



Report Highlights

Louisiana Workforce Commission

DARYL G. PURPERA,
CPA, CFE

Audit Control # 80170077
Financial Audit Services • January 2018

Why We Conducted This Audit

We performed certain procedures at the Louisiana Workforce Commission (LWC) as a part of the Comprehensive Annual Financial Report (CAFR) of the State of Louisiana, the Single Audit of the State of Louisiana, and to evaluate LWC's accountability over public funds for the period July 1, 2016, through June 30, 2017.

What We Found

The following findings reported in the prior year related to the HiRE implementation have been resolved: Improper System Implementation, Noncompliance with Interstate Benefit Payment Plan, and Improper Benefit Payments.

As a result of our procedures on the Helping Individuals Reach Employment (HiRE) system, we identified the following deficiencies:

- **Inadequate Change Management** – LWC did not establish adequate policies and procedures over changes made to the computer systems used to administer the Unemployment Insurance (UI) program. LWC did not ensure adequate regression testing was performed to prevent negative impacts to its system. In addition, LWC lacked updates to its training programs and did not notify employees of updated manuals.
- **Weak Security Controls** – LWC did not properly secure HiRE and its systems by reviewing security reports, monitoring system activity, and classifying data. Inadequate security of LWC's systems may lead to errors, improper payments, or unauthorized view or modification of unemployment insurance and tax data.
- **Noncompliance with Federal Regulations over Benefit Overpayments** – The HiRE system was unable to produce a reliable report of overpayments, and monthly statements generated from the system contained errors. Also, LWC did not begin receiving and offsetting other states' payments against Louisiana claims until March 2017, and did not begin transmitting its own data to other states for their offsets until August 2017.
- **Unreliable Financial Reporting** – HiRE could not produce reliable reports to support all the amounts reported in its Annual Fiscal Report for fiscal year 2017, and therefore, auditors could not confirm or verify the accuracy of more than \$23.9 million in net claimant receivables and \$9 million due to the federal government.
- **Inadequate Contract for Services** – Although LWC amended its contract with Geographic Solutions, Inc. (GSI) during fiscal year 2017 to require a source code escrow, the protective language of the amended contract does not account for the infrastructure and other systems this source code requires for execution. As a result, LWC may be unable to use the source code in the event of GSI's contractual default. Additionally, although LWC obtained a Type 2, Service Organization Control 1 report during fiscal year 2017, the

Continued on next page

What We Found (Cont.)

report did not adequately address key aspects of HiRE's processing and output including accuracy and completeness of reports used to support LWC's financial and federal reporting requirements. The report also did not address processing, calculating, and output for penalty assessments.

- **Inadequate Controls over Federal Reporting Requirements - Unemployment Insurance** – Because LWC has not completed the redesign of HiRE's overpayment functionality, the system does not readily produce accurate federal reports. As a result, we were unable to confirm or verify information contained in these reports. In addition, some reports did not contain all required information.

As a result of our procedures on the Rehabilitation Services - Vocational Rehabilitation Grants to States federal program, we identified the following deficiencies:

- **Improper Eligibility Determination for Pre-Employment Transition Services (Pre-ETS)** – LWC improperly determined that 103 students were eligible for Pre-ETS based solely on wearing prescription eyeglasses, even though this is not considered a disability under the program requirements. These costs totaled \$272,782 during fiscal year 2017.
- **Untimely Development of Individualized Plans for Employment (IPEs)** – LWC did not develop IPEs timely, as required by program regulations. Failure to complete the IPEs timely may cause unnecessary delays for clients receiving services. For four (16%) of 25 IPEs reviewed, LWC did not complete the IPE within the required timeframe of 90 days, nor was there evidence of an agreement to a deadline extension.
- **Inadequate Controls over Federal Reporting Requirements** – LWC did not have adequate controls in place to ensure required federal reports for the program were accurate, complete, and properly reviewed. As a result, LWC improperly reported Pre-ETS expenses, causing the report to incorrectly show that LWC had not spent the required allotment of federal funds on the Pre-ETS program. In addition, some reports were not reviewed prior to being submitted to the federal agency.

Our procedures also identified the following deficiency:

- **Deficiencies in Internal Control over Payroll** – LWC did not adhere to internal policies and procedures designed to ensure compliance with federal documentation requirements for compensation of personal services. As a result, time and attendance records were not properly certified, approved, and monitored, as required by federal and state regulations. This increases the risk of payroll error or fraud and may result in disallowed costs.