

DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 10, 2014

**LOUISIANA LEGISLATIVE AUDITOR  
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**DIRECTOR OF FINANCIAL AUDIT**  
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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 10, 2014

The Honorable John A. Alario, Jr.,  
President of the Senate  
The Honorable Charles E. "Chuck" Kleckley,  
Speaker of the House of Representatives  
Ms. Suzy Sonnier, Executive Director,  
Department of Children and Family Services

Dear Senator Alario, Representative Kleckley, and Ms. Sonnier:

This report includes the results of the procedures we performed at the Department of Children and Family Services (DCFS) for the period from July 1, 2013 through June 30, 2014, to evaluate its accountability over public funds. The procedures are a part of our audit of the state of Louisiana's financial statements and the Single Audit of the State of Louisiana for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of DCFS for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

BL:AD:BC:THC:aa

DCFS 2014



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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Department of Children and Family Services

December 2014

*Audit Control # 80140056*

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## Introduction

As a part of our audit of the state of Louisiana's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014, we performed procedures at Department of Children and Family Services (DCFS) to provide assurances on financial information that is significant to the state of Louisiana's financial statements; to evaluate the effectiveness of DCFS's internal controls over financial reporting and compliance; and to determine whether DCFS complied with applicable laws and regulations. In addition, we determined whether management had taken actions to correct findings reported in the prior year.

DCFS is a component of the state of Louisiana created within the executive branch of state government. DCFS provides a broad scope of services through such programs as Child Protective Investigations, Foster Care, Child Support Enforcement, Child Care Assistance, Kinship Care Subsidy Program, Supplemental Nutrition Assistance Program (SNAP), Family Independence Temporary Assistance Program, Temporary Assistance for Needy Families (TANF), and Disability Determination Services. DCFS's mission is working to keep children safe, help individuals and families become self-sufficient, and provide safe refuge during disasters.

## Results of Our Procedures

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### Follow-Up on Prior-Year Findings

Our auditors reviewed the status of the prior-year findings reported in the DCFS management letter dated December 4, 2013. We determined that management has resolved the prior-year findings related to fraudulent billings by daycare owner, inaccurate federal program billing, and inadequate controls over Foster Care program. The findings relating to control weakness over TANF work verification plan and noncompliance with TANF eligibility requirements have not been resolved and are addressed again in this letter. The finding related to improper employee activity in federal programs is repeated, although the specific facts and circumstances have changed from the prior year.

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## Current-Year Findings

### Control Weakness over Temporary Assistance for Needy Families Work Verification Plan

For the third consecutive year, DCFS did not maintain and verify all documentation required under the federal TANF program cluster, potentially subjecting the department to financial penalties from the federal government. The federal grantor could assess the state penalties totaling not less than 1% and not more than 5% of the \$110 million adjusted grant award, based on the exceptions noted below; however, the likelihood of such an assessment is unknown.

Caseworkers did not adhere to the requirements in the state's work verification plan pertaining to maintaining and verifying supporting documentation for the hours worked by clients and did not ensure there was documentation of work activity in the client file. Our review of 25 "work eligible" client files revealed that six (24%) of the files did not contain documentation or verification of the clients' work activity that caseworkers entered into DCFS's job-tracking system, as required by federal regulations.

We recommend that DCFS ensure its caseworkers document or verify their clients' work activity; perform a comprehensive review of its existing records; and conduct periodic checks of the completeness of records going forward to comply with federal documentation requirements. Management outlined a plan of corrective action but did not specifically concur or disagree with the finding and recommendations (see Appendix A, page 1).

**Additional Comments:** DCFS's response states that the six exceptions were not indicative of the quality of work performed on the 13,000 cases managed by DCFS during fiscal year 2014. However, the actual exception rate of 24% in the audit sample, which is consistent with the 28% exception rate in the prior year, indicates that several thousand cases may not be properly documented. Further, DCFS's assertion that supporting documents may have been available at the time the determinations were entered into the electronic tracking system cannot be substantiated by the evidence provided during the audit.

### Noncompliance with TANF Eligibility Requirements

For the second consecutive year, DCFS did not have complete eligibility and related documentation for clients receiving benefits under the federal TANF program cluster, resulting in known questioned costs of \$10,388 for which the state may be liable. A review of 25 client files revealed that DCFS's caseworkers failed to include all required documentation in their case files:

- Five files did not contain the "Notice of Cooperation with Child Support Enforcement and Agreement to Relinquish Child Support Payments" form.
- Three files did not contain verification from collateral parties that the children lived with a parent or qualified relative.

- Two files did not contain a clearance summary sheet or other indication that income was verified.
- One file did not contain a birth certificate to verify the child's age.
- One file did not contain an application for assistance.

These exceptions increase the risk that clients may receive benefits to which they are not entitled and could result in DCFS having to repay the funds to the federal grantor. Because of the exceptions noted in a program that disbursed \$144 million during fiscal year 2014, we recommend that DCFS ensure that its caseworkers include all required documentation in their case files, perform a comprehensive review of existing records, and perform periodic checks of the completeness of records going forward to comply with federal documentation requirements. Management outlined a plan of corrective action but did not specifically concur or disagree with the finding and recommendations (see Appendix A, page 2).

**Additional Comments:** DCFS's response states that the 12 exceptions above were not indicative of the quality of work performed on the 35,374 applications reviewed by DCFS during fiscal year 2014. However, the error rate of 12 missing documents in 25 client files indicates that several thousand applications may not be properly documented. Further, DCFS's assertion that supporting documents may have been available at the time the eligibility determinations were made cannot be substantiated by the evidence provided during the audit.

### **Theft of Public Funds**

DCFS identified thefts totaling more than \$150,000 by former employees in its Bureau of Audit and Compliance Services (BACS). Although DCFS controls required segregation of duties between employees for purchases on travel cards and LaCarte cards, the BACS employees were able to override those controls through collusion.

As a result of the thefts, the BACS director pled guilty to federal fraud charges, was sentenced to three years imprisonment, and ordered to pay restitution of \$155,305. One BACS manager pled guilty to federal charges, was sentenced to two years of probation, and was ordered to pay restitution of \$11,124. Another BACS manager has also pled guilty to federal fraud charges but has not yet been sentenced. The state has also issued a new LaCarte Purchasing Card Statewide Policy, effective August 2014, which will provide for centralized review of purchases.

DCFS should continue its efforts to strengthen its employee oversight, including independent monitoring of the BACS function. Management outlined a plan of corrective action but did not specifically concur or disagree with the finding and recommendations (see Appendix A, page 3).

**Improper Employee Activity in Federal Programs**

DCFS's Fraud and Recovery Unit identified improper activity by five employees who received benefits under the Supplemental Nutrition Assistance Program (SNAP) and Child Care Assistance Payments (CCAP). The employees, who are no longer employed by DCFS, were cited for Intentional Program Violations as follows:

- One employee did not accurately report household members and improperly received \$25,822 in SNAP and CCAP benefits.
- One employee did not accurately report household members and improperly received \$10,000 in SNAP benefits.
- One employee did not accurately report household members and income and improperly received \$5,356 in SNAP benefits.
- One employee did not accurately report household members and improperly received \$1,754 in CCAP benefits.
- One employee did not report employment at DCFS on the CCAP application and improperly received \$597 in benefits.

Amounts not recouped by DCFS as of June 30, 2014, totaled \$22,684 and represent questioned costs. Management should continue to investigate improper employee activities and to emphasize the criminal consequences of such activities. Management outlined a plan of corrective action but did not specifically concur or disagree with the finding and recommendations (see Appendix A, page 4).

**Foster Care Rate Review**

DCFS did not perform periodic reviews of payment rates for the \$2.6 million in Foster Care maintenance payments made to the Office of Juvenile Justice (OJJ) during fiscal year 2014.

The existing state Foster Care plan does not explicitly require DCFS to review payment rates established by OJJ. However, federal law does require DCFS to review the payment rates at "reasonable, specific, time-limited periods" to ensure that the rates remain appropriate. By not performing a review of rates, payments to OJJ may be disallowed by the federal grantor.

DCFS should modify its state plan to include periodic reviews of OJJ's Foster Care maintenance payment rates. Management outlined a plan of corrective action but did not specifically concur or disagree with the finding and recommendation (see Appendix A, page 5).



### **Payroll Charged to Incorrect Federal Programs**

DCFS incorrectly charged payroll costs to two federal programs, resulting in overcharging two programs by \$42,578 and undercharging Child Welfare programs by the same amount as follows:

- Supplemental Nutrition Assistance Program - \$20,248 federal program overcharged
- Child Support Enforcement Program - \$22,330 federal program overcharged
- Child Welfare Programs - \$42,578 combined state and federal funding undercharged

The errors occurred because the salaries for two DCFS employees were coded to the wrong accounting categories and certified by the employees and supervisors. DCFS should correct the payroll coding in its systems, investigate the impact on current- and prior-fiscal years, and adjust federal expenditure reports to correct the errors. As indicated in its response, management made the recommended corrections within the current grant period (see Appendix A, page 6).

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### **Financial Statements - State of Louisiana**

As a part of our audit of the state of Louisiana's financial statements for the year ended June 30, 2014, we considered internal control over financial reporting and examined evidence supporting DCFS's SNAP expenditures. Our audit included tests of DCFS's compliance with laws and regulations that could have a direct and material effect on the financial statements, as required by *Government Auditing Standards*.

Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or non-compliance with laws or regulations. In addition, the SNAP expenditures tested are materially correct.

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### **Federal Compliance – Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2014, we performed internal control and compliance testing as required by the Office of Management and Budget (OMB) Circular A-133 on DCFS's major federal programs, as follows:

- Supplemental Nutrition Assistance Program Cluster (CFDA 10.551, 10.561)
- Temporary Assistance for Needy Families Cluster (CFDA 93.558)
- Child Care Development Fund Cluster (CFDA 93.575, 93.596)

- Child Support Enforcement Program (CFDA 93.563)
- Foster Care - Title IV-E (CFDA 93.658)
- Social Services Block Grant (CFDA 93.667)

Those tests included evaluating the effectiveness of DCFS's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether DCFS complied with applicable program requirements.

In addition, we performed procedures on DCFS's Schedule of Expenditures of Federal Awards (Schedule 8) and Summary Schedule of Prior Federal Audit Findings (Schedule 8-3), as required by OMB Circular A-133.

Based on the results of those procedures, we reported findings related to theft of public funds, improper employee activity in federal programs, noncompliance with TANF eligibility requirements, control weakness over TANF work verification plan, Foster Care rate review, and payroll charged to incorrect federal programs that will also be included in the Single Audit for the year ended June 30, 2014. In addition, DCFS's Schedule 8 and Schedule 8-3, as adjusted, are materially correct.

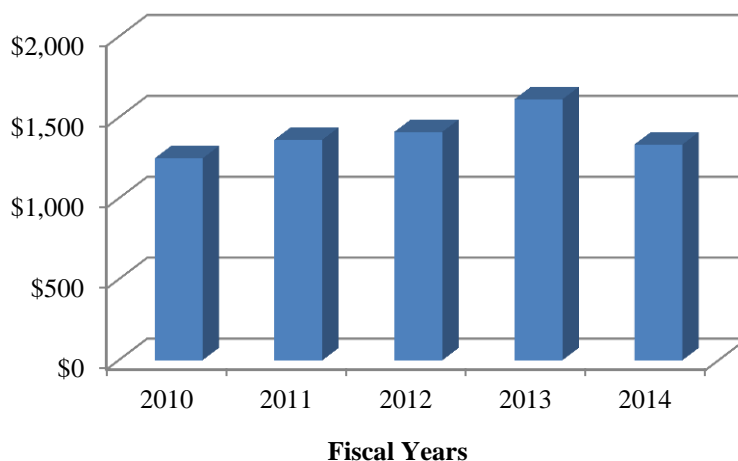
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## **Trend Analysis**

We compared the most current- and prior-year financial activity using DCFS's annual fiscal reports and/or system-generated reports and obtained explanations from DCFS management for any significant variances. We also prepared an analysis of SNAP benefits and average number of SNAP households that received benefits over the last five years.

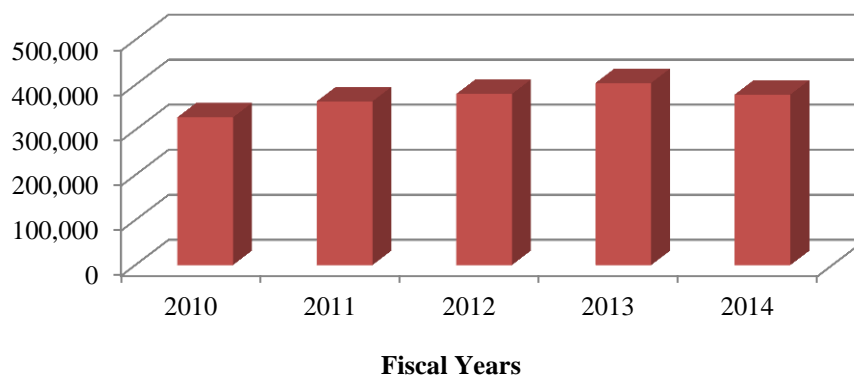
In analyzing financial trends of DCFS SNAP benefits over the past five years, benefits remained fairly consistent between 2010 and 2012. However, in 2013, benefits increased due to disaster food stamps issued for Hurricane Isaac. In 2014, benefits decreased because of no significant disaster-related activity and the conclusion of American Recovery and Reinvestment Act benefits, which started in 2009 (Exhibit 1). The average number of households follows the financial trends of SNAP benefits (Exhibit 2).

**Exhibit 1**  
**SNAP Benefits in Millions**



**Source:** Fiscal year 2010-2014 Annual Fiscal Report

**Exhibit 2**  
**Average Number of SNAP Households**



**Source:** Fiscal year 2010-2014 DCFS website

The recommendations in the report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of DCFS. The nature of the recommendations, their implementation costs, and their potential impact on the operations of DCFS should be considered in reaching decisions on courses of action. The findings relating to the DCFS'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.



## **APPENDIX A: MANAGEMENT'S RESPONSES**





Economic Stability  
Division of Programs  
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Bobby Jindal, Governor  
Suzy Sonnier, Secretary

October 14, 2014

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

Attention: Alana Davis, Audit Manager

RE: TANF Work Verification

Dear Mr. Purpera,

The following is submitted in response to your request dated September 17, 2014 regarding the above referenced draft audit finding.

As reported in the audit there were 6 instances identified where documents required to support the verification and maintenance of work activity for clients enrolled in the Strategies to Empower People (STEP) program were not available for review. The Department believes that the documents were available at the time the determinations were entered into the electronic tracking system and that these instances are not indicative of the quality of work performed on the over 13,000 STEP program cases managed during SFY14. For the last two years, the Department has been engaged in the ongoing process of digitally imaging client records. Upon full implementation of the Document Processing Center, DCFS anticipates that this will be resolved and all documentation associated with a case record will be available electronically.

In order to further minimize, the Department will provide refresher training to all STEP program case managers regarding documentation standards for work verification. This training will be completed during the second quarter of SFY15 (Oct. - Dec. 2014). Additionally, Regional Economic Stability Program Consultants will continue to monitor cases by reading approximately 120 cases per quarter with specific focus on required documentation.

As always, I remain available for discussion as may be requested.

Sincerely,

Suzy Sonnier  
Secretary

cc: Bridget Depland-Grant, Acting Audit Director  
Lisa Andry, Deputy Assistant Secretary-Programs  
Sharon Tucker, Deputy Secretary-Operations





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Bobby Jindal, Governor  
Suzy Sonnier, Secretary

October 15, 2014

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

Attention: Alana Davis, Audit Manager

RE: TANF Eligibility Requirements

Dear Mr. Purpera,


The following is submitted in response to your request dated September 17, 2014 regarding the above referenced draft audit finding.

As reported in the audit there were 12 instances identified where not all documents required to support the determination of eligibility for services within the TANF program were available for review. The Department believes that the documents were available at the time the determinations were made and that these instances are not indicative of the quality of work performed on the over 35,374 applications reviewed for Families in Need of Temporary Assistance Program (FITAP) and Kinship Care Program (KCSP) eligibility during SFY14. For the last two years, the department has been engaged in the ongoing process of digitally imaging client records. Upon full implementation of the Document Processing Center, DCFS anticipates that this will be resolved and all documentation associated with a case record will be available electronically.

In order to further minimize, documentation such as the "Notice of Cooperation with Child Support Enforcement and Agreement to Relinquish Child Support Payments" form (Flyer 6) will be integrated into the newly implemented electronic application process thereby making the consent form a part of the electronic case record. Finally, Regional Economic Stability Program Consultants will continue to monitor cases by reading approximately 120 cases per quarter with specific focus on required documentation.

As always, I remain available for discussion as may be requested.

Sincerely,



Suzy Sonnier  
Secretary

cc: Bridget Depland-Grant, Acting Audit Director  
Lisa Andry, Deputy Assistant Secretary-Programs  
Sharon Tucker, Deputy Secretary-Operations







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Bobby Jindal, Governor  
Suzy Sonnier, Secretary

November 10, 2014

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

Attn: Alana Davis, Audit Manager

RE: Theft of Public Funds

Dear Mr. Purpera:

The following is submitted in response to your request dated October 29, 2014 regarding the above referenced draft audit finding.

The Department of Children and Family Services (DCFS), through its operational oversight of procurement and travel payments functions routinely reviews transaction details. During such a review the department identified suspicious activity and initiated a more comprehensive investigation, enlisting the assistance of the Division of Administration and the Louisiana State Police. The expanded investigation, conducted in coordination with state and federal law enforcement authorities identified criminal violations that resulted in employment termination and criminal prosecution. This matter was properly reported to the federal programmatic oversight authorities and to the Louisiana Legislative Auditor. The Department will actively pursue repayment of the funds.

The Department prioritizes implementation of strong policies and protocols in order to prevent and detect any possible theft of the resources dedicated to the programs it administers. DCFS will continue to implement internal controls including segregation of duties, monitoring of procurement and travel payment activities and implementation of revised statewide policies governing these functions. Further, the Department will continue its efforts to strengthen its employee oversight, including independent monitoring of the BACS function.

As always, I remain available for discussion as may be requested.

Sincerely,

Suzy Sonnier  
Secretary

cc: Bridget Depalnd-Grant, Acting Audit Director  
Lisa Andry, Deputy Assistant Secretary-Programs  
Sharon Tucker, Deputy Secretary-Operations  
Etta Harris, Undersecretary



November 3, 2014

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

Attn: Alana Davis, Audit Manager

RE: Improper Employee Activity in Federal Programs

Dear Mr. Purpera:

The following is submitted in response to your request dated October 7, 2014 regarding the aforementioned audit finding. The Department of Children and Family Services (DCFS), through its Fraud and Recovery Unit, initiates a review of each employee who receives benefits under the programs administered; including the Supplemental Nutrition Assistance Program (SNAP) and Child Care Assistance Payments (CCAP). This investigative review identified improper activity by five employees. The results of the DCFS investigation were properly reported to the U.S. Department of Agriculture, the U.S. Department of Health and Human Services and the Louisiana Legislative Auditor. Each individual was cited by DCFS for Intentional Program Violations and is no longer employed by DCFS. The Department is actively pursuing repayment of the funds.

DCFS maintains a zero tolerance for fraud, waste, and abuse. The Department prioritizes the implementation of strong policies and protocols in order to prevent and detect any possible fraud associated with the programs it administers and plans to continue to do so.

As always, I remain available for discussion as may be requested.

Sincerely,



Suzy Sonnier  
Secretary

cc: Bridget Depalmd-Grant, Acting Audit Director  
Lisa Andry, Deputy Assistant Secretary-Programs  
Sharon Tucker, Deputy Secretary-Operations  
Etta Harris, Undersecretary





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**Bobby Jindal**, Governor  
**Suzy Sonnier**, Secretary

November 21, 2014

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

Attn: Alana Davis, Audit Manager

RE: Foster Care Rate Review

Dear Mr. Pupera:

The following is submitted in response to your request dated October 30, 2014 in reference to the aforementioned draft audit finding.

Currently, the federally approved Foster Care State Plan does not include specific requirements for the Department of Children and Family Services (DCFS) to review the Office of Juvenile Justice (OJJ) foster care maintenance payment rates.

In response to the new requirement of "reasonable, specific and time-limited" reviews, DCFS will submit a modification of the Foster Care State Plan to include the new rate review requirement and will implement such reviews.

As always, I remain available for discussion as may be requested.

Sincerely,

Suzy Sonnier  
Secretary

cc: Bridget Depland-Grant, Acting Audit Director  
Kim Glapion-Bertrand, Deputy Secretary-Programs  
Sharon Tucker, Deputy Secretary-Operations  
Etta Harris, Undersecretary





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Bobby Jindal, Governor  
Suzy Sonnier, Secretary

October 14, 2014

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

Attention: Alana Davis, Audit Manager

RE: Payroll Coding

Dear Mr. Purpera,

The following is submitted in response to your request dated September 17, 2014 regarding the above referenced draft audit finding:

As indicated in the audit, payroll for 2 of the Department's approximately 3,700 employees were incorrectly charged to the wrong federal program accounting categories during state fiscal year 2014 (SFY14). Further investigation identified that during the ongoing Department restructuring, changes to the accounting codes for these 2 positions were not updated in the payroll processing system. When the issue was discovered during the first quarter of state fiscal year 2015 (SFY15); the payroll coding was revised to ensure accurate reporting. At that same time adjustments in the payroll system corrected all costs reported year to date in SFY15. The attached retroactive adjustments for SFY14 were calculated and implemented on the federal cost claiming reports for the fourth quarter of the federal fiscal year in which they occurred.

As a result of these adjustments, the accuracy of the Department's federal cost claiming has been restored.

As always, I remain available for discussion as may be requested.

Sincerely,

Suzy Sonnier  
Secretary

cc: Bridget Depland-Grant, Acting Audit Director  
Lisa Andry, Deputy Assistant Secretary-Programs  
Sharon Tucker, Deputy Secretary-Operations



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Children and Family Services (DCFS) for the period from July 1, 2013 through June 30, 2014, to provide assurances on financial information significant to the state of Louisiana and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards*. The procedures included inquiry, observation, review of policies and procedures, and review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the state of Louisiana's financial statements and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014.

- We evaluated DCFS's operations and system of internal controls, including controls over federal programs, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to DCFS.
- Based on the documentation of DCFS's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on Supplemental Nutrition Assistance Program (SNAP) expenditures to support our opinions on the state of Louisiana's financial statements.
- We performed procedures on the following federal programs for the year ended June 30, 2014, to support the Single Audit:
  - SNAP Cluster (CFDA 10.551, 10.561)
  - Temporary Assistance for Needy Families Cluster (CFDA 93.558)
  - Child Care Development Fund Cluster (CFDA 93.575, 93.596)
  - Child Support Enforcement Program (CFDA 93.563)
  - Foster Care - Title IV-E (CFDA 93.658)
  - Social Services Block Grant (CFDA 93.667)
- We compared the most current- and prior-year financial activity using DCFS's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from DCFS management for significant variances. We also analyzed SNAP expenditures for the past five years.

The purpose of this report is solely to describe the scope of our work at DCFS and not to provide an opinion on the effectiveness of DCFS'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 purpose.

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