

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS -  
YOUTH SERVICES - OFFICE OF JUVENILE JUSTICE  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 24, 2014

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

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DARYL G. PURPERA, CPA, CFE

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THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

December 24, 2014

The Honorable John A. Alario, Jr,  
President of the Senate  
The Honorable Charles E. “Chuck” Kleckley,  
Speaker of the House of Representatives  
Dr. Mary L. Livers, Deputy Secretary,  
Louisiana Department of Public Safety and Corrections -  
Youth Services - Office of Juvenile Justice

Dear Senator Alario, Representative Kleckley, and Deputy Secretary Livers:

This report includes the results of the procedures we performed at the Louisiana Department of Public Safety and Corrections – Youth Services – Office of Juvenile Justice (OJJ) for the period from July 1, 2013 through June 30, 2014, to evaluate its accountability over public funds. The procedures are a part of the Single Audit of the State of Louisiana for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

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

Sincerely,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

AOE:RR:BQD:THC:ch

OJJ 2014



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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Public Safety - Youth Services -  
Office of Juvenile Justice

December 2014

Audit Control # 80140127

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## Introduction

As a part of the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2014, we performed procedures at the Department of Public Safety - Youth Services - Office of Juvenile Justice (OJJ) to evaluate the effectiveness of OJJ's internal controls over a major federal program and to determine whether OJJ complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

OJJ is a component of the state of Louisiana created within the executive branch of government. OJJ serves youth who have been adjudicated delinquent or families in need of services. OJJ is responsible for youth assigned to their care by the court system, either for supervision or custody in residential placement or secure care. OJJ's mission is to protect the public by providing safe and effective individualized services to youth, who will become productive, law-abiding citizens.

## Results of Our Procedures

### Follow-Up on Prior-Year Finding

Our auditors reviewed the status of the prior-year finding reported in the OJJ management letter dated November 18, 2013. We determined that management partially corrected issues noted in the finding related to inadequate controls over the Foster Care program. The remaining uncorrected weaknesses are addressed again in this letter.

### Current-Year Findings

#### Inadequate Controls over Foster Care Reimbursement Requests

For the second consecutive year, OJJ did not properly review Foster Care – Title IV-E (Foster Care) reimbursement requests prepared by the Department of Public Safety (DPS), resulting in an estimated \$424,489 in net underbilled federal funds. DPS used an incorrect percentage of Foster Care-eligible juveniles in its calculations of administrative cost reimbursements for

residential placement and used an incorrect indirect cost rate. These errors resulted in an estimated \$440,379 in underbilled federal funds and \$15,890 in overbillings, which if disallowed, may need to be returned to the federal grantor. In addition, underbillings of program costs may decrease the program's effectiveness in achieving its objectives and increase the use of state funds when federal funds are available.

Sufficient internal controls should include a review of the components and calculations used in Foster Care reimbursement requests for accuracy and compliance with applicable federal requirements. These controls should ensure OJJ receives all available federal funds and prevent federal overbillings.

OJJ should ensure that accounting personnel responsible for preparing reimbursement requests use the appropriate indirect cost rates and percentage of eligible juveniles in cost claims. Also, OJJ should review the reimbursement requests to ensure accuracy and compliance with applicable requirements to obtain all federal funds due to the state and prevent overbillings that could result in disallowed costs.

OJJ's response indicates concurrence with the finding and provides a corrective action plan. DPS concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-3).

### **Unsupported Rates for Residential Care Facilities**

OJJ did not have adequate support for rates used in making Foster Care maintenance payments totaling \$2,410,496 to six residential care facilities for the fiscal year ended June 30, 2014, increasing the risk that costs could be disallowed, requiring repayment to the federal grantor.

These residential facilities serve youth who have been adjudicated delinquent or in need of services, including Foster Care-eligible juveniles, as well as those not eligible under the Foster Care program. In a review of the rates being used to pay each of the six facilities, we noted the following:

- The payment rates for five of the six facilities were determined by calculating a total cost per juvenile using a detailed annual budget provided by each facility during a request for proposals (RFP) process. To determine how much of the cost per juvenile is billed to the Foster Care program for eligible juveniles, OJJ applies an allowable maintenance percentage to each rate to reduce it for the unallowable therapeutic charges (counselors, psychiatrists, etc.) included in the total budget. OJJ could not provide support for the calculation of the allowable maintenance percentages; therefore, the proper allocation of costs to the Foster Care program could not be verified.
- The other facility, Ware Youth Center (Ware), was not subject to an RFP bidding process and was not paid based on a cost per juvenile basis. This facility receives a monthly payment, in advance, determined by dividing its total budget by the number of months in the term of the contract. Each month, when this facility submits its invoice to OJJ, the payment rate is derived by dividing the pre-

determined monthly payment amount by the total service units (number of juveniles times the number of days). The payment rate, therefore, changes each month depending on the number of beds occupied. In effect, this facility is paid the same amount each month by OJJ whether all or none of its beds are occupied; therefore, the payment rate used to request reimbursement for maintenance expenses of Foster Care eligible juveniles changes each month. OJJ was reimbursed an average per juvenile of \$174.09 per day for the juveniles housed at Ware, while the average reimbursement for the other five facilities tested was \$87.38 per day; therefore, the payment rate for Ware does not appear reasonable. Using the second-highest reimbursement rate per service unit at a facility (\$117.75), likely questioned costs reimbursed to OJJ total \$151,998.

In addition, as with the other five facilities, OJJ also applies an allowable maintenance percentage to the total cost per juvenile to determine how much to bill to the Foster Care program for eligible juveniles; however, OJJ was unable to provide support for the allowable maintenance percentage; therefore, the proper allocation of costs to the Foster Care program could not be verified.

OJJ explained that the Department of Children and Family Services (DCFS), as the primary recipient of Foster Care program funds, previously provided OJJ with the allowable maintenance percentage to be applied to residential care costs in determining how much to charge to the Foster Care program for eligible juveniles; however, when this responsibility shifted to OJJ, it continued to use the rates previously provided by DCFS but is not aware of how those rates were calculated.

OJJ should develop and implement rate-setting policies and procedures that ensure reasonable rates are paid to residential facilities and the portion of those payments charged to the Foster Care program are adequately supported and include only allowable expenditures.

Management's response indicates concurrence with the finding and provides a corrective action plan (see Appendix A, page 1).

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

As a part of the Single Audit for the year ended June 30, 2014, we performed internal control and compliance testing as required by the Office of Management and Budget (OMB) Circular A-133 on OJJ's major federal program, Foster Care - Title IV-E (CFDA 93.658).

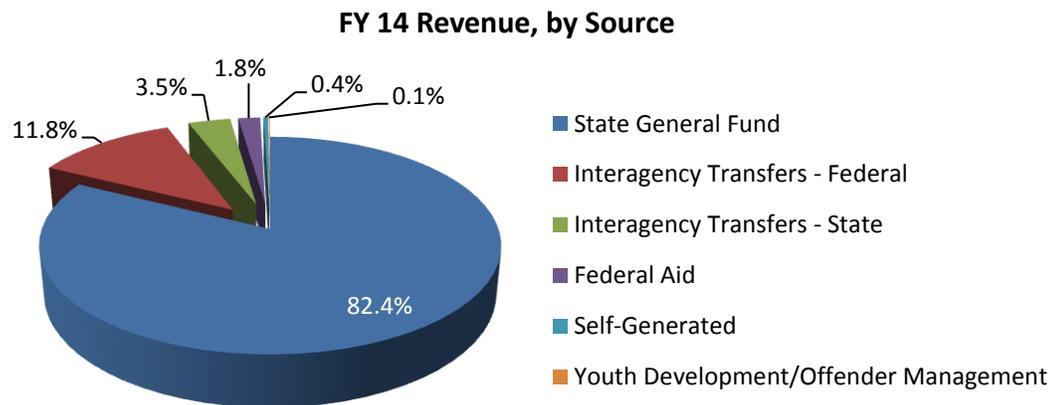
Those tests included evaluating the effectiveness of OJJ's internal controls designed to prevent or detect material noncompliance with program requirements and determining whether OJJ complied with applicable program requirements.

We also performed procedures on OJJ's Summary Schedule of Prior Federal Audit Findings (Schedule 8-3) as required by OMB Circular A-133.

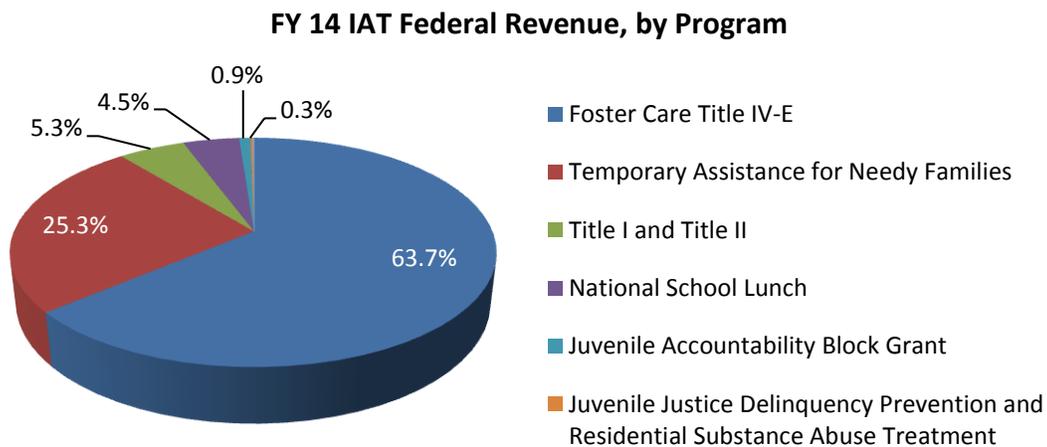
Based on the results of these Single Audit procedures, we reported findings related to inadequate controls over Foster Care reimbursement requests and unsupported rates for residential care facilities that will also be included in the Single Audit for the year ended June 30, 2014. In addition, OJJ’s Schedule 8-3 is materially correct.

## Trend Analysis

We prepared an analysis of the OJJ revenues and found that of \$111.2 million in total revenue, OJJ received 82.4%, or \$91.6 million, in state general fund appropriations. Of \$17.0 million in interagency revenues, \$13.1 million are federal funds received from other state agencies, of which 63.7%, or \$8.4 million, is for the Foster Care program. Based on our finding above regarding inadequate controls over reimbursement requests, OJJ could have drawn an estimated net \$424,489 more in Foster Care funds in place of general fund dollars.



Source: FY 14 OJJ Annual Fiscal Report



Source: FY 14 Business Objects Report

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

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



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





BOBBY JINDAL, Governor

# Office of Juvenile Justice

MARY L. LIVERS, Ph.D., MSW, Deputy Secretary

December 11, 2014

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

Dear Mr. Purpera:

Please allow this response to serve as the official response for both the management letter and the Single Audit Report in reference to the two findings concerning the Foster Care- Title IV-E program. The two findings are represented in both reports, therefore, we are providing a single response for both.

## Finding 1. Inadequate Controls over Foster Care Reimbursement Requests

OJJ and DPS have set in place procedures to ensure that both OJJ and DPS receive an updated annual Indirect Cost Rate Proposal in order to ensure that the most current rates are utilized when calculating the reimbursement requests. In addition, OJJ will review the July reimbursement request to confirm that the rate has been changed. OJJ has worked with DCFS and DPS to correct these billing inconsistencies and an off-set to cover the identified amount will be included in the next quarter's billing to the Title IV- E program.

## Finding 2. Unsupported Rates for Residential Care Facilities

OJJ has established a methodology for determining the appropriate rates for residential providers. OJJ will use these established rates in future contract negotiations with residential providers. OJJ has worked with DCFS regarding this methodology in order to ensure that the portion of those payments requested for reimbursement will be verified as allowable expenditures with adequate support.

We appreciate your feedback and recommendations.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mary L. Livers", is written over the typed name and title.

Mary L. Livers, Ph.D., MSW  
Deputy Secretary

MLL:et

BOBBY JINDAL  
GOVERNOR



JILL P. BOUDREAUX  
UNDERSECRETARY

State of Louisiana  
Department of Public Safety and Corrections  
Public Safety Services

December 9, 2014

DPS-02-1728

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

RE: Office of Juvenile Justice – Finding for Inadequate Controls over Title IV-E (Foster Care) Program Reimbursement Requests

Dear Mr. Pupera,

Please allow this response to serve as the official response for both the management letter and the Single Audit Report in reference to the finding concerning the Title IV-E (Foster Care) Program Reimbursement Requests performed by the Department of Public Safety (DPS) on behalf of the Office of Juvenile Justice. The finding is represented in both reports; therefore, we are providing a single response for both.

- DPS under billed an estimated \$440,379 in federal funds and \$15,890 in over billings, which if disallowed may need to be returned to the federal grantor, due to an incorrect percentage of Foster Care eligible juveniles used in its calculations of administrative cost reimbursements for residential placement and used an incorrect indirect cost rate.

**DPS concurs with the finding. DPS also requests the associated detail to the above finding so that we are aware of exactly what was under billed/over billed in order to attempt to rectify. OJJ will take action with DCFS to see if these under billed funds in the prior year are available to OJJ for recoupment in the current year.**

DPS had not been provided the annual, Indirect Cost Rate Proposal generated from Sequoia Consulting Group historically for incorporation into the Administrative Reimbursement spreadsheet calculation template. DPS' Procedures have been updated to reflect the fact that this is needed on an annual basis. DPS has contacted Sequoia Consulting Group and requested that they be notified of such going forward. Sequoia Consulting Group acknowledged such request. Further, OJJ is aware that DPS needs this and will put this as a part of their procedures and verification thereof during their review process before authorizing approval for DPS to submit such reimbursement requests. Further and with respect to the reimbursement calculation template, DPS relies upon review and certification by OJJ programmatic staff prior to submission in order to ensure that latest rates, etc. have been communicated to DPS.

*"An Equal Opportunity Employer"*

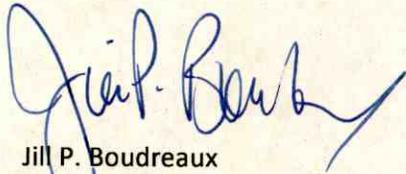
OFFICE OF MANAGEMENT & FINANCE, P.O. BOX 66614, BATON ROUGE, LOUISIANA 70896

A.2

All corrective actions mentioned above have been implemented as of the date of this response. In addition, Scott Erwin, Financial Services Director, is the individual responsible for these corrective actions at DPS. Mr. Erwin's contact information is (225) 925-6279 and [scott.erwin@la.gov](mailto:scott.erwin@la.gov).

Please contact me with any additional concerns or if more information is required at (225) 925-6032.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jill P. Boudreaux". The signature is fluid and cursive, with a long, sweeping underline.

Jill P. Boudreaux  
Undersecretary

Cc: Scott Erwin, Financial Services Director



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Safety - Youth Services - Office of Juvenile Justice (OJJ) for the period from July 1, 2013 through June 30, 2014, 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, and review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2014.

- We evaluated OJJ's operations and systems of internal controls through inquiry, observation, and review of its policies and procedures, including a review of laws and regulations applicable to OJJ.
- We performed procedures on the Foster Care – Title IV-E federal program (CFDA 93.658), for the year ended June 30, 2014 to support the 2014 Single Audit.
- We prepared an analysis of current-year revenues for informational purposes.

The purpose of this report is solely to describe the scope of our work at OJJ and not to provide an opinion on the effectiveness of OJJ's internal control over compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.

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