum 03-127 was issued September 8, 2003 directing the attention of OCS Regional Administrators to the necessity for follow-up on unreconciled and unclassified expenditures incurred for LaCarte purchases for Fiscal Year 2002/2003. A list was forwarded to each region with the names of staff who had not responded to requests from OCS Fiscal Services for submission of required documentation. Regional Administrators were asked to ensure that these workers submit missing LaCarte logs to OCS Fiscal Section and that corresponding TIPS forms also be completed and processed. A new procedure was instituted whereby the OCS Fiscal Services Section will notify the worker, the parish manager and the Regional Administrator in communications concerning incomplete LaCarte reconciliations to ensure that logs and TIPS forms are completed and processed timely. In addition, we are planning to remind all supervisors that the date of review must be recorded when approving LaCarte reconciliation activity by subordinate staff, and when the date of supervisory review/approval is omitted, the OCS Fiscal Section will request this missing information.

As of October 16, 2003, reconciliation action had been completed for the two transactions cited in the audit sample for which the auditor noted "there was no indication of reconciliation/review."

Since the institution of Louisiana's LaCarte Procurement Card Program in December, 2000, the Office of Community Services has been following a manual process for reconciliation of our LaCarte purchases with the agency's Bank of America Statement and for appropriate classification of costs for allocation to budget categories and funding sources. Because OCS foster care caseworkers throughout the state have responsibility to procure necessary items for foster children (clothing, etc.) in DSS custody (approximately 4200 foster children), OCS probably has more LaCarte cardholders and volume of small purchases than any other agency. The manual reconciliation of the caseworker logsheets and the agency's Bank of America statement by OCS Fiscal Services is very time consuming. A project for developing an automated database system to facilitate the reconciliation process is underway. In this regard, OCS prepared a (DSS) System Planning Template documenting a proposed project for design and implementation of an automated database system to record, maintain and reconcile credit card purchases by OCS LaCarte cardholders. Since the LaCarte reconciliation database will be used by OCS staff across the state, DSS Information Services has envisioned approaching this as a web project. OCS has requested that the automated system include a feature to generate an email alert or tickler to the cardholder whose reconciliation is still pending after a certain period to help ensure that the reconciliation process is completed on time.

OCS is initiating an additional procedure to assure that cardholder accounts are limited to appropriate OCS staff who have current employment status with the agency. Every month, the OCS Human Resources Division produces a report of all recently terminated employees. This report will be checked against a current list of purchasing cardholder accounts for OCS staff and follow up action will be taken to ensure that accounts for all former employees are closed or deactivated.

For additional information on reconciliation of LaCarte purchasing logs you may contact Keyth Devillier, OCS Financial Management Director, phone: 342-4028; Martha Wyly, Policy, Planning & Accreditation Director, phone: 342-6827; or Arlene D. Richard, Administrative Services Supervisor, phone: 342-4047.

When a cardholder calls directly to Bank of America to cancel an account, the account is blocked and the card is disabled but we are unable to do anything with the account in CPA and/or Infospan after it is blocked. When Bank of America blocks the account, it will always appear open on our reports from Infospan and in CPA. The DSS LaCarte Procedures state that the cardholder and/or supervisor should contact the DSS Procurement Card Administrator to report stolen cards and to cancel cards when employees are terminated.

The Division of Support Services is in the process of updating the LaCarte Policy and Procedures. The updated policy and procedures will clarify the supervisor's responsibility for contacting the DSS Procurement Card Administrator's Office for cancellations and for reporting employee terminations.

The Support Services Administrative Manager 5 will send out an email stressing the importance of canceling the card through the DSS Procurement Card Administrator's Office and prepare correspondence to Bank of America requesting their assistance in updating the accounts that are cancelled through them.

The Administrative Manager 5 will also develop and implement a training program for LaCarte cardholders. The training will be available for all DSS cardholders statewide.

You may contact Johnathan White, Director of the Division of Support Services at 342-4148 for any additional information on the cancellation of LaCarte cards.

Sincerely,

Cathy H Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

c: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Carmen Weisner
Johnathan White

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

GWENDOLYN P. HAMILTON
SECRETARY

September 12, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Control Weaknesses Over Time and Attendance Data

We concur that the Department did not consistently follow state and departmental control procedures relating to time and attendance data.

All offices (OFS, OS/OM & F, OCS & LRS) have taken corrective action measures to ensure compliance with state and departmental policies regarding time and attendance. Specifically, OFS and OS/OM & F have informed staff of the audit concerns and have again reviewed proper procedures with them. They have been informed that they must follow proper procedures as outlined by state and departmental policies.

The OCS issued an Administrative Memorandum dated August 26, 2003 addressed to all OCS staff statewide directing them to focus their attention to ensure accuracy of data and to comply with policy, particularly noting those items cited in the finding. The OCS has also revised some of its internal control procedures effective September 1, 2003. Additionally, by September 26, 2003, OCS Human Resources Division will provide technical assistance to ensure that time administrators for EBR Parish know how to execute the ZT02 entry audit report in the SAP system at the end of each payroll processing period. Direction will also be provided on the proper manner to reconcile the ZT02 against the sign-in sheet and supporting documents.

Louisiana Rehabilitation Services has also revised internal procedures. This was completed on August 11, 2003 and is the responsibility of the Accountant Administrator. The Human Resource Director will complete in-service training for all state office staff. This mandatory training will be completed by October 31, 2003.

If you have any questions or need any additional information, you may contact Cathy Lockett at 342-0863 or me at 342-4247.

Sincerely,

Cathy H. Lockett
for

Ronald F. Patty, Director
Division of Fiscal Services

cc: Gwendolyn Hamilton
Joel Hincks
Al Sanford
Carmen Weisner
Mary Joseph
James Wallace

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

GWENDOLYN P. HAMILTON
SECRETARY

October 22, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

Re: Insufficient Controls Over Information System Applications

We concur that the Office of Community Services (OCS) did not have sufficient controls for the use of the signature stamps for the Assistant Secretary and the Human Resources (HR) Director. Effective August 7, 2003, HR analysts are no longer processing position or incumbent security forms for ISIS-HR. Also as of that date, the use of signature stamps was discontinued. The OCS HR Director now signs ISIS-HR security requests with an original signature, with the exception of those for the Human Resources Division, which are signed by the Assistant Secretary.

Further, the sole Security Administrator for OCS is maintaining list of all authorized Time Administrators and Time Administration Managers and now runs the ISIS Security Report (ZX25) monthly to determine the following:

1. Verifies that only authorized Time Administrators have security access.
2. Checks last date of system access by users to determine if security is about to expire due to inactivity.
3. Checks that Time Administrators are using appropriate TPPSAP printers rather than local windows printers to run ISIS-HR timekeeping reports.

We concur in part that four employees were given unnecessary access through certain activity groups because the system could not accommodate the employees true needs. The two employees within the Office of Family Support have been removed from the time keeping list.

The Administrative Services Assistant/Secretary in the OCS HR Division has access to Organizational Management update function. The incumbent never updates organizational management. This access is used to enable her to view all OCS records for the purpose of completing verifications of employment.

If "Inquiry Only" access were given she would not be able to perform her Time Administrator duties for the HR Division, which is essential in her job description. Inquisition has been made to the Division of Administration (DOA) regarding the appropriate activity group. We have been informed that no such group exists and a modification to allow inquiry only ability for organization management and also maintain capabilities for performing time administration duties is not viable.

In a similar situation, upon implementation of ISIS-HR, approval was received from DOA Office of Statewide Information Systems (OSIS) to have master data, inquiry access and time administrator access for the Executive Secretary in the Office of the Secretary (OS) HR Division. Forms were sent to OSIS on October 3, 2003 to remove master data and retain inquiry and time administrator roles. The request was denied because the incumbent would be unable to enter time and attendance and have inquiry access. Therefore, as instructed and approved by OSIS, another form was submitted to eliminate inquiry and retain master data only.

It is essential that the Executive Secretary in the OS HR Division have this access because she occupies the only support staff for this Division. She is responsible for time administrator functions, employment verifications, retirement and agency service awards for which she must generate reports, etc. This position answers the main published telephone line for DSS Human Resources, which is a heavy volume of phone calls daily. These calls require access to the system to determine where employees of DSS are located in order to direct the caller and/or incoming mail. We have 5,000 employees statewide and numerous calls and mail is received by the OS HR Division to be routed throughout the Department.

DSS Policy 1-13 is not applicable because security for ISIS-HR is under the jurisdiction of DOA OSIS, not DSS. OSIS determines who can receive access and to what functions. However, security responsibilities for ISIS-HR are addressed in DSS Policy 4-2, Time and Attendance.

If you have any questions regarding ISIS/HR access you may contact Betty Allen, OS HR Director, Wanda Raber, OCS HR Director or Gwendolyn Jones, OFS HR Director.

We concur that DSS is not reconciling ISIS/HR expenditure totals to AFS expenditure totals. The Division of Fiscal Services will research this matter and follow-up with our findings.

We concur that fifteen employees had job functions that did not necessitate the access given to CFMS and that 9 employees had job functions that did not necessitate the access given to AGPS. The Administrative Manager 5 in the Division of Support Services will implement corrective action that will update the ISIS Policy Manual to include more definitive language that will define the Supervisor's responsibility requiring them to be more accountable. A cover MEMORANDUM will be created that requires the

Supervisor's signature. The policy should be updated and completed by December 31, 2003.

If you have any questions regarding access to CFMS or AGPS, you may contact Johnathan White, Division of Support Services Director.

Sincerely,

Cathy H. Lockett

Cathy H. Lockett, Assistant Director
Division of Fiscal Services

c: Gwen Hamilton
Joel Hincks
Al Sanford
Mary Joseph
Carmen Weisner
Johnathan White

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Kathleen Babineaux Blanco
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Ann S. Williamson
SECRETARY

January 16, 2004

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Legislative Audit Finding - **Employees Paid for Unearned Hours and Unnecessary Expenses**

Dear Mr. Austin:

The following is in response to the above referenced audit finding by the Office of the Legislative Auditor, Fraud and Abuse Audit Division concerning two employees in the Department of Social Services, Office of Management and Finance.

Agency Response: The legal section of the Department has contacted Mr. Joseph Stevens, an Investigative Auditor on your staff for additional details concerning the above referenced audit finding. We have also asked Mr. Sanford and Mr. White to provide their explanation for the information contained in the audit finding. Once the requested information is received, we will undertake whatever additional investigatory steps appear warranted.

Name of Person Responsible for Corrective Action: Joel B. Hincks, Undersecretary

Corrective Action Planned: Should the requested information substantiate the allegations in the audit finding, the Department will seek restitution of the amounts fraudulently obtained, and initiate appropriate disciplinary action, up to and including termination, of these two employees.

Anticipated Completion Date: March 1, 2004

If you have any questions or need additional information please let me know.

Sincerely,

Joel B. Hincks
Undersecretary

C: Ann Williamson
Lisa Woodruff-White
Steve Mayer
Lane Ardoin
Cathy Lockett