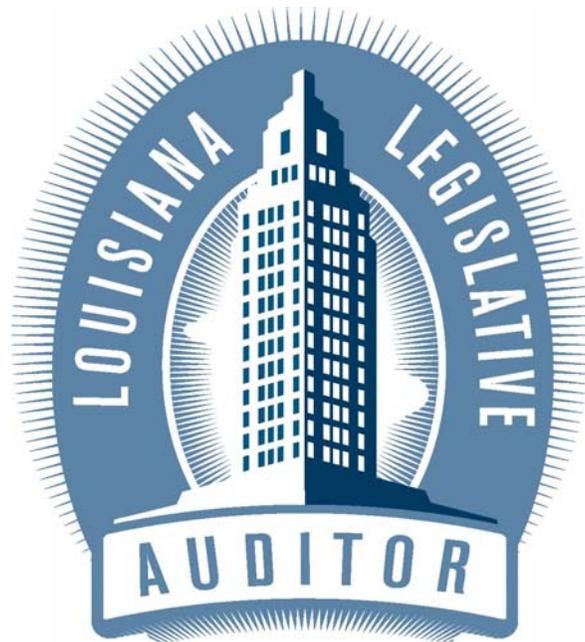


DEPARTMENT OF CHILDREN AND FAMILY SERVICES

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 23, 2019

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.40. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 9191 or Report ID No. 80190084 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Children and Family Services

December 2019

Audit Control # 80190084

Introduction

As a part of our audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR) and the Single Audit Report of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, 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 December 17, 2018. We determined that management has resolved the prior-year findings related to Improper Employee Activity in Federal Program and Weakness over Changes to Cost Allocation Process. The prior-year finding related to Lack of a Fully Implemented Contract over the 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

Noncompliance and Control Weakness Relating to Foster Care Subrecipient Monitoring

DCFS did not adequately review subrecipient Foster Care invoices to ensure reimbursements were made in accordance with approved contract rates and only included allowable dates of service. Failure to properly review invoices resulted in over and under reimbursements and could result in disallowed costs by the federal grantor.

A sample of 10 subrecipient invoices paid by DCFS disclosed the following for five (50%) Office of Juvenile Justice (OJJ) maintenance invoices of which one invoice had more than one error:

- For one invoice, the daily rate billed for two residential facilities did not agree to the contract rate, resulting in overpayments of \$2,426.
- For one invoice, OJJ paid the residential facility for 28 days but billed DCFS for 29 days, resulting in an overpayment of \$92. This same invoice had an additional error related to the supervision rate as explained below.
- For four invoices, OJJ paid residential facilities the enhanced supervision rate for certain residents but billed DCFS at the basic supervision rate. This resulted in an underpayment of \$9,188.

Due to the exceptions noted above, additional procedures were performed on the remaining six OJJ maintenance invoices paid in fiscal year 2019, some of which had more than one error. Audit procedures disclosed the following:

- For two invoices, the daily rate billed for two residential facilities did not agree to the contract rate, resulting in overpayments of \$2,483.
- For one invoice, OJJ billed DCFS for 11 days that had been previously reimbursed resulting in an overpayment of \$1,016.
- For one invoice, OJJ paid the residential facility for 27 days but billed DCFS for 28 days, resulting in an overpayment of \$92.
- For six invoices, OJJ paid residential facilities the enhanced supervision rate for certain residents but billed DCFS at the basic supervision rate, resulting in an underpayment of \$12,312.

In total, there were \$6,109 in overpayments considered questioned costs and \$21,500 in underpayments. These conditions occurred because of a weakness in controls in monitoring Foster Care subrecipient reimbursements.

DCFS program management and subrecipient contract monitors should follow the established DCFS payment methodology and ensure subrecipients are only reimbursed for eligible days, as well as the established daily and supervision rates. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Noncompliance and Control Weakness Related to the TANF Work Verification Plan

DCFS did not ensure that all work-eligible cash assistance recipients were engaged in work activities and that supporting documentation was maintained for hours worked under the TANF cluster of programs.

In a sample of 60 work activity records in the job-tracking system, 11 (18%) work-eligible participants either had no work activity hours reported in the job-tracking system or did not have adequate supporting documentation of work activities as required by federal regulations.

DCFS has a contract with the Louisiana Workforce Commission (LWC) and paid \$1.9 million to LWC during fiscal year 2019 to perform case management services, including ensuring participants are engaged in a minimum of 30 hours per week of work activities, and documenting work activity in the job-tracking system. However, based on our audit procedures, monitoring by DCFS has not resulted in compliance by LWC with all contract terms and federal requirements, potentially subjecting DCFS 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 \$111 million adjusted grant award based on the exceptions noted below; however, the likelihood of such an assessment is unknown.

DCFS should ensure LWC documents the TANF clients' work activities and that contracted case management services are being provided to meet program objectives and comply with federal program requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Noncompliance and Control Weakness Relating to the TANF Income Eligibility Verification

DCFS did not review income information obtained through the data exchange system to determine the effect on the recipient's eligibility for cash benefits under the TANF cluster of programs. In a sample of 60 client payments, two client (3%) files did not show the income summary reviewed and amounts included in the eligibility calculation.

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. One of the clients related to the exceptions noted received \$2,664 in benefits but was only eligible for \$1,464, resulting in a questioned cost of \$1,200. Case Workers did not follow DCFS policy and federal regulations to review and compare information obtained from the data exchange with information contained in the case records to verify the client's eligibility.

Because of the exceptions noted in a program that disbursed approximately \$18 million in cash benefits during fiscal year 2019, DCFS should ensure its caseworkers follow established policy and use the information obtained from the data exchange to verify client eligibility. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Control Weakness over Foster Care Payments

DCFS had weakness in controls over Foster Care payments that related to the accuracy of monthly payments made to foster families and expenditure coding. In a sample of 120 expenditure transactions, three (3%) errors were identified. Two monthly payments to foster families were underpaid by six and nine days, and one miscellaneous expenditure was incorrectly coded.

DCFS personnel did not follow established policy to change the service authorization dates to extend to the last day of placement. In addition, an error was made when entering the

expenditure coding into the system. Failure to enter correct placement end dates into the system could result in over or under payments to foster care providers and increases the risk of questioned costs. Miscoding expenditures can result in unallowable costs being charged to the program.

DCFS should follow established policies and procedures to ensure payments to foster families and miscellaneous expenditures are for accurate periods and for allowable costs. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

Comprehensive Annual Financial Report (CAFR) – State of Louisiana

As a part of our audit of the CAFR for the year ended June 30, 2019, we considered internal control over financial reporting and examined evidence supporting DCFS's Supplemental Nutrition Assistance Program (SNAP) benefit expenditures, as reported in the note disclosure in its annual fiscal report.

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, 2019, 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' major federal programs, as follows:

- Foster Care – Title IV-E (CFDA 93.658)
- Temporary Assistance for Needy Families Cluster (CFDA 93.558)

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 Noncompliance and Control Weakness Relating to Foster Care Subrecipient Monitoring, Noncompliance and Control Weakness Related to the TANF Work Verification Plan, Noncompliance and Control Weakness Relating to the TANF Income Eligibility Verification, and Control Weakness over Foster Care Payments. These findings will also be included in the Single Audit for the year ended June 30, 2019. In addition, DCFS's information submitted for

the preparation of the state’s SEFA and the state’s Summary Schedule of Prior Audit Findings is materially correct.

Other Procedures

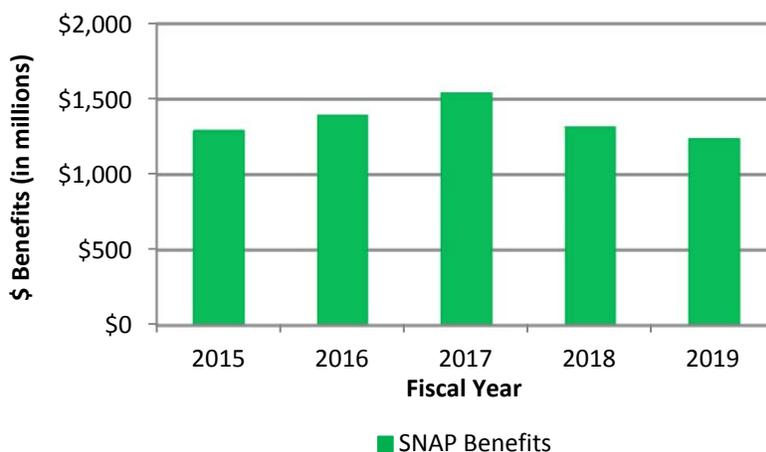
In addition to the CAFR and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing DCFS’s internal control and compliance with related laws and regulations over the annual movable property certifications. Based on the results of these procedures performed, we did not report any findings.

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’s 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.

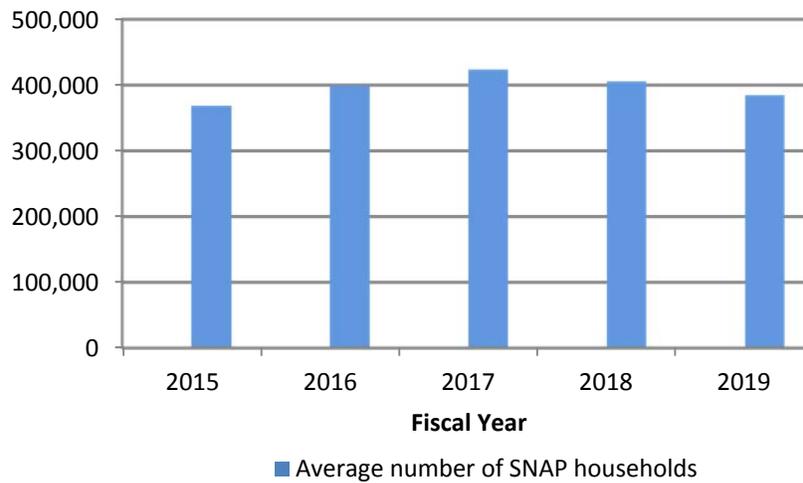
In analyzing the financial trends of DCFS SNAP benefits over the past five fiscal years, benefits increased in fiscal year 2016 due to disaster food stamps issued for March 2016 flooding; and again in fiscal year 2017 for the widespread flooding that occurred in August 2016 and tornados that hit New Orleans in February 2017. Benefits decreased in fiscal year 2018 and again in fiscal year 2019 due to decreases in the number of households (Exhibit 1). The average number of households follows the financial trends of SNAP benefits (Exhibit 2).

**Exhibit 1
SNAP Benefits**



Source: Fiscal year 2015-2019 Annual Fiscal Reports

Exhibit 2
Average Number of SNAP Households



Source: Fiscal year 2015-2019 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. The findings related to 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.

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

BP:AD:RR:EFS:aa

DCFS 2019

APPENDIX A: MANAGEMENT'S RESPONSES



Executive Division
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0286
(F) 225.342.8636
www.dcfcs.la.gov

John Bel Edwards, Governor
Marketa Garner Walters, Secretary

December 10, 2019

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 received the finding titled "Noncompliance and Control Weakness relating to Foster Care Sub-recipient Monitoring".

The finding states DCFS did not adequately review sub-recipient Foster Care invoices to ensure reimbursements were made in accordance with approved contract rates and only included allowable dates of service. DCFS concurs with the finding.

DCFS will provide closer oversight to ensure the supporting documentation agrees to the invoice. There is a rigorous process in place at the Office of Juvenile Justice (OJJ) to review invoices; however, in order to minimize errors, DCFS will work with OJJ to ensure OJJ has adequate oversight and monitoring of invoices and supporting documentation received from the Department of Public Safety prior to submitting invoices for payment. DCFS will also inquire whether OJJ can provide documentation in an automated format that will allow for efficient verification of information.

DCFS will obtain current and new sub-recipient contracts from the Office of Juvenile Justice and will verify the daily rate invoiced agrees to the contract rate.

The corrective action plan will begin in January 2020, when the quarterly invoices are received from the Office of Juvenile Justice.

The contact person for DCFS' Title IVE Foster Care program is Melissa Kenyon, Child Welfare Manager 2, and she can be reached at (225) 342-4782 or Melissa.maiello@la.gov.

Sincerely,

Marketa Garner Walters
Secretary





Executive Division
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0286
(F) 225.342.8636
www.dcfslouisiana.gov

John Bel Edwards, Governor
Marketa Garner Walters, Secretary

December 11, 2019

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 received the finding titled "Noncompliance and Control Weakness relating to the Temporary Assistance for Needy Families (TANF) Work Verification Plan."

The finding states that after reviewing 60 participants' work activity records, 11 work-eligible participants had no work activity hours or did not have adequate supporting documentation of work activities. DCFS concurs that supporting documentation of work activities was not adequately maintained.

The finding also states that the Louisiana Workforce Commission (LWC) has not ensured that participants are engaged in the minimum number of work activities each month and is therefore not meeting all contract requirements. DCFS concurs that LWC is not meeting contract requirements.

DCFS Economic Stability staff will continue to monitor and review work program cases managed by LWC. The new Louisiana Integrated Technology for Eligibility (LITE) system began pilot operations in November of 2019 with statewide implementation scheduled for February of 2020. LITE will replace the current job-tracking system and will feature real-time data entry and on demand reports. The DCFS Economic Stability Section will institute an enhanced monitoring plan that will identify participant cases with no work activities and cases that are not meeting the minimum number of work hours. Identified cases will be reported to LWC Management for follow-up with their work activity staff.

LITE will also be enhanced to contain a supporting document repository. This will minimize missing documentation.

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





Executive Division
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0286
(F) 225.342.8636
www.dcfslouisiana.gov

John Bel Edwards, Governor
Marketa Garner Walters, Secretary

November 13, 2019

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

Dear Mr. Purpera:

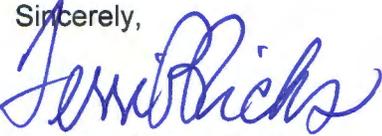
The Department of Children and Family Services (DCFS) has received the finding titled "Noncompliance and Control Weakness relating to the Temporary Assistance for Needy Families (TANF) Income Eligibility Verification."

The finding states that two of sixty client payments reviewed did not show that the income summary was reviewed by DCFS caseworkers. DCFS concurs that the DCFS caseworkers did not follow established DCFS policy regarding case processing.

DCFS Economic Stability staff continue to monthly review actions taken by caseworkers on case certifications and those reviews include ensuring that income summaries are reviewed. The new Louisiana Integrated Technology for Eligibility (LITE) system is scheduled to begin pilot operations in November of 2019 with statewide implementation scheduled for February of 2020. One enhanced feature of LITE is that it will not allow a case to be certified if income verifications are not reviewed and cleared. This will prevent any future findings on income eligibility verification.

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,


for Marketa Garner Walters
Secretary





Executive Division
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0286
(F) 225.342.8636
www.dcfcs.la.gov

John Bel Edwards, Governor
Marketa Garner Walters, Secretary

December 10, 2019

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 received the finding titled "Control Weakness over Foster Care Payments". DCFS concurs with the finding.

DCFS will closely monitor a reporting tool used to notify when placement authorizations have expired. Foster Care State Office staff will monitor the reporting tool and conduct a review on the last week of every month to ensure all foster children have an updated placement authorization. DCFS will provide refresher training to field staff on monitoring placement authorizations on a regular basis. The training will also remind staff of the requirement to update a placement authorization within 24 hours of a placement change. The Foster Care unit will begin monitoring the reporting tool immediately and will provide a refresher training to field staff by December 31, 2019.

DCFS will update policy to clarify allowable costs and add more details for coding expenditures. DCFS will provide more examples of allowable costs in the TIPS Code Section and within Foster Care policy. The updated policy sections will be provided to field staff directly responsible for processing payments to ensure there is a clear understanding and provide instructions on how a request for guidance for future miscellaneous expenditures should be handled. The Foster Care unit will update and distribute policy changes to field staff by February 2020.

The contact person for DCFS' Foster Care program is LaTrese LeCour, Child Welfare Manager 1, and she can be reached at (225) 342-4005 or LaTrese.LeCour.DCFCS@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, 2018, through June 30, 2019, 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. 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, 2019.

- We evaluated DCFS'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 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 benefit expenditures to support our opinions on the CAFR.
- We performed procedures on Foster Care – Title IV-E (CFDA 93.658) and Temporary Assistance for Needy Families Cluster (CFDA 93.558) for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- 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, 2019, as a part of the 2019 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.

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.