

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 17, 2018

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Children and Family Services

December 2018

Audit Control # 80180081

Introduction

As a part of our audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2018, we performed procedures at the Department of Children and Family Services (DCFS) to provide assurances on financial information that is significant to the state's CAFR; evaluate the effectiveness of DCFS's internal controls over financial reporting and compliance; and determine whether DCFS complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the DCFS management letter dated November 15, 2017. We determined that management has resolved the prior-year finding related to Inaccurate Federal Program Billing. The prior-year finding related to Control Weakness over Temporary Assistance for Needy Families (TANF) Work Verification Plan has not been fully resolved; therefore, the related issues are addressed again in this letter.

Current-year Findings

Lack of a Fully Implemented Contract over the TANF Work Verification Plan

During October 2017 through March 2018, DCFS and the Louisiana Workforce Commission (LWC) did not fully implement a contract for case management services to ensure work-eligible cash assistance recipients received assessments to be considered work ready. This impacted the ability of DCFS to meet federal program objectives, including ending dependence of needy parents on government benefits by promoting job preparation and work. It also affected the ability of DCFS to comply with state statute to ensure that all work-eligible cash assistance recipients are actively and universally engaged in meaningful activities designed to enable their transition from cash assistance to self-reliance.

DCFS paid LWC approximately \$905,000 during fiscal year 2018 to perform case management services, including assessing participants to determine job readiness and documenting work activity in the job-tracking system. However, LWC did not have a sufficient number of case workers hired and trained until April 2018 to fully implement the requirements of the contract with DCFS.

In a sample of 40 work activity records in the job-tracking system involving 39 participants, 20 of those records showed participants did not receive case management services necessary to consider them work ready and were granted temporary exceptions from work activity. In addition, five of the remaining 20 records did not have adequate supporting documentation of work activities reported in DCFS's tracking system as required by federal regulation. This is the seventh consecutive year a lack of documentation has been reported for which the federal government could assess the state penalties.

As the recipient of direct federal awards, DCFS management should ensure the contracted case management services are being provided and adequate documentation is maintained to ensure federal program and legislative objectives are met. Management concurred with the finding and provided a plan of corrective action (see Appendix A, page 1).

Improper Employee Activity in Federal Program

The DCFS Fraud and Recovery Unit (FRU) identified improper activity by one employee who received benefits under the Supplemental Nutrition Assistance Program (SNAP) and by one employee who violated department policy related to a SNAP case.

The two employees were cited for intentional program violations (IPV) as follows:

- One former employee did not accurately report household members and improperly received \$3,480 in SNAP benefits. The employee was disqualified from participating in SNAP for a period of 12 months and was terminated in March 2017 due to an unrelated matter.
- One employee serving as an authorized representative concealed a relative's employment and provided false expense information. As a result, the relative improperly received \$2,856 in SNAP benefits. The employee was disqualified from SNAP for 12 months, and as of June 30, 2018, disciplinary action is pending. In addition, FRU is pursuing an IPV against the relative and seeking restitution.

Amounts not recouped by DCFS as of June 30, 2018, totaled \$6,336 and represent questioned costs.

Management should continue to investigate improper employee activities and emphasize the criminal consequences of such activities. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Weakness over Changes to Cost Allocation Process

DCFS did not ensure that all changes related to the reorganization of the department were implemented into the cost allocation process, which assigns costs to federal programs. In a sample of 56 transactions from a population of 147,612 expenditure transactions allocated to federal programs, 10 (18%) exceptions were identified totaling \$69,144 that were either charged to the incorrect category or coded incorrectly in the system from July 2017 through April 2018.

- Nine transactions with exceptions totaling \$32,913 in federal funds related to the number of employees counted by organization unit were categorized to administration rather than to their budgeted program.
- One transaction with exceptions of \$36,231 in federal funds was coded to a reporting category that was no longer valid due to the reorganization.

These conditions occurred because of a lack of communication of changes made to budget appropriations as a result of the reorganization and a miscoding in the system. Errors in the cost allocation process resulted in a misclassification of costs between federal programs, but DCFS made corrections by June 30, 2018; therefore, there are no questioned costs.

DCFS should improve its controls over the implementation of changes impacting the allocation of federal program funds. Management did not specifically concur or disagree with the finding, but noted that upon discovery of the errors the necessary adjustments were made to properly allocate the federal funds prior to the close of the fiscal year (see Appendix A, page 3).

Comprehensive Annual Financial Report (CAFR) – State of Louisiana

As a part of our audit of the CAFR for the year ended June 30, 2018, we considered internal control over financial reporting and examined evidence supporting DCFS's SNAP benefit expenditures, as reported in the note disclosure in its annual fiscal report.

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

Federal Compliance – Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2018, 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 DCFS's major federal programs, as follows:

- Social Services Block Grant (CFDA 93.667)

- Disability Insurance/Social Security Insurance (SSI) Cluster (CFDA 96.001, 96.006)

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 information submitted by DCFS to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA) and on the status of the prior-year findings 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 Lack of a Fully Implemented Contract over the TANF Work Verification Plan, Improper Employee Activity in Federal Program, and Weakness over Changes to Cost Allocation Process. The findings related to Improper Employee Activity in Federal Program and Weakness over Changes to Cost Allocation Process will also be included in the Single Audit for the year ended June 30, 2018. In addition, DCFS's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

Other Procedures

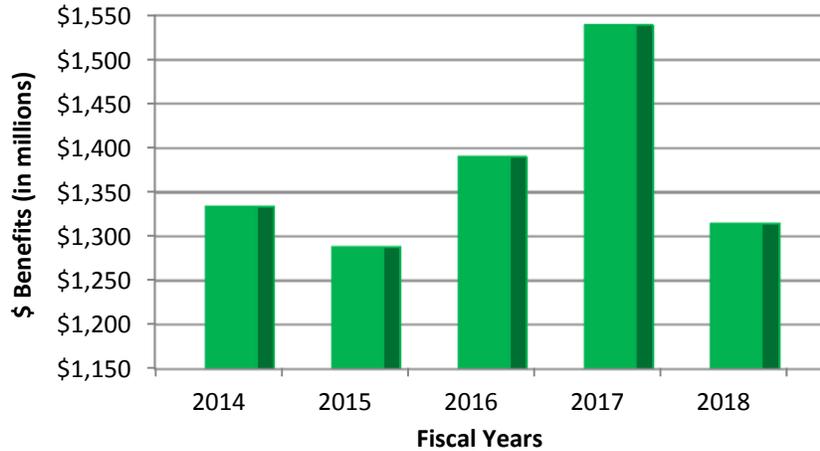
In addition to the CAFR and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing DCFS's internal control and compliance with related laws and regulations over the annual movable property certifications. Based on the results of these procedures performed, we found no issues or weaknesses that were required to be reported.

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 fiscal years.

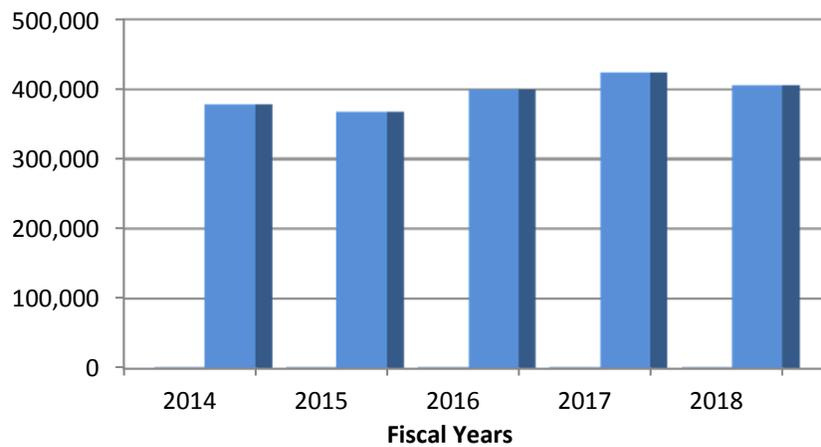
In analyzing the financial trends of DCFS SNAP benefits over the past five fiscal years, benefits increased in fiscal year 2016 due to disaster food stamps issued for the March 2016 flooding; and again in fiscal year 2017 for the widespread flooding that occurred in August 2016 and tornados that hit New Orleans in February 2017 (Exhibit 1). The average number of households follows the financial trends of SNAP benefits (Exhibit 2).

**Exhibit 1
SNAP Benefits**



Source: Fiscal year 2014–2018 Annual Fiscal Reports

**Exhibit 2
Average Number of SNAP Households**



Source: Fiscal year 2014–2018 DCFS Website

The recommendations in this letter 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.

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

BP:AD:RR:EFS:aa

DCFS 2018

APPENDIX A: MANAGEMENT'S RESPONSES



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John Bel Edwards, Governor
Marketa Garner Walters, Secretary

November 20, 2018

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397
Via Email: DPURPERA@LLA.LA.GOV

Dear Mr. Purpera:

The Department of Children and Family Services (DCFS) has reviewed the finding titled "Lack of a Fully Implemented Contract over the Temporary Assistance for Needy Families (TANF) Work Verification Plan". DCFS has contracted with the Louisiana Workforce Commission (LWC) to perform case management services for the participants in the Strategies to Empower People (STEP) program. We concur that the LWC contract was not fully implemented during the period of October of 2017 through March of 2018. The above time period was a time of program transition while appropriate staff were hired by LWC and trained by DCFS to serve our STEP participants.

The finding also states that five of twenty work activity records did not contain adequate supporting documentation. We concur with this finding. Four of the five case records had some documentation but were not completely documented.

The DCFS Economic Stability Section Program Managers will monitor the LWC contract for compliance and will review LWC staffing coverage monthly. DCFS' TANF Regional Consultants will provide timely STEP training for all LWC personnel as needed and will act as liaisons between DCFS and LWC personnel for eligibility issues.

DCFS' TANF Regional Consultants will continue to read and monitor LWC case records and report any lack of documentation to LWC for correction. DCFS is working to replace its current eligibility and job tracking computer systems. This new Louisiana Integrated Technology for Eligibility (LITE) system is scheduled to begin pilot operations in August of 2019 with statewide implementation scheduled for November of 2019. LITE will contain an electronic case record system for work activities that will include case notes and verification documentation. This electronic record will be a long term solution to document issues.

The contact person for DCFS' TANF program is James Vidacovich, Economic Stability Manager, and he can be reached at (225) 342-0495 or James.Vidacovich.DCFS@la.gov.

Sincerely,

Marketa Garner Walters
Secretary





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John Bel Edwards, Governor
Marketa Garner Walters, Secretary

December 11, 2018

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

Dear Mr. Purpera:

The Department of Children and Family Services (DCFS) has reviewed the finding titled "Improper Employee Activity in Federal Program". The Department concurs with the finding and continues to prioritize prevention and detection of improper activity associated with programs it administers. Each DCFS employee, as a new hire and annually, must sign and date form DCFS CS 4 *Acknowledgement of Agreement to Comply with DCFS Policy Regarding Prohibited Activities and Employees Working on Cases of Relatives, Friends, Acquaintances, and/or Oneself*.

The Department's Fraud and Recovery Unit initiates a review of each employee receiving benefits under the programs DCFS administers. An automated monthly report identifies all DCFS employees receiving assistance in the Supplemental Nutrition Assistance Program (SNAP) and all new cases are reviewed for eligibility by SNAP parish office staff. Any cases identified by the SNAP parish office staff as suspect are submitted to the Fraud and Recovery Unit for investigation. The Fraud and Recovery Unit also investigates complaints received from external sources.

In their investigations, the Fraud and Recovery Unit identified improper activity by two DFCS Child Welfare employees. These two employees are not SNAP employees and neither of them engaged in SNAP related prohibited activities during the course and scope of their employment. One of these employees was terminated for an unrelated matter prior to the conclusion of the fraud investigation and the other was terminated following the Fraud and Recovery Unit's investigation. Both former employees are barred from future employment with DCFS.

DCFS reported these two cases to the United States Department of Agriculture, Food and Nutrition Service, as well as the Legislative Auditor and the District Attorney. The Fraud and Recovery Unit has collected \$150 of the debt and continues to pursue recovery of the remaining \$6,186 of questioned costs for these two cases. To aid in the recovery of this debt, we referred one of the cases to the U.S. Department of the Treasury's Treasury Offset Program for collection. The second case will be referred to the Treasury Offset Program once the due process prerequisites are met.

Please contact Jesse Wright, Fraud and Recovery Unit Director, for any questions regarding the corrective action at Jesse.Wright.DCFS@LA.GOV.

Sincerely,

Marketa Garner Walters
Secretary





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John Bel Edwards, Governor
Marketa Garner Walters, Secretary

November 21, 2018

Mr. Daryl G. Purpera, CPA, CFE
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P.O. Box 94397
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Via Email: DPURPERA@LLA.LA.GOV

Dear Mr. Purpera:

The Department of Children and Family Services (DCFS) has reviewed the finding titled “Weakness over Changes to Cost Allocation Process”.

In compliance with Act No. 90 of the 2016 Regular Session, DCFS implemented a reorganization plan to re-align resources to better meet client needs. This reorganization impacted over 2,800 positions and its implementation overlapped budget years. Because of timing issues between reassigning personnel and submitting budget requests and technical budget adjustments, a small group of employees were not reallocated timely to the correct category in the cost allocation plan and one invalid reporting category was not removed.

Upon discovery of the errors DCFS made the necessary adjustments to properly allocate the federal funds prior to the close of the fiscal year.

The contact person for DCFS’ cost allocation process is Tonja Hayes, Cost Allocation Unit Program Manager, and she can be reached at (225) 342-4859 or Tonja.Hayes.DCFS@LA.GOV.

Sincerely,

Marketa Garner Walters
Secretary



APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Children and Family Services (DCFS) for the period from July 1, 2017, through June 30, 2018, to provide assurances on financial information significant to the State of Louisiana's Comprehensive Annual Financial Report (CAFR), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the CAFR and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2018.

- 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) Note benefit expenditures to support our opinions on the State of Louisiana's CAFR.
- We performed procedures on the following federal programs for the year ended June 30, 2018, as a part of the 2018 Single Audit.
 - Social Services Block Grant (CFDA 93.667)
 - Disability Insurance/SSI Cluster (CFDA 96.001. 96.006)
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2018, as a part of the 2018 Single Audit.
- 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's management for significant variances. We also analyzed SNAP benefits over the past five fiscal years.

In addition, we performed procedures on DCFS's annual movable property certifications. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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 purposes.

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 CAFR, upon which the Louisiana Legislative Auditor expresses opinions.