

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS –
YOUTH SERVICES – OFFICE OF JUVENILE JUSTICE

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED JUNE 30, 2021

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Department of Public Safety and Corrections
Youth Services – Office of Juvenile Justice



June 2021

Audit Control # 80200114

Introduction

As a part of the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2020, we performed procedures at the Department of Public Safety and Corrections – Youth Services – Office of Juvenile Justice (OJJ) to evaluate the effectiveness of OJJ’s internal controls over a major federal program; and to determine whether OJJ complied with applicable laws and regulations. In addition, we determined whether management has taken action to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the OJJ management letter dated December 23, 2019. The prior-year finding related to Noncompliance and Control Weakness Relating to Foster Care Billings has not been fully resolved and is addressed again in this letter with a revised title.

Current-year Findings

Control Weakness over and Noncompliance with Coronavirus Relief Fund

OJJ received reimbursement for expenditures that were unallowable and outside the period of performance under the Coronavirus Relief Fund (CRF), per federal program rules and guidance.

A review of 100% of non-payroll expenditures paid with the CRF, totaling \$5,926,871, disclosed the following:

- For residential facilities caring for juveniles in OJJ’s custody, \$363,183 of the \$3,789,912 contract costs paid with CRF funds were also reimbursed by Foster Care federal funds, which is not allowable. The \$363,183 payments are considered questioned costs.

- One residential facility payment of \$8,385, not associated with a contract, was for dates of service in January 2020, which is outside of the period of performance for CRF and is considered questioned cost.

In addition to the non-payroll testing above, auditors reviewed payroll expenditures from March 1, 2020, through May 31, 2020, included on the March 2020 and June 2020 quarterly administrative invoices. Auditors determined that a percentage of OJJ salary and benefit costs were paid by both CRF and Foster Care federal funds totaling \$247,658, which are considered questioned costs.

The CARES Act, as amended, was enacted on March 27, 2020, and requires that CRF shall be used for (1) necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the state budget most recently approved as of March 27, 2020; and (3) were incurred during the period that begins March 1, 2020, and ends on December 31, 2021. The U.S. Department of the Treasury (Treasury) issued additional guidance and Frequently Asked Questions (FAQ) documents to further clarify how the CRF monies can be used. Per Treasury guidance dated April 22, 2020, ineligible expenditures of payments from the CRF include expenditures that have been or will be reimbursed under any federal program.

These conditions occurred due to weakness in OJJ's control procedures that allowed federal funds to be used in noncompliance with federal requirements. Failure to comply with CRF program rules and guidance resulted in total questioned costs of \$619,226.

OJJ should ensure that reimbursements received under the CRF are not reimbursed from other federal programs and the expenditures were incurred within the period of performance. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Control Weakness over Foster Care Billings

For the second consecutive audit, OJJ did not adequately review Foster Care – Title IV-E (Foster Care) invoices submitted to the Department of Children and Family Services (DCFS) for reimbursement to ensure billings were made for eligible Foster Care expenditures.

A review of the 12 maintenance (cost of care) invoices billed to DCFS in fiscal year 2020, disclosed exceptions for seven (58%) invoices, some of which had more than one error, as follows:

- For two invoices, OJJ billed DCFS for two residents who were not eligible for Foster Care, resulting in an overpayment of \$2,501.
- For one invoice, OJJ paid the residential facility for five days but billed DCFS for six days, resulting in an overpayment of \$95.
- For two invoices, OJJ billed DCFS the incorrect daily rate resulting in an overpayment of \$77.

- For three invoices, OJJ paid the residential facility for 69 days but requested reimbursement for 20 days, resulting in an underpayment of \$4,860.
- For two invoices, OJJ billed the incorrect supervision rate and made a reduction error, resulting in an underpayment of \$189.

Failure to properly review invoices resulted in total overpayments of \$2,673 considered questioned costs and underpayments of \$5,049. These conditions occurred because of a weakness in controls in the review of Foster Care maintenance invoices.

OJJ should adequately review invoices submitted to DCFS and ensure it bills for eligible residents and allowable days, as well as, at the established daily and supervision rates. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2020, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on OJJ's major federal program, Coronavirus Relief Fund (CFDA 21.019).

Those tests included evaluating the effectiveness of OJJ's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether OJJ complied with applicable program requirements. In addition, we performed procedures on information submitted by OJJ to the Division of Administration's Office of Statewide Reporting and Accounting Policy on the status of the prior-year finding for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

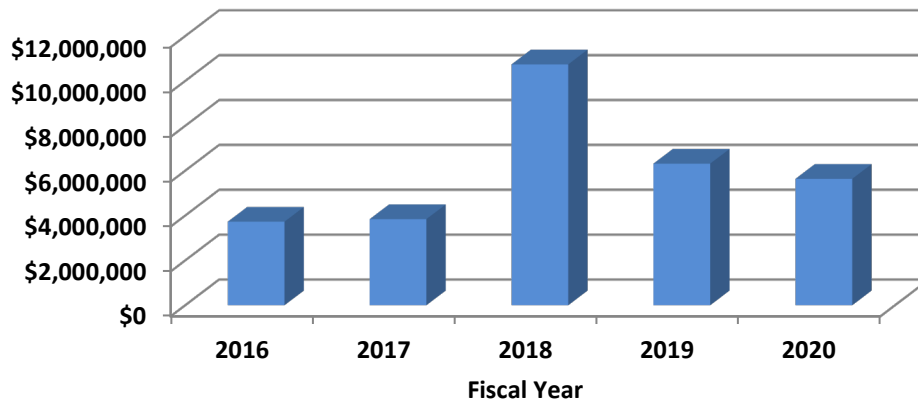
Based on the results of these Single Audit procedures, we reported findings related to Control Weakness over and Noncompliance with Coronavirus Relief Fund and Control Weakness over Foster Care Billings. These findings will also be included in the Single Audit for the year ended June 30, 2020. In addition, OJJ's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

Trend Analysis

We compared the most current and prior-year financial activity using OJJ's Annual Fiscal Reports and/or system-generated reports and obtained explanations from OJJ's management for any significant variances. We also prepared an analysis of OJJ's Foster Care reimbursements from DCFS over the past five fiscal years. Revenues were lower in fiscal years 2016 and 2017, due to a rate methodology issue for residential facilities that prevented OJJ from being reimbursed for cost of care services. This issue was resolved in fiscal year 2018, and reimbursements for fiscal years 2016 and 2017 are seen in the fiscal year 2018 increase. In fiscal

year 2019, revenues stabilized but revenues decreased in fiscal year 2020 because OJJ could not be reimbursed for residential facilities that lacked appropriate criminal background checks for adults working in the facilities. See Exhibit 1 below. In addition to the Foster Care revenues shown in Exhibit 1, OJJ received \$17.5 million of federal revenues from the CRF in fiscal year 2020.

Exhibit 1
Five-Year Trend in Foster Care Revenues



Source: Business Objects Reports

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

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Michael J. “Mike” Waguespack, CPA
Legislative Auditor

BP:AD:RR:EFS:aa

OJJ2020

APPENDIX A: MANAGEMENT'S RESPONSES



June 16, 2021

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

Please allow this to serve as the official response for both the Management Letter and the Single Audit Report in reference to the finding concerning Control Weakness over and Noncompliance with the Coronavirus Relief Fund (CRF). The Office of Juvenile Justice (OJJ) received reimbursement for expenditures that were unallowable and outside of the period of performance under the CRF, per federal program rules and guidance.

The OJJ does concur with the finding. The agency has a responsibility for ensuring that only allowable expenditures are submitted for reimbursement. The OJJ responded and provided services, for the population that we serve, during the COVID-19 Pandemic. The services, and expenditures incurred, were related to matters concerning Public Health and Safety Measures. During a time when the health and safety of the youth that we serve and our staff were top of mind, we were also reviewing and navigating guidelines related to the CRF, a new program, where several updates and / or clarifications were made in the early stages.

As the agency's Undersecretary, once we realized that a portion of the funds were reimbursed by another program (IV-E Federal Funds), we calculated the duplicated benefits and submitted eligible payroll expenditures, to replace these reimbursements, to the Division of Administration. Therefore, resulting in no questioned costs.

Sincerely

A handwritten signature in blue ink that reads "Geary T. Williams".

Geary T. Williams, Undersecretary

Cc: William A. Sommers, Deputy Secretary Bill.Sommers@la.gov



December 6, 2019

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

Dear Mr. Purpera,

Please allow this to serve as the official response for both the Management Letter and the Single Audit Report in reference to the finding concerning Noncompliance and Control Weakness Relating to Foster Care Billings.

The Office of Juvenile Justice (OJJ) does concur with the finding. The agency has a responsibility for ensuring that the Foster Care maintenance invoices are properly reviewed and contain only allowable expenses. In doing so, the agency must ensure that the Department of Public Safety's (DPS) Accounting Section as well as the receiving agency, the Department of Children and Family Services (DCFS), are aware of any changes related to the programs in which it seeks reimbursement for. This did not occur after there were rate changes resulting from a recent advertisement and Request for Proposals.

Effective immediately, the Undersecretary, Garry T. Williams, will ensure changes in rates are communicated to the DPS Accounting Section. Wayne Tedesco, in the DPS-Accounting Section, will ensure the billing document, which is submitted to the DCFS for reimbursement, contains the current rates for all providers. In addition, the Program Specialists and the Program Manager, Karli Pullard, will ensure that the Provider Invoices reflect the contracted rate and seek payment for the proper number of days. The agency will also communicate with the DCFS to discuss processes and seek feedback on any additional safeguards and back up documentation that can be put in place or provided.

Sincerely

A handwritten signature in blue ink that reads "Garry T. Williams".

Garry T. Williams
Undersecretary

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Safety and Corrections – Youth Services – Office of Juvenile Justice (OJJ) for the period from July 1, 2019, through June 30, 2020, to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2020.

- We evaluated OJJ’s operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to OJJ.
- We performed procedures on the Coronavirus Relief Fund (CFDA 21.019) for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We performed procedures on the status of the prior-year finding for the preparation of the state’s Summary Schedule of Prior Audit Findings for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We compared the most current and prior-year financial activity using OJJ’s Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from OJJ’s management for significant variances.

The purpose of this report is solely to describe the scope of our work at OJJ, and not to provide an opinion on the effectiveness of OJJ’s internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review OJJ’s Annual Fiscal Report, and accordingly, we do not express an opinion on that report. OJJ’s accounts are an integral part of the state of Louisiana’s Comprehensive Annual Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.