

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA

MANAGEMENT LETTER
ISSUED FEBRUARY 23, 2005

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

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LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT

ALBERT J. ROBINSON, 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 has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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January 20, 2005

DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2004, we considered the Department of Social Services' internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget (OMB) Circular A-133.

The Annual Fiscal Report of the Department of Social Services is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Department of Social Services for the year ended June 30, 2003, we reported findings relating to improper contracting of guard services, fraudulent benefit charges, child support escrow fund not reconciled, noncompliance with certain federal and state requirements of the Temporary Assistance for Needy Families Program (TANF), inaccurate reporting in TANF, noncompliance with state's movable property regulations, noncompliance with grant requirement in the Child Care Cluster, control weaknesses over the LaCarte Purchasing Card Program, noncompliance with federal requirements in Vocational Rehabilitation, noncompliance with federal property regulations, noncompliance with federal and state regulations for subrecipient monitoring, insufficient controls over certain grant regulations in the Foster Care - Title IV-E Program, insufficient control over purchasing card transactions and accounts, control weaknesses over time and attendance data, insufficient controls over information system applications, and employees paid for unearned hours and unnecessary expenses.

The findings concerning inaccurate improper contracting of guard services, fraudulent benefit charges, inaccurate reporting in TANF, noncompliance with state's movable property regulations, noncompliance with grant requirement in the Child Care Cluster, noncompliance with federal property regulations, insufficient controls over information system applications, and employees paid for unearned hours and unnecessary expenses have been resolved by management. The remaining findings have not been resolved and are addressed again in this report.

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Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2004.

Temporary Assistance for Needy Families Program (TANF) - Improper Payments

The Department of Social Services (DSS) made contract payments to TANF subrecipients and contractors that were not adequately documented, necessary, and/or reasonable. Office of Management and Budget (OMB) Circulars A-87 and A-122 state that costs must be adequately documented, necessary, and reasonable to be allowable under federal awards. OMB A-87 (Attachment B) and A-122 (Attachment B) further provide that costs of entertainment, including amusement, diversion, and social activities, and any costs directly associated with such costs as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities are unallowable.

In a review of 31 contract payments, the following exceptions were noted:

- A subrecipient invoiced DSS for expenditures totaling \$50,551 that are excessive and unnecessary to carry out the objectives of its Teen Pregnancy Prevention program.
- The June 2003 invoices included expenditures for trips to Dixie Landin'/Blue Bayou Water Park (\$1,640), Six Flags New Orleans (\$1,349), Celebration Station (\$1,146), a movie theater (\$480), and a bowling alley (\$267). Transportation cost associated with these trips totaled \$1,966. The subrecipient described these expenditures as "field trips" and noted that it was unaware of agency guidelines regarding reasonable and customary expenditures.
- Other unnecessary and unreasonable expenses included \$3,472 in clothing; \$1,012 in backpacks; \$864 for PlayStation systems with accessories and games; \$684 for boiled crabs, shrimp, and crawfish; \$637 for watches; \$625 for a graduation ceremony; \$239 for CD players and a CD; \$227 for a trip to Café Du Monde; and \$114 in flip-flops.

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- Receipts for fast food meals, food items, and non-food items totaled \$9,747 of which \$3,745 occurred in June 2003.
- Participant incentives totaling \$26,082 were paid and included monetary gifts (\$3.50 per hour + \$25.00 for each week of perfect attendance) totaling \$25,238, various items from department stores (i.e., Footlocker, Dillard's) totaling \$424, and a trip to Montrel's Creole Café totaling \$420.
- The department used federal funds to pay duplicate charges of another contractor and his subcontractors, thereby "double-billing" the TANF program \$61,265, which represents questioned costs.
- For two of the 31 contract payments (6%), DSS overpaid subrecipients by \$674 as invoiced amounts were either improperly billed or improperly paid.

Monitoring of contract payments was insufficient to identify those payments that were excessive and/or unnecessary to carry out the objectives of the TANF program. Failure to establish and follow adequate internal control procedures to ensure compliance with federal regulations can result in ineligible payments, which may lead to disallowed costs. As a result of the exceptions noted previously, questioned costs for TANF (CFDA 93.558) total \$112,490.

DSS management should strengthen control procedures over TANF contract payments to reduce the likelihood of improper and/or unnecessary payments. In addition, management should ensure that all subrecipients are aware of applicable cost regulations. Management did not concur with the finding noting that expenditures relating to the Teen Pregnancy Prevention program were necessary and not excessive and the duplicate payment was appropriate (see Appendix A, pages 1-3).

Additional Comment: Based upon our review of federal TANF regulations, these expenditures were unallowable.

Control Weaknesses Over the LaCarte Purchasing Card Program

For the second consecutive year, DSS did not follow state and departmental control procedures relating to the LaCarte Purchasing Card Program. The State of Louisiana, Division of Administration's Louisiana "LaCarte" Purchasing Card Policy assigns

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agencies with various responsibilities in relation to the administration of the purchasing card and the department has established DSS Policy 1-19 (LaCarte Procurement Card Program) to provide detailed control procedures.

A review of controls over the LaCarte Purchasing Card Program disclosed the following:

- Two former Office of Community Services (OCS) employees made improper purchases totaling \$3,549, which represents questioned costs of the Foster Care - Title IV-E program [CFDA 93.658 (\$1,566 - federal funds and \$1,983 - state funds)].
- As of July 22, 2004, OCS had not reconciled \$182,552 of LaCarte expenditures to the electronic payments because the field offices had not submitted all of the purchasing logs. Nearly 150 purchasing logs were outstanding for more than three months.
- Of 54 OCS purchasing logs tested, 52 (96%) were not reconciled within 30 days; eight (15%) did not reconcile to or did not have sufficient documentation to reconcile to the Bank of America statement; five (9%) contained receipts that were not signed by the foster client, parent, or facility representative to validate receipt of the items purchased; and four (7%) were not signed by the supervisor.
- In all five field offices visited, supervisors did not review the purchasing log, receipts, and/or the Bank of America memo statement in a timely manner.
- Post audits were not performed and Info Span reports were not used as a method to monitor card usage during the majority of fiscal year 2004.
- DSS had \$150,516 in unclassified expenditures for fiscal year 2004 because OCS did not zero out the default accounts for its LaCarte purchases. Agencies are responsible for distributing unclassified costs from the default accounts to the proper accounting codes.
- For 17 of the 174 (10%) separated employees tested, the employees' LaCarte purchasing card accounts remained open from 31 to 242 days after the employees' separation dates. In addition, controls established to correct this weakness were not functioning as reconciliations to payroll

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reports were not done in a timely manner and cardholder update forms were either not maintained or not received in a timely manner.

- Improper segregation of duties exists because an Administrative Specialist 2 with the Division of Support Services inputs the request for a new card into the Card Program Administrator system, receives the card, and distributes the card to the regional administrators.

Although the Division of Administration and DSS have established control procedures over the LaCarte Purchasing Card Program, certain departmental personnel are choosing not to follow these controls. Failure to adhere to control procedures increases the risk that errors and/or fraud could occur and remain undetected. In addition, since certain expenditures made with the LaCarte card are funded by the Foster Care - Title IV-E program, the department may incur disallowed cost.

DSS management should ensure employees and supervisors comply with state and departmental control procedures relating to the LaCarte Purchasing Card Program. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 4-5).

Child Support Escrow Fund Not Reconciled

For the fifth consecutive year, DSS is not reconciling the Child Support (Title IV-D) Escrow Fund to the client accounts on a periodic basis. Good internal control includes periodic reconciliations of cash accounts (such as the Title IV-D Escrow Fund) to subsidiary records (such as the client accounts). A proper reconciliation would provide management with a basis to ensure that errors and/or fraud are detected in a timely manner and that accounting data are both accurate and reliable.

The Title IV-D Escrow Fund is the clearing account that is used to process child support receipts and payments. Child support receipts from noncustodial parents are deposited into the fund and credited to the accounts of custodial parents. Distributions are then made to the custodial parents and/or to the state General Fund, depending on the status of each parent's account. During fiscal year ended June 30, 2004, total collections and disbursements of the escrow fund were approximately \$306.8 million (\$25.6 million per month) and \$306.1 million (\$25.5 million per month), respectively. The balance in the account at June 30, 2004, is approximately \$1.2 million.

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Failure to reconcile the Title IV-D Escrow Fund cash to subsidiary client accounts could lead to the misuse of funds and increases the risk that fraud and/or computer programming or operating errors could occur and not be detected in a timely manner. A reconciliation would detect errors such as undistributed amounts payable to custodial parents, undistributed amounts payable to the state General Fund, and the failure to post a receipt to a client account.

DSS management should require monthly reconciliations of the Title IV-D Escrow Fund to the client accounts to ensure that the accounting records are both accurate and reliable and that child support receipts and related distributions to both the state and custodial parents have been appropriately recorded. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 6).

Subrecipient Monitoring: Noncompliance With Federal Regulations

DSS did not comply with certain federal regulations in its monitoring of federal subrecipients. OMB Circular A-133 Section 400(d) requires the pass-through entity identify for the awards it makes to subrecipients, the CFDA title and number, the award name and number, and the award year and that it advise the subrecipient of requirements imposed on them by federal laws, regulations, and the provisions of the contract or grant agreement. The circular also requires the pass-through entity to monitor the activities of subrecipients and ensure that each subrecipient expending federal pass-through funds totaling \$300,000 or more has an annual audit. Effective June 27, 2003, the expenditure threshold changed to \$500,000 for all subrecipients' fiscal years ending after December 31, 2003.

Audit procedures performed on the department's monitoring function disclosed the following:

- For the third consecutive year, DSS failed to designate contracts as vendor or subrecipient. Of the 47 undesignated contracts, 44 (94%) contracts with payments ranging from \$126 to \$27 million were determined after the fiscal year ended to be subrecipients. Timely designation is necessary to ensure proper monitoring and reporting.
- For two of 15 entities (13%) identified as subrecipients, DSS did not receive a Single Audit report conducted in accordance with OMB A-133.

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Questioned costs totaled \$1,159,214 (federal - \$1,122,400 and state - \$36,814).

- For the seventh consecutive year, DSS did not ensure that the federal award information and applicable compliance requirements were provided to the subrecipient. A test of 20 contracts disclosed that three contracts (15%) did not include the CFDA program name, three contracts (15%) did not include the CFDA program number, and two contracts (10%) did not advise the subrecipients of the requirements imposed by laws, regulations, and the provisions of contract or grant agreements.

Failure to ensure that subrecipients receive federal program requirements, obtain required audits, and are properly monitored increases the risk of noncompliance with applicable program regulations.

Management should develop and enforce policies to ensure that monitoring and advisory procedures are established to comply with OMB Circular A-133 requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 7).

TANF Program - Noncompliance With Eligibility Requirements

DSS, Office of Family Support (OFS), did not comply with certain eligibility requirements for administering TANF (CFDA 93.558). OFS uses TANF funds to operate several programs, including the Family Independence Temporary Assistance Program (FITAP).

A review of 30 FITAP client cases disclosed the following conditions:

- For the sixth consecutive year, OFS failed to sufficiently document client compliance with the mandatory work requirements for the Strategies to Empower People (STEP) program pursuant to 42 USCS 607. In four of 11 applicable cases (36%), the case file and department's database did not contain verification that the client met the participation requirements and/or that the case manager verified the hours worked.
- For the third consecutive year, OFS failed to sufficiently document in nine of 30 cases tested (30%), whether each child in the assistance unit lives in

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the home of a parent or a qualified relative pursuant to 42 USCS 608 (a)(1).

- For the sixth consecutive year, documentation in the test case files was not sufficient to verify the relationship of the caretaker to the minor child as required by Louisiana Revised Statute 46:231(3)(b) and the TANF State Plan for three of 30 cases (10%) examined.
- In two of 30 cases (7%), insufficient documentation existed in the case file to determine if the client's income exceeded the benefit amount. According to DSS policy B-631-1-FTAP, income should be verified at initial application, at re-determination, at the midpoint of a 24-month certification period, and when income changes, except when the amount reported by the household indicates ineligibility.
- For the sixth consecutive year, certain client information in the department's computer databases did not agree with, or was not supported by, documentation in the client's case file in five of 30 cases (17%) examined.

OFS personnel did not follow eligibility regulations and established procedures in the administration of the TANF program. Failure to follow adequate internal control procedures to ensure compliance with federal and state regulations can result in payments made to ineligible clients, payments made in the wrong amounts, or failure to provide benefits to eligible clients. As a result of the exceptions noted previously, questioned costs totaled \$1,798.

Management should require all employees to adhere to eligibility regulations and established procedures in administering the TANF program. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 8-9).

Control Weaknesses Over Time and Attendance Data

For the third consecutive year, DSS did not consistently follow state or departmental control procedures relating to time and attendance data. DSS Policy 4-2, Time and Attendance, requires that for each pay period the Time Entry Audit Report (ZT02) is to be reconciled by someone other than the timekeeper to the time entry sign-in sheets and supporting documentation, such as leave slips and overtime forms. The signature and title of the person reconciling the report and the date reconciled must be affixed to this

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form. Also, Civil Service Rules Chapter 15.2 states, in part, "The appointing authority or his agent designated for this purpose shall certify on each payroll or subsidiary documents the fact of the actual rendering of service in the position, the actual number of hours of attendance on duty, and the number of hours of absence from duty."

Audit procedures performed on the department's time and attendance data disclosed the following:

- Five of the 11 (45%) offices were not properly reconciling the ZT02 Report to the time entry sign-in sheets and supporting documentation, such as leave slips and overtime forms, and/or not including the signature and title of the person reconciling the report and the date reconciled on the form.
- Eight of the 34 (24%) time entry sign-in sheets tested were not signed in a timely manner by the supervisor.
- Three of the 34 (9%) time entry sign-in sheets tested did not agree to the hours shown on the ZT02 report.
- In two of the 13 (15%) instances where overtime was documented, the overtime form did not agree to the time entry sign-in sheet.

Although time and attendance control procedures are established, certain departmental personnel are either unaware of the policies or choosing not to follow them. Failure to comply with state and departmental policies relating to time and attendance records could result in the failure to prevent or detect errors or fraud in payroll transactions.

DSS management should ensure that employees comply with state and departmental policies relating to the certification of time and attendance data. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 10-11).

Vocational Rehabilitation - Noncompliance With Federal Requirements

DSS, Louisiana Rehabilitation Services, did not comply with certain federal requirements for administering the Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126) program. OMB Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs. Title 34 CFR 80.20

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requires federal award reports to be accurate, current, and disclose the complete financial results in accordance with financial reporting requirements of the grant.

Reporting

For the third consecutive year, the review of the *Program Cost Report* (RSA-2) Schedule 1 disclosed errors that resulted from misclassifications and miscalculations identified on the federal fiscal year 2003 report. As a result of the errors, total expenditures of the RSA-2 report (line 4) were understated by \$1,067,568.

The review of the *Financial Status Report* (SF-269) for the quarter ended September 30, 2003, for the 2003 Grant Award disclosed that certain indirect costs amounts were omitted resulting in understatements of \$523,366 and \$411,889, on lines 11d and 11e, respectively.

Activities Allowed/Allowable Cost

For the second consecutive year, the department may have improperly charged the federal program. Three of 25 (12%) items tested did not include sufficient documentation because departmental procedures did not require the client to verify the receipt of goods and/or services. The other two items (8%) involved payments not cancelled when the services were no longer needed. Total questioned cost was \$997 (federal - \$785 and state - \$212).

Noncompliance with federal program requirements may result in the loss of federal funding or the incurrence of disallowed cost that must be funded with state funds. In addition, failure to prepare and submit accurate financial reports increases the risk that future grant payments and/or awards to the department will be based on erroneous information.

Management should strengthen control procedures to ensure compliance with federal requirements of the Rehabilitation Services - Vocational Rehabilitation Grants to States program. Management concurred in part with the finding and provided a corrective action plan relating to each issue (see Appendix A, pages 12-13).

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Foster Care - Title IV-E Program - Insufficient Controls Over Reporting

For the fourth consecutive year, DSS, Office of Community Services, does not have adequate internal control procedures to ensure that federal reports for the Foster Care - Title IV-E (CFDA 93.658) program are accurate and complete and in compliance with program regulations. Good internal control requires that adequate procedures be in place to ensure that the amounts reported include all activities of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with program requirements.

A review of the *Title IV-E Foster Care and Adoption Assistance Financial Report* (ACF-IV-E-1) for the quarter ended December 31, 2003, disclosed the following:

- DSS did not implement procedures during fiscal year 2004 to consider the unallowable social service costs, which may exist when prior quarter adjustments for ineligible or incorrect payments are made. This may result in the Foster Care Title IV-E program being over/under charged. Questioned costs could not be determined because the actual amount of social service costs associated with the adjustments is unknown.
- While numerous minor errors were identified throughout the report, a significant error was noted in the federal share of a prior quarter assistance adjustment. The adjustment was overstated by \$808,473.

Failure to prepare and submit accurate financial reports increases the risk that future grant payments and/or awards to the department will be based on erroneous information.

Management should strengthen procedures relating to preparing and reviewing financial reports for completeness, accuracy, and compliance with program regulations. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 14-15).

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

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This letter is intended for the information and use of the department and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

DLB:EFS:PEP:dl

DSS04

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

December 17, 2004

Mr. Steve J. Theriot, CPA
Legislative Auditor
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Please refer to your December 1, 2004 correspondence regarding the Legislative Audit finding that the agency made contract payments to TANF subrecipients and contractors that were not adequately documented, necessary, and/or reasonable.

We do not concur with the findings as stated. Below is our response to your audit findings of improper payments on two contracts.

I. Your audit considers \$50,551 in expenditures in this contract excessive and unnecessary to carry out the objectives of its Teen Pregnancy Prevention Program. The agency does not concur with this finding.

Regarding the expenditures for field trips and related transportation: In Attachment A of the original approved contract document, the contractor clearly stated that recreational and leisure activities would be provided to supplement the core program which directly addressed pregnancy prevention issues. The agency determined that the periodic recreation/leisure activities were reasonable, especially when the program transitioned from after-school (November to May) to a full day (8:30 a.m. to 1:00 p.m.) in June when school was out for the summer.

Such activities did in fact help "carry out the objectives of the TPP program" as they fostered camaraderie among the participants, encouraging the peer support (critical among teenagers) for pregnancy prevention and the goals of the program in general. These recreational activities also provided variation of activities within the program curriculum, diversions necessary to keep the teen participants involved and interested in remaining. The trips provided healthy organized activities for the teens at times they might otherwise be unsupervised and apt to participate in less healthy behaviors.

The clothing, backpacks, watches, and other items deemed unnecessary expenses by your audit were also covered in the original contract document in the budget justification for "participation incentives". These incentives serve as tangible reminders of the program objectives when the

participants are not in class, and act as positive reinforcement for positive behavior. The provider compared costs and purchased items for the students that were both useful and had a certain degree of longevity.

Food items were covered in the original contract in the budget justification document under snacks and participation incentives. The length of time spent by the teens each day in the program certainly justifies providing food. The visits to restaurants and the on-site boiled seafood have the same benefit as the field trips explained above and were allowed by the contract as recreational/leisure activities.

Finally, cash incentives were covered by the budget justification document under "Participant Incentives" and further documented and clarified in a budget revision approved in January 2003. OMB Circular A-122 (Cost Principles for Non-Profits) notes that "Participant Support Cost" stipends are allowable in the form of incentive payments for students who excelled in meeting the parameters of the program.

When isolated from the total program operation and expenditures, all expenditures cited in the audit seem to be amusement-related without purpose or connection to program goals, and therefore could be misconstrued as unreasonable and unnecessary. However, the agency believes these activities and items purchased contributed to a more effective program than if the contractor would have limited its time with the teenage participants to classroom lectures on teen pregnancy prevention.

II. In a second contract, your audit considers as questionable cost \$61,265 the agency paid to subcontractors due to the failure of the primary contractor to pay the subcontractors. We do not concur with this finding.

While the agency acknowledges that TANF funds were used to make payments to this contractor as well as some of his subcontractors for the same services, we cannot concur that these payments were inappropriate. When DSS Legal alerted your office to this situation, it was determined that it was in the best interest of the agency to pay the subcontractors who had provided services in good faith, services which benefited the OFS, then recover the "duplicated" expenditures. Legally, DSS/OFS is ultimately responsible for payment to the service providers as contractor was our agent. In addition, it was necessary to maintain credibility with these entities as their services and/or the services of other industry representatives may likely be needed in the future.

Legal action is pending, so this issue is not yet resolved. DSS is suing the contractor and other parties, seeking recovery of the \$61,265 that was paid to the primary contractor.

State law requires that any suspected misappropriation of public funds under a contract is reported to the District Attorney and the Legislative Auditor, and as you are aware, this has been done. In addition, since contractor's actions may have violated federal criminal statutes, DSS also met with representatives of the FBI to discuss the situation.

Finally, our Dallas Regional Office of the Administration of Children and Families has been apprised of the situation, so ACF is aware of this use of TANF funds, and has not issued any instruction or comment regarding the agency's handling of this situation. Until all legal actions being pursued are finalized, and unless these actions do not result in recovery of these payments in question, the agency believes an audit citation for these payments at this time is premature.

Steve J. Theriot, CPA
December 17, 2004
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Please advise if you have any questions about this response. Thank you for your consideration.

Sincerely,

Adren O. Wilson

Adren Wilson
Assistant Secretary

AOW/DDS/LP

cc: Ann Silverberg Williamson
Lisa Woodruff-White
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SECRETARY

December 16, 2004

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Control Weaknesses Over the LaCarte Purchasing Card Program

Dear Mr. Theriot:

We concur that we did not follow state and departmental control procedures relating to the LaCarte Purchasing Card Program.

At the departmental level, the LaCarte Policy and Procedure Manual are currently being updated. A statewide LaCarte training program will be developed and implemented after the Policy is approved through the DSS Policy System. Tentative date for implementation is March 2005. The training will emphasize the importance of supervisors viewing purchasing logs, receipts, and/or Bank of America statements in a timely manner.

In October 2004, a Compliance Section was established in the Division of Support Services to perform post audits and to assist in developing reports to monitor card usage. As of October 1, 2004 all Human Resource Offices within DSS are sending separation reports every two weeks to the Procurement Card Section for reconciliation to an active cardholder report. The Procurement Card Policy is being changed to delegate the responsibility of inputting the request for LaCarte Cards in the EAGLS system to Regional Administrative staff.

The Office of Community Services (OCS) is working to gain control over the control weaknesses in the LaCarte program by revising and reissuing office policy, reducing the number of cards issued, and performing in-house audits monthly in the OCS Fiscal Section on a sample of records. OCS is reissuing its policy revisions December 2004.

OCS staff are also continuing work to reconcile the LaCarte default account. In addition to in-house audits, OCS contacts the Regional Administrator of each worker who has not submitted the required reconciliation form at the end of each month. All payments in the TIPS system are then verified with the information on the reconciliation log sheet. OCS has also compared the listing of

Mr. Steve J. Theriot, CPA
December 16, 2004
Page 2

all current cardholders to current personnel and removed any discrepancies.

If you need additional information, you may contact Theresa Seal with the Division of Support Services at 342-1005 or tseal@dss.state.la.us. Or you may contact Martha Wyly with the Office of Community Services at 342-6827 or mwyly@dss.state.la.us.

Sincerely,



Cathy H. Lockett, Acting Director
Division of Fiscal Services

c: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Marketa G. Gautreau
Debbie Johnson
Theresa Seal
Martha Wyly



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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

October 15, 2004

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Child Support Escrow Fund Not Reconciled

We concur that the Department is not reconciling the Child Support Escrow Fund to the client accounts on a period basis. As explained earlier, the LASES system does not currently have the capability of producing reports that reflect individual client account balances and is requiring major modification to produce the type of reports that would reflect individual client account balances.

Accordingly, the department has been working on this matter intensely since the March 2004, and on August 13, 2004, members of Executive Management (Secretary, Undersecretary, and OFS Assistant Secretary) met with staff from OM & F Division of Fiscal Services and Office of Family Support/Support Enforcement Services (SES) where Executive Management underscored the priority of continued work on the resolution of the matter to staff.

Through teamwork OM&F Fiscal Services and SES are working together and continuing our efforts to create a reconciliation process. In fact, we anticipate being able to satisfy the requirements of this finding by the end of this fiscal year. Our goal is to reconcile client accounts on a monthly basis. At an appointed time we would like to meet with members of your office to explain our progress and to solicit any recommendations from your office regarding our proposed solution.

Though we regret that the matter is not currently resolved and will be a repeat finding for this year, we are pleased at the prospect of a reconciliation process coming by the end of the fiscal year to be able to accurately reconcile the Fund and to finally dispose of this repeat finding.

You may contact me at 342-0863 if you need any additional information.

Sincerely,

Cathy H. Lockett, Acting Director
Division of Fiscal Services



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November 23, 2004

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Subrecipient Monitoring: Noncompliance with Federal Regulations

We concur that we did not comply with certain federal regulations in monitoring federal subrecipients.

All of the contracts cited in the finding have been designated as either subrecipient or vendor. A memorandum was issued to all agencies reminding them of their responsibility to forward a copy of all contracts to the External Audit Unit in order that the subrecipient/vendor designation can be performed. The External Audit Unit will also be performing a quarterly comparison of all DSS contracts to the contracts entered into the tracking system. A quarterly report of this examination must be submitted to the Director of the Division of Fiscal Services and a bi-annual report must be submitted to the OM & F Undersecretary.

Two contractors failed to submit a Single Audit report in accordance with OMB-A133. Efforts by agency staff to obtain audit reports from the contractors have been unsuccessful. We will continue to pursue acquisition of the reports requesting assistance from the Bureau of General Counsel. Further, if a contractor has a due and outstanding audit report, the contractor shall be deemed to not be in good standing with the Department, meaning that we shall not enter into a new contract with them until such time as the outstanding audit is received and approved. Department staff from all agency contract offices, External Audit and Legal will develop specific departmental policy guidance for non-compliance with any contract requirements.

Office of Family Support staff responsible for contracts have been advised of the requirements that all contracts must have the appropriate CFDA program name, CFDA program number and the required compliance requirements for federal programs on the first page of the contract. In addition, the Contract Compliance Review Team will review these problem areas during their review of agency contracts.

If you need any additional information, you may contact David Sigue with the Office of Family Support at 342-3877 or dsigue@dss.state.la.us or me at 342-0863 or clockett@dss.state.la.us.

Sincerely,

Cathy H. Lockett, Acting Director
Division of Fiscal Services

c: Ann S. Williamson
Lisa Woodruff-White

Terri P. Ricks
Adren Wilson

David Sigue

"AN EQUAL OPPORTUNITY EMPLOYER"



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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

December 1, 2004

Mr. Steve Theriot, CPA
Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70802

Dear Mr. Theriot:

Please refer to your correspondence dated 11/18/04 regarding the Legislative Audit finding that the agency did not comply with certain eligibility requirements for administering the Temporary Assistance for Needy Families Program. We concur with the findings as stated, as all the cases involved lacked appropriate documentation requirements based on established eligibility regulations and established procedures in the administration of the TANF program. The following corrective action measures have been or will be taken in order to reduce and/or eliminate the problems cited:

- A meeting was held on 10/19/04 with Regional Administrators to stress the need for staff to follow established eligibility requirements in the area of proper documentation.
- Program Specialists have met with Regional Administrators/Parish Managers and Supervisory Staff and covered the areas cited in the review.
- Program Specialists and Supervisory Staff at the parish level will conduct targeted case readings during their monthly reviews.
- Program Review and Evaluation Staff are currently reviewing TANF cases and conducting reviews specifically in the areas cited in the review. All findings are being discussed during monthly 57-Q meetings with staff from the Family Assistance Program Policy and Field Operations Division.
- On 10/28/04 the OFS Program Integrity Committee began work on developing recommendations to help staff perform their job duties more effectively and accurately, specifically taking into account the areas cited in the Legislative Audit review.

If you have any questions, please feel free to contact David D. Sigue, at 342-3877.

Sincerely,

A handwritten signature in black ink, appearing to read "Adren O. Wilson".

Adren O. Wilson
Assistant Secretary

AOW/DDS

**cc: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Veda Emerson
Kathy H. Lockett
David D. Sigue
Jackie Droddy**



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KATHLEEN BABINEAUX BLANCO
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SECRETARY

November 22, 2004

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Control Weaknesses Over Time and Attendance Data

We concur with the findings as cited in the audit of Time and Attendance.

Staff were not providing evidence that the ZT02 report was being reconciled to the time entry sign-in sheets and supporting documentation as required by Department policy. It was also found that several supervisors did not sign time entry sign-in sheets in a timely manner. Department policy stipulates that the Time Administrator Manager must affix a signature, title and date to the sign-in sheet but it does not specify a time period in which this must occur. A memorandum will be circulated to all Time Administrator Managers reminding them of their responsibility for reconciliation of the ZT02 report and all related time and attendance duties.

Department policy 4-02, DSS Time and Attendance, states that Time Administrator Managers are responsible for the overall supervision of the time and attendance function within a unit, section, or division. The Department intends to hold them accountable for their role in the time and attendance function by formally and specifically including this as an expectation in their annual performance planning and rating.

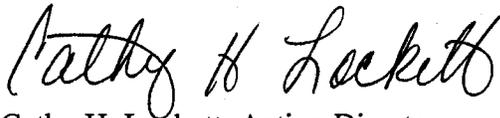
Prior period adjustments have been done to correct all instances where the time entry sign-in sheets did not agree to the hours shown on the ZT02 report. Overtime forms have also been corrected to agree with the sign-in sheets.

Staff have been counseled and given instructions on the proper reconciliation of time and attendance. Internal procedures have also been implemented in each office to ensure future compliance with all Time and Attendance policies.

The results of this audit finding have been submitted to the Office of the Secretary, Division of Human Resources for review and determination if any policy changes are necessary. We will notify you of the results of this review.

Steve J. Theriot, CPA
November 22, 2004
Page 2

Sincerely,



Cathy H. Lockett, Acting Director
Division of Fiscal Services

c: **Ann S. Williamson**
 Lisa Woodruff-White
 Terri P. Ricks
 Adren O. Wilson
 Marketa G. Gautreau
 James Wallace
 Linda Watson
 David S. Sigue
 Debbie Johnson
 Claire Hymel



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ANN SILVERBERG WILLIAMSON
SECRETARY

December 3, 2004

Mr. Steve J. Theriot, CPA
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

The following is in response to your letter of November 23, 2004 regarding reportable audit findings of Louisiana Rehabilitation Services.

▪ **Reporting**

Agency Response: The agency agrees with the finding that the RSA-2 and SF-269 Reports did contain errors. However, this did not result in any improper charges to the Federal Program.

Corrective Action: The agency will revise the RSA-2 report and has already submitted a revised SF-269 report. The agency will also change internal procedures as follows:

1. To ensure that the RSA-2 report -ISIS and BRIS reports total equals the total on the RSA-2 report, LRS will develop an Excel spread sheet that will calculate these figures.
2. For the 269 report, ensure that the amount reported on line 11d and 11e equals the amount reported on the Statement of Expenditures.

Completion dates of Corrective Action: December 31, 2004

Contact Person Responsible for Corrective Action: Becky Blankinship

▪ **Activities Allowed/Allowable Cost**

Agency Response: The agency agrees in part with this finding. The agency does not agree that improper charges were made to the federal program. The agency's internal procedures did require that the agency obtain verbal, but not written, verification of receipt of goods and/or services by the client before payment was authorized.

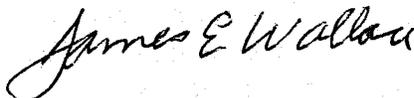
Corrective Action: The agency has changed internal procedures to require that the client provide written verification of receipt of goods and/or services before payment is authorized by the agency.

Completion dates of Corrective Action: October 29, 2004 and November 15, 2004.

Contact Person Responsible for Corrective Action: Roseland Starks, Bureau Administrator.

If you require any additional information, please let us know.

Sincerely,



James Wallace
Director

JW/cmh

cc: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks



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ANN SILVERBERG WILLIAMSON
SECRETARY

November 30, 2004

Mr. Steve J. Theriot, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Re: Foster Care - Title IV-E Program: Insufficient Controls Over Reporting

We concur that the Department did not have adequate controls to ensure that federal reports for the Foster Care Title IV-E program are accurate and complete and in compliance with program regulations.

We concur that fiscal adjustments for residential and Therapeutic Family Care expenditures are being held. We determined that the TIPS TIQ 4093 Report was incorrect and needed to be corrected before the adjustments could be processed. In addition, a separate TIPS report was needed to capture the social service component of the payment. Now that the TIPS TIQ 4093 has been corrected and the social service report is in production, the Office of Community Services will remit the fiscal adjustments to OM & F Division of Fiscal Services to process an adjustment on the federal report. The correction of the TIQ 4093 and the production of the social service report should provide resolution to this problem.

Adjustments have been made to the ACF IV-E-1 for the minor errors found during the audit. The Division of Fiscal Services staff responsible for preparation of the IV-E-1 have been alerted to and counseled about the types of errors found during the audit. The Accountant has made a procedural change in the way adjustments are calculated to ensure that the correct match rate is applied. The supervisor is also able to detect errors by entering the data onto an excel spreadsheet which recalculates the adjustments.

The significant error committed in the calculation of a prior quarter assistance adjustment has been corrected. These correcting adjustments have been submitted on the ACF IV-E-1. Office of Community Services staff understand that caution must be exercised in preparation of these adjustments and are committed to ensuring that it is not repeated.

If you need additional assistance, you may contact Debbie Johnson at 342-2766 or djohns13@dss.state.la.us or me at 342-0863 or clockett@dss.state.la.us.

Sincerely,

Cathy H. Lockett, Acting Director
Division of Fiscal Services

c: Ann S. Williamson
Lisa Woodruff-White

Terri P. Ricks
Marketa G. Gautreau

Debbie Johnson

Steve J. Theriot
October 15, 2004
Page 2

C: Ann S. Williamson
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