



Report Highlights

Louisiana Workforce Commission

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Why We Conducted This Audit

We performed certain procedures at the Louisiana Workforce Commission (LWC) as a part of the Comprehensive Annual Financial Report of the State of Louisiana, the Single Audit of the State of Louisiana, and to evaluate LWC's accountability over public funds for the period July 1, 2019, through June 30, 2020.

What We Found

Inadequate Controls Over and Noncompliance with Unemployment Insurance Benefits

Requirements – In March 2020, the CARES Act was passed with funding for new UI programs. Because of the large amount of funding provided and the lack of identity requirements, these programs have been exposed to identity theft and fraud schemes across the United States of America. During our testing, we identified that 27% of the claimants reviewed had inconsistent or missing information on the UI application, which may indicate that the claimant is intentionally filing to receive benefits that are not entitled, or that may indicate possible identity theft. We also identified child support deductions that were not properly withheld, and claimants who received duplicate payments for the same benefit weeks.

Noncompliance with Civil Service Rules Regarding Special Leave – LWC's use of Special Leave – Act of God (SLAG) was not in accordance with State Civil Service Rules and may have resulted in improper compensation totaling approximately \$786,000. State Civil Service rules provide that SLAG can be granted when the appointing authority determines the employee cannot work due to an act of God. From March 26, 2020, through April 14, 2020, LWC paid employees who actually worked both SLAG and "straight time overtime" for the hours actually worked.

Inaccurate Financial Reporting – LWC did not have adequate controls to ensure accurate financial reporting for the Unemployment Trust Fund's Annual Fiscal Report (AFR), which is used by the Office of Statewide Reporting and Accounting Policy (OSRAP) to compile the State of Louisiana's Comprehensive Annual Financial report. Federal revenue and amounts due from the federal government were understated by \$65.2 million, UI benefits expense and other liabilities were understated by \$46.5 million, and cash was understated by \$17.7 million. LWC did not effectively consider the impact of the COVID-19 pandemic when compiling and estimating year-end full accrual adjustments. In addition, LWC did not effectively reconcile its general ledger and supporting documentation or adequately review its financial statements before submitting the AFR to OSRAP.

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What We Found (Cont.)

Weak Security Controls – For the second consecutive year, LWC did not have adequate security controls over the Louisiana Wage and Tax System and the UI mainframe. LWC has not established responsibilities for monitoring Office of Technology Services employees with access to these systems to ensure they have a valid business need. Without adequate monitoring, LWC may be unable to detect unauthorized user access.

Inadequate Source Code Escrow Agreement – LWC’s original contract with Geographic Solutions, Inc. (GSI) lacked an adequate source code escrow agreement that would allow LWC to continue operations of the UI program if GSI could no longer provide services. Although LWC and GSI have signed an addendum to the contract which would address this issue, the source code has not been provided to the escrow agent. As a result, LWC may not be able to use the source code in the event of GSI’s contractual default. This is the fourth consecutive audit that LWC’s contract with GSI lacks an adequate and fully executed source code escrow agreement.

Noncompliance with Subrecipient Monitoring Requirements – LWC did not adequately monitor the subrecipients of the WIOA Cluster programs for compliance with federal laws and regulations. Our procedures disclosed that risk assessments were not performed, documentation did not resolve possible questioned costs, and documentation did not support the conclusions in its monitoring reports. In addition, LWC did not have adequate controls in place to ensure that required audit reports for the subrecipients were reviewed and that management decisions were issued for any findings to ensure timely and appropriate corrective action by subrecipients.