DEPARTMENT OF SOCIAL SERVICES
STATE OF LOUISIANA

MANAGEMENT LETTER
ISSUED MAY 21, 2008

LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

April 16, 2008

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, 2007, 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, 2006, we reported findings relating to noncompliance with program regulations of the Foster Care - Title IV-E Program, destroyed records and noncompliance with federal program requirements of the Child Care Cluster, deficiencies in the operation of the Disaster Food Stamp Program, destroyed records and noncompliance with Temporary Assistance for Needy Families (TANF) program requirements, destroyed records and ineligible benefits relating to the Food Stamp Cluster, noncompliance with Child Support Enforcement program requirements, Child Support Escrow Fund not reconciled, control weaknesses over the LaCarte Purchasing Card Program, unlocated movable property, weaknesses over Vocational Rehabilitation program expenditures, noncompliance with federal property regulations, overpayments to terminated employees, access to electronic data processing not properly restricted, and control weaknesses over refunds.

The findings concerning destroyed records and ineligible benefits relating to the Food Stamp Cluster, noncompliance with Child Support Enforcement program requirements, noncompliance with federal property regulations, and overpayments to terminated employees 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, 2007.

Improper Employee Activity in Federal Programs

Based upon work performed by the Department of Social Services (DSS), Fraud and Recovery Section (FRS), DSS identified instances of fraudulent activity and alleged fraudulent activity by its employees in several federal programs. The affected federal programs are the Food Stamp Cluster (CFDA 10.551 and 10.561), the Child Care and Development Fund Cluster (CFDA 93.575 and 93.596), and the Kinship Care Subsidy Program within the Temporary Assistance for Needy Families (TANF) program (CFDA 93.558). DSS, Office of Family Support (OFS) Policy I-510 states that OFS employees are prohibited from taking any action on their personal case, a case involving an immediate family member, friend, or social acquaintance of himself/herself or his/her supervisor. Managers are responsible for assuring that all employees are advised of this policy and are made aware that violation of policy will result in disciplinary action (suspension, reduction in pay, reassignment, demotion, or dismissal).

The instances of fraudulent activity and alleged fraudulent activity are as follows:

- On May 30, 2007, an Administrative Coordinator 3 pled guilty to a combined count of Access Device Fraud and Malfeasance and to one count of Theft. The employee stole two Food Stamp Electronic Benefit Transfer (EBT) cards and used the DSS computer system to obtain recipient information to activate those cards; submitted fraudulent Child Care Assistance Program, Kinship Care Subsidy Program, and Food Stamp applications by concealing her actual household composition; and approved Disaster Food Stamp Program (DFSP) benefits for a relative and friends. The employee was terminated on September 29, 2006. On October 3, 2007, the court ordered her to repay $10,104.63. However, DSS is seeking to recover the full amount of $17,224. Questioned costs are $17,224.

- A Social Services Analyst Supervisor certified and maintained a relative's food stamp case without going through the proper eligibility process and certified relatives' DFSP cases. The employee was suspended on May 5, 2007; arrested on June 4, 2007; and terminated on July 6, 2007. The employee pled guilty on December 12, 2007, to unauthorized use of a food stamp card. Questioned costs are $3,461. During the above investigation, FRS discovered that the employee may have also certified and maintained two other food stamp cases for individuals who were ineligible to receive benefits and may have diverted some of those benefits for personal use. A demand letter was sent on December 18, 2007, requiring the employee to repay an additional $6,001. The employee has until January 21, 2008, to respond. Total questioned costs are $9,462.

- A Social Services Analyst 2 allegedly completed DFSP applications and worksheets for relatives, added fictitious household members to various relatives' DFSP applications, completed a DFSP application in her husband's name and reported incorrect social security numbers for herself and her husband and reported inaccurate information concerning income and resources, changed the address on a relative's DFSP application that resulted in two additional months of DFSP benefits, and set up a fictitious DFSP case. Questioned costs are $7,543. On November 29, 2007, the employee was indicted by a federal grand jury on one count of "Theft from Program Receiving Federal Funds" [18 USC 666(a)(1)(A)]. The employee was terminated on December 6, 2007.

- A Social Services Analyst 2 allegedly submitted fraudulent Child Care Assistance Program applications to receive child care assistance over the period March 2003 through July 2006 as the employee understated household income on the applications. Questioned costs are $7,334. As of January 4, 2008, the DSS Bureau of Legal Counsel is still reviewing the information.

- A Social Services Analyst 2 allegedly performed unauthorized transactions on the food stamp cases of relatives, falsified the food stamp and TANF case records of a client (no relationship), and certified a fictitious DFSP case and activated the disaster EBT card. This employee had been reprimanded in 2002 for unauthorized case activities and falsification of case documents. The employee was arrested on September 10, 2007, and charged with Theft and Malfeasance in Office and was terminated on November 8, 2007. Questioned costs are $2,955.

- An Administrative Coordinator 3 violated DSS Policy I-510 by certifying a relative for DFSP benefits when the employee already included the relative on the employee's DFSP application and tried to disguise this action by using a nonexistent address and only including a first and middle name of the DFSP application. As of January 4, 2008, DSS management still has not made any decision on the disciplinary actions for this employee nor has any funds been recouped. Questioned costs are $149.

Certain DSS employees failed to adhere to department policies and state regulations during the performance of their job duties. In addition, existing controls were not sufficient to prevent the fraudulent activity from occurring or to identify the fraudulent activity in a timely manner. Failure to establish and follow adequate internal control procedures increases the risk that federal program benefits are made to ineligible applicants and that errors and/or fraud could occur. For the instances noted above, a total of $306 in restitution has been paid, as of January 4, 2008.

Management should continue to investigate the possibility of fraudulent activity among DSS employees and strengthen existing controls within the affected federal programs to reduce the likelihood that fraudulent activities occur in the future. In addition, management should work with the grantor to resolve the questioned costs. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Disaster Food Stamp Program: Intentional Program Violations and Ineligible Benefits

DSS identified instances of ineligible benefits in the DFSP including 10 employee cases and 12 nonemployee cases in which intentional program violations (IPV) were committed. The DFSP is a part of the Food Stamp Cluster, which is comprised of Food Stamps (CFDA 10.551) and the State Administrative Matching Grants for Food Stamp Program (CFDA 10.561). Federal regulation 7 CFR 273.16 defines IPV as making false or misleading statements, or misrepresenting, concealing or withholding facts; or committing any act that constitutes a violation of the Food Stamp Act, the Food Stamp Program Regulations, or any state statute for the purpose of using, presenting, transferring, acquiring, receiving, possessing or trafficking of coupons, authorization cards or reusable documents used as part of an automated benefit delivery system (access device). In addition, the U.S. Department of Agriculture, Food and Nutrition Services (FNS) Disaster Food Stamp Handbook 320 states that agencies must develop strategies to prevent fraud and ensure program integrity from the start of the disaster response.

As a result of concerns relating to ineligible employees, the FNS required DSS to review 100 percent of the employee DFSP cases. As of November 26, 2007, the following were disclosed:

- Ten cases were identified as IPV. Seven of the cases involved DSS employees, while three cases involved spouses of DSS employees. These 10 individuals understated income, overstated hurricane-related expenses, and/or misrepresented their household composition to improperly obtain DFSP benefits. In these 10 cases, DFSP benefits totaling $5,348 were distributed. Four of the seven employees are still employed by DSS with no disciplinary action occurring besides restitution of funds. The department is in the process of recouping these funds.

- DSS has rendered decisions in 809 of 1,428 employee cases (57%) and has determined that 573 of the 809 employees (71%) were not eligible to receive DFSP benefits.

As of December 3, 2007, DSS records indicate that DSFP benefits totaling $348,832 were provided to ineligible DSS employees and the three spouses mentioned above. DSFP benefits totaling $125,731 have been repaid to the department. Of the total $348,832, DSS identified questioned costs of $117,820, as of March 9, 2007, which was reported in our prior year auditor’s report. The remaining $231,012 represents questioned costs identified by DSS since March 9, 2007.

As of January 10, 2008, the DSS FRS had also completed the investigation of 81 nonemployee cases. Of those 81 cases, 49 cases (60%) were determined ineligible to receive DFSP benefits with 12 cases identified as IPV. DSS records indicate that DSFP benefits totaling $29,452 were provided to ineligible applicants with DSS recouping $11,639. The remaining $17,813 is questioned costs.

DSS did not establish adequate control procedures to prevent DFSP applicants, including DSS employees and their spouses, from obtaining ineligible benefits. Failure to establish adequate internal control procedures over the distribution of DFSP benefits resulted in benefits made to ineligible applicants and in questioned program cost.

Management should continue to investigate the possibility of additional ineligible DFSP benefits paid, including those obtained through intentional program violations, and should work with the grantor to resolve any questioned costs. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 3-4).

Child Care Cluster: Noncompliance With Program Requirements

For the third consecutive year, DSS did not comply with certain federal and state requirements for administering the federal child care cluster. The child care cluster is comprised of the Child Care and Development Block Grant (CFDA 93.575) and the Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596) programs. OMB Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with grant provisions. Proper administration would include controls for ensuring expenditures are supported by adequate documentation and eligibility criteria are met. In addition, child care provider agreements require the provider to keep a daily record of attendance of each child participating in the program, including time of arrival and departure. The provider is also instructed to retain supporting fiscal documents (including attendance records) for three years to ensure that claims for federal funds are in accordance with federal requirements.

Audit procedures performed on the child care cluster disclosed the following:

- For 28 of 41 provider invoices (68%) tested, the invoices were either not supported by attendance logs or the invoiced days did not agree with the attendance logs. Nine providers did not provide any attendance logs. Of these nine providers, one provider could not be located; one provider had discarded the attendance logs; and one provider was unaware that attendance logs were required. Questioned costs totaled $56,926.

- For four of 31 children (13%) tested, case files did not have documentation verifying the child was age-appropriately immunized in accordance with 45 CFR 98.41(a)(1)(i), Section 6.7 of the State Plan and department policy no. 08.B-710. Questioned costs totaled $1,185.

During 2007, the DSS Contract Accountability Review Team (CART) conducted 41 on-site reviews and five desk reviews on child care providers. For each on-site review, CART selected a sample of five children and compared the attendance logs to the invoiced days for the sampled children. For each desk review, CART compared two months of attendance logs to the provider invoices submitted for payment. Based on information obtained from CART, 33 of 46 provider invoices (72%) were either not supported by attendance logs or the invoiced days did not agree with the attendance logs. Questioned costs totaled $26,670.

DSS procedures for validating provider reimbursement requests are deficient as the children's attendance is not verified to supporting documentation (attendance logs). In addition, providers continue to violate the child care provider agreements by maintaining inaccurate or incomplete attendance records or no attendance records. Over 5,300 providers receive reimbursements totaling in excess of $96,900,000. Considering the large exception rate for attendance logs, the risk exists that significant amounts may not be adequately supported, which increases the risk of error, fraud, and/or abuse. In addition, controls established for verification of immunization and eligibility were not followed.

DSS management should improve its review and monitoring procedures to ensure provider reimbursement requests are accurate and supported and should consider implementing stronger consequences for noncompliant providers. In addition, DSS personnel should follow established controls over verification of immunization. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 5-6).

Foster Care - Title IV-E: Noncompliance With Program Requirements

For the third consecutive year, DSS did not comply with certain requirements for administering the Foster Care - Title IV-E program (CFDA 93.658). OMB Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements. Louisiana Revised Statute 46:1408 states the department shall issue a Class A license to a facility or agency upon establishment of the fact that minimum requirements for a license as established by the department are met and other state and local laws and regulations have been met.

Audit procedures performed on the Foster Care - Title IV-E program disclosed the following conditions:

- Two of 13 clients (15.4%) tested residing in childcare institutions were placed in institutions that were not fully licensed or were fully licensed despite not meeting minimum standards. The Federal Administration for Children and Families policy manual states that a childcare institution becomes eligible for Title IV-E funding when it comes into full compliance with the state's licensing requirements. The DSS Office of the Secretary, Bureau of Licensing is responsible for issuing Class A licenses to childcare facilities housing foster care children.

- One of 13 clients (7.7%) tested was placed in a childcare institution that did not have documentation to verify safety considerations with respect to staff of the institution as required by 45 CFR 1356.30(f) and the criminal background checks required by Louisiana Administrative Code, Title 48, Chapter 79, Section 7911, D.3.

- Eleven of 31 foster care expenditures (35.5%) tested were not properly authorized. The expenditure authorization documentation was not properly approved or the form for authorization was not found in the client's file.

DSS Office of Community Services personnel did not consistently follow program regulations and existing procedures in the administration of the Foster Care - Title IV-E program. In addition, the department failed to consistently follow departmental regulations in providing Class A licenses to facilities housing foster care children. Failure to follow adequate control procedures to ensure compliance with federal regulations may result in disallowed costs. As a result of the exceptions noted previously, questioned costs totaled $214,753 ($151,881 - federal funds and $62,872 - state funds).

DSS management should require all employees to adhere to program regulations and established procedures in administering the Foster Care IV-E program. In addition, management should ensure all fully licensed childcare institutions meet minimum standards. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 7).

Temporary Assistance for Needy Families Program:
Internal Control Weaknesses Over Program Requirements

DSS did not comply with certain program requirements for administering the Temporary Assistance for Needy Families program (TANF - CFDA 93.558). DSS uses TANF funds to operate several programs, including Family Independence Temporary Assistance Program (FITAP), Strategies to Empower People (STEP), Kinship Care Subsidy Program (KSCP), and TANF Initiatives. OMB Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with grant provisions. Proper administration would include controls for ensuring expenditures are supported by adequate documentation and procedures are established to ensure federal reports are accurate and complete. In addition, OMB Circular A-87 and A-122 provide that to be allowable under federal awards, costs must be adequately documented, necessary, and reasonable.

Activities Allowed/Allowable Costs

In a review of 30 contract payments, we noted 12 instances (40%) totaling $259,540 in which expenditures were not for allowable activities/costs or were not adequately supported to determine that the expenditures were properly, accurately, and reasonably charged to the TANF program. For six instances, invoices were either not supported by required attendance logs/sign-in sheets or the invoiced amounts did not agree with the supporting attendance logs/sign-in sheets. This is the sixth consecutive year for contract payment exceptions.

Reporting

Audit procedures performed on the PMS-272 Federal Cash Disbursement Report for the quarter ended December 31, 2006, disclosed that the PMS-272 was understated by $1,022,246 for the federal fiscal year 2006 TANF grant and understated by $4,524,975 for the federal fiscal year 2007 TANF grant. This resulted in the PMS-272 not reconciling to the TANF ACF-196 Financial Report. These errors occurred during the report's compilation performed by the department and were not detected by the department's review process.

DSS personnel did not follow program regulations and existing procedures in the administration of the TANF program. Failure to follow adequate internal control procedures to ensure compliance with federal regulations can result in costs that are unreasonable and unnecessary to the objectives of the TANF program and increases the risk of error, fraud, and/or abuse. As a result of the exceptions noted previously, questioned costs totaled $259,540.

Management should ensure adherence to program regulations and established control 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 Information Technology

DSS did not maintain adequate controls over access to its Louisiana Automated Management Information System (L'AMI) and its Electronic Funds Transfer (EFT) files. In addition, the DSS Information Technology (IT) Disaster Recovery Plan did not include certain components that would assist in the timely restoration and continuity of critical entity operations. According to Control Objectives for Information and Related Technology (COBIT), procedures should be developed to ensure that access to a system and data are restricted to business need only; arrangements should be established to identify and apply security requirements applicable to the receipt, processing, physical storage, and output of data and sensitive messages; and continuous IT services require developing, maintaining, and testing IT continuity plans, offsite backup storage, and periodic continuity plan training.

L'AMI is an eligibility determination and benefit calculation system that provides various applications and includes the Food Stamp program (CFDA 10.551) and the Temporary Assistance for Needy Families program (CFDA 93.558). Audit procedures performed by Office of Legislative Auditor (OLA) IT auditors during an application control review over L'AMI disclosed the following:

- At the date of test work, over 2,000 users requiring "display only" access had update capabilities to affect EBT cancellation, issuance override, and notice cancellation. Users with this improper access included DSS employees and users from external agencies.

- Certain application programmers and IT security personnel were granted system level access that grants cross-parish update capabilities for most business functions such as case/member processing, disposition, special/manual issuance, and EBT cancellation without a business need. Programmers should not have update capabilities in production.

- Several DSS FRS investigators had update capability to certain business functions (case/member processing, EBT cancellation, special/manual issuance) without a business need.

- Certain DSS Office of Family Services' employees had update capability to business functions such as EBT cancellation, issuance override, card maintenance, and table maintenance without a business need.

- The DSS security group and the DSS internal audit section did not have access to protection logs that were available as an audit trail of all the data changes in L'AMI.

Audit procedures performed by OLA IT auditors during a general control review disclosed the following:

- The DSS IT disaster recovery plan does not contain detailed working procedures for system and data restoration; no live simulation test has ever been conducted to switch production to the DSS hot site; and no formal disaster training has been provided to all IT personnel involved in the disaster recovery plan.

- Nine DSS programmers had ALTER access to the EFT files. This access could allow them to make direct changes to the EFT files. In addition, the audit setting on the EFT files only logged failed access and any successful changes by the programmers with ALTER access would not be logged.

A comprehensive understanding of L'AMI security levels does not exist among departmental staff and access to EFT files was not evaluated after implementation. A live disaster recovery simulation test has not been performed because of the potential risks involved and the lack of funding to perform the test. The integrity and confidentiality of private/sensitive information could be compromised by users with inappropriate access levels. Fraud could be committed by users with excessive privileges without being detected on a timely basis. In addition, inadequate disaster recovery planning could lead to prolonged disruption of continuous service and loss of valuable assets.

DSS management should evaluate current access to L'AMI and its EFT files, establish controls to ensure access is based on business need only, and establish procedures to allow for effective monitoring of access capabilities. In addition, the DSS IT disaster recovery plan should include detailed working procedures to allow timely and orderly system and data restoration, periodic testing, and a disaster recovery training program. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 10-12).

Inaccurate Annual Fiscal Reports

DSS did not submit accurate Annual Fiscal Reports (AFR) to the Division of Administration for the fiscal year ended June 30, 2007. As authorized by Louisiana Revised Statute 39:79, the commissioner of administration through the Division of Administration's Office of Statewide Reporting and Accounting Policy (OSRAP) prescribes the content and format for the preparation of each agency AFR, which is then used in the compilation of the state's Comprehensive Annual Financial Report (CAFR). Good internal control includes establishing a process to ensure that these fiscal reports are accurately prepared and reviewed. However, the AFRs for the Office of Family Support and the Office of Community Services (OCS) that were submitted to OSRAP on August 31, 2007, included the following errors:

<u>Office of Family Support</u>

Schedule 6-1 (Child Support Escrow Fund):

- Additions were overstated by $108,003,663.
- Receivables were overstated by $43,685,125.

Note AA - Accounts Payable Adjustment:

- Due to Custodial Parents was overstated by $49,749,907.
- Due to Federal Government (modified accrual) and Due to Federal Government (full accrual) were understated by $666,486 and $4,829,419, respectively.

Note BB - Accounts Receivable Adjustment:

- Due from Absent Parents was overstated by $42,820,048.

- Due from Clients (modified accrual) and Due from Clients (full accrual) were overstated by $514,579 and $1,047,380, respectively.

Office of Community Services

Note AA - Accounts Payable Adjustment:

- Due to Clients was understated by $1,508,624.

Note BB - Accounts Receivable Adjustment:

- Due from Federal Government was understated by $2,378,893.

Department personnel made miscalculations when determining Child Support Escrow Fund estimates that caused significant differences in the fund's receivables and additions, the amount due to custodial parents, and the amount due from absent parents. In addition, the supervisory review process was not effective in identifying errors in the accounts payable and receivable adjustment notes or Schedule 6-1 (Child Support Escrow Fund). Failure to submit accurate AFRs can delay the compilation and issuance of the state's CAFR. Furthermore, misstatements from errors may occur and remain undetected.

DSS management should ensure that its AFRs are properly prepared and should review the financial information and note disclosures in its AFRs to identify and correct errors before submitting them to OSRAP. Management concurred in part with the finding (see Appendix A, pages 13-14).

Additional Comments: Schedule 6-1 is used to account for escrow funds, which are on the full accrual basis. Overstatements of additions and receivables were due to the department's inadvertent misuse of a percentage and failure to reverse prior year accruals. DSS management should contact OSRAP before the next reporting cycle to clarify Schedule 6-1 reporting issues. In addition, management should evaluate whether changes are necessary to its current OCS estimation process to ensure that the most accurate accounting estimates are recorded, even with time deadlines for AFR submission.

Ineffective Internal Audit Function

DSS does not have an effective internal audit function to examine, evaluate, and report on its internal controls, including information systems, and to evaluate compliance with the policies and procedures that comprise controls. The internal audit function should provide management with assurances that assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner.

The following weaknesses were identified during the review of the internal audit function:

- In a review of four of the 12 audits completed by the Bureau of Internal Audit during fiscal year 2007, none of four audits reviewed had working papers that contain sufficient evidence to support the work performed and conclusions/findings noted in the audit report. In addition, one audit did not have evidence of supervisory review.

- The Bureau of Internal Audit did not adequately address federal financial and compliance issues for the department's 28 federal programs that total $1.4 billion of expenditures at June 30, 2007. Of the 12 completed audits, four related to fleet management, three related to time and attendance, three related to professional service contracts, one related to a TANF Memorandum of Understanding, and one related to the State Personal Assistance Service Program.

- No information technology audits were performed during the year.

In a Best Practices/Quality Assurance Review dated February 2007, the report's opinion concluded that the Bureau of Audit Services does not currently comply with *The International Standards for the Professional Practice of Internal Auditing*. The opinion was based on several factors including evidence that indicated audits were not performed in accordance with professional expectations; inadequate existing skill sets, individually and collectively, which do not permit the accomplishment of objectives as set forth in the Bureau's Charter; and the annual audit plan intentionally excludes information systems.

The Bureau of Internal Audit was not adequately staffed with capable audit personnel, did not have an adequate review function, did not adequately document the test work that supported audit conclusions, and failed to adequately address federal financial and compliance issues along with information technology. Considering the department's reported assets of approximately $166 million and revenues of approximately $1.7 billion, an effective internal audit function is needed to ensure that the department's assets are safeguarded and that management's policies and procedures are uniformly applied.

DSS management should take the necessary steps to ensure that the Bureau of Audit Services is sufficiently staffed with capable auditors; the review process is strengthened; sufficient documentation to support audit conclusions is maintained; and the scope of the audits performed, which would include information technology, is sufficient to achieve the objectives of an effective internal audit function. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 15-16).

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

A test of 92 LaCarte purchasing transactions made by DSS employees disclosed the following:

- Fourteen of 92 (15.2%) transactions did not have sufficient documentation to verify the purchases were reasonable, for official state business, or for allowable goods and services. Eleven transactions did not have a proper receipt and three transactions did not appear to be reasonable or for allowable goods and services.

- Twelve of 41 (29.3%) transactions that were client specific purchases from the OCS did not have the client's signature or the client's caretaker on the receipt to verify the client received the goods or services.

- Four transactions exceeded the $1,000 limit set by the Office of State Purchasing and Travel. The Office of State Purchasing and Travel must approve in writing any authority for a single purchase limit to be above $1,000. No approvals for spending over the limit were provided for these transactions.

- Thirteen purchases were artificially divided into 32 transactions so that they would not exceed the $1,000 individual transaction limit set by Office of State Purchasing.

- Seven of the eight (87.5%) special meals paid through the LaCarte Procurement Card Program did not have evidence of approval from the secretary of DSS for the special meals as required by Division of Administration Policy and Procedure Memorandum 49.

- Four of 51 (7.8%) purchase logs tested were not signed by the cardholder as required by DSS LaCarte Purchasing Card Policy.

Although the Division of Administration and DSS have established control procedures over the LaCarte Purchasing Card Program, certain departmental supervisors and staff are choosing not to follow these controls. Failure to enforce control procedures increases the risk of noncompliance with state regulations and departmental policy and 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 federal programs, the department may be susceptible to disallowed costs. Because of the exceptions noted previously, questioned costs total $9,300 with $6,388 federally funded and charged to the Social Services Block Grant (CFDA 93.667), $160 charged to the Child Abuse and Neglect State Grants (CFDA 93.669), and $2,752 of state funds.

DSS management should ensure that 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 17-18).

Unlocated Movable Property

DSS certifications of annual property inventory reported $880,590 of unlocated movable property over the past four years. Of that amount, items totaling $170,250 were removed from the property records because they were not located after three consecutive years while items totaling $300,731 are scheduled to be removed if not found within the next year. The department's Office of the Secretary is responsible for $611,630 (69.5%) of the total unlocated amount. Computers and computer-related equipment totaled $811,947 of the total unlocated amount. Annual physical inventory reports disclosed that the department had property items totaling $40,682,781. This is the third consecutive year for this finding.

Louisiana Revised Statute 39:325 requires entities to conduct an annual property inventory of movable property and report any unlocated movable property to the Louisiana Property Assistance Agency. Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property items for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted.

Failure to maintain adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects the department to noncompliance with state laws and regulations. In addition, because of the nature of services provided by the department, there is an increased risk that sensitive information could be retrieved improperly from the missing computers and/or computer-related equipment.

DSS management should strengthen its procedures for monitoring movable property and conducting the physical inventory of movable property. In addition, management should devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 19-20).

Vocational Rehabilitation: Weaknesses Over Program Requirements

DSS, Louisiana Rehabilitation Services (LRS), did not maintain sufficient controls to ensure expenditures charged to the Rehabilitation Services - Vocational Rehabilitation Grants to States program (CFDA 84.126) were supported by adequate documentation. DSS also did not comply with certain eligibility and reporting requirements in administering the Vocational Rehabilitation program. OMB Circular A-133, Subpart C, Section 300(b) requires states to establish internal control over federally funded programs to provide reasonable assurance that the state is managing federal awards in compliance with grant provisions. Proper administration would include controls for ensuring expenditures are properly supported and federal reports are accurate.

Audit procedures performed on the Vocational Rehabilitation program disclosed the following:

Allowable Cost

For the fifth consecutive year, expenditures were not adequately supported. In two of 25 (8%) client expenditures tested, there was no evidence of supporting documentation such as a transcript or invoice at the time of payment.

Eligibility

For three of 30 (10%) clients tested, LRS did not determine eligibility within 60 days after an application was submitted and did not obtain client agreement to a specific extension of time. United States Code Title 29, Chapter 16, Section 722 provides that the state shall determine if an individual is eligible for vocational rehabilitation services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless the individual agrees to a specific extension of time.

Reporting

LRS overstated the amount reported on the federal fiscal year 2006 RSA-2 report, Schedule I, Line 2.A.2.a by $82,821. LRS personnel did not reconcile the amounts reported to the underlying accounting records.

Failure to maintain sufficient control over program expenditures, eligibility, and reporting requirements may subject the department to disallowed costs by the grantor agency and increases the risk of errors and/or fraud.

DSS management should require all employees to adhere to program regulations and established procedures in administering the Rehabilitation Services - Vocational Rehabilitation Grants to States program. In addition, LRS personnel should develop reconciliation procedures to ensure that required federal reports are accurate and complete. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 21-22).

Child Support Escrow Fund Not Reconciled

For the eighth 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. Departmental and contract personnel are developing a reconciliation process for the Title IV-D Escrow Fund and DSS management expects the reconciliation process to be completed during fiscal year 2008.

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, 2007, total collections and disbursements of the escrow fund were approximately $323.5 million ($26.9 million per month) and $324 million ($27 million per month), respectively. The balance in the account at June 30, 2007, is approximately $7.4 million.

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 may detect errors such as undistributed amounts payable to custodial parents, undistributed amounts payable to the state General Fund, and 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 23).

Access to Electronic Data Processing Not Properly Restricted

For the third consecutive year, DSS does not have sufficient user access controls for the Advantage Financial System (AFS), the Advanced Governmental Purchasing System (AGPS), and the Contract Financial Management System (CFMS). These systems are components of the Integrated Statewide Information System (ISIS). Access to these systems is restricted through the use of passwords and user identification (ID) codes; however, this access was not properly restricted to ensure that the integrity of data was maintained. The DSS ISIS USERID Program Policy (Policy 1-13) includes written procedures for the timely issuance and deletion of user ID codes.

Audit procedures performed on AFS and AGPS/CFMS user IDs disclosed the following:

- Twenty-three of 618 (3.7%) active AFS user IDs were assigned to individuals who had terminated, resigned, retired, or transferred to another agency. The length of time between separation dates and our test date ranged from 5 days to 195 days.

- Twenty-eight of 678 (4.1%) active AGPS/CFMS user IDs were assigned to individuals who had terminated, resigned, retired, or transferred to another agency. The length of time between separation dates and our test date ranged from 5 days to 343 days.

Employees responsible for the issuance and deletion of user IDs did not comply with departmental policy that requires timely deletion of user IDs. Failure to promptly delete user IDs of separated employees increases the risk that unauthorized access to ISIS systems could occur, data could be compromised, and/or assets could be misappropriated.

DSS management should ensure employees comply with existing policy so that user ID access codes are deleted immediately upon the termination, retirement, or transfer of employees. Although management concurred in part with the finding noting that since one ISIS user ID is established that some exceptions were double counted, a corrective action plan was provided (see Appendix A, pages 24-25).

Additional Comments: The exceptions noted in the finding are not double counted as access to AFS and AGPS/CFMS requires separate authorization.

Control Weakness Over Refunds

For the second consecutive year, DSS does not have adequate procedures to monitor refunds from vendors to ensure that full refunds were received. Good internal control requires that adequate monitoring procedures be established to properly track and record monies due to the department.

According to management's response to the prior year finding, the Division of Fiscal Services was to examine current practices associated with the receipt of refunds to determine to what extent current procedures should be changed. However, management did not address this control deficiency to correct it or conclude that it will not be corrected. Failure to establish control procedures over refunds increases the risk that errors or fraud could occur and go undetected and that full refunds due to the department will not be received.

DSS management should establish procedures to ensure that all refunds are fully credited or refunded to the department. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 26).

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.

The Louisiana Legislative Auditor's Performance Audit Division conducted an audit of the DSS Bureau of Licensing that focused on DSS' licensing of child day care centers and child residential facilities from January 1, 2006, through May 31, 2007. That audit report was issued on November 28, 2007, and includes findings and recommendations and management responses.

This letter is intended for the information and use of the department and its management, others within the entity, and the Louisiana Legislature 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,

Steve J. Theriot, CPA
Legislative Auditor

DLB:EFS:PEP:dl

DSS07

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

BOBBY JINDAL
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

State of Louisiana

Department of Social Services
Office of Family Support

January 29, 2008

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

RE: Legislative Audit Finding
Improper Employee Activity in Federal Programs

Dear Mr. Theriot:

Since the Department of Social Services, Office of Family Support, Fraud and Recovery Section identified instances of fraudulent activity and alleged fraudulent activity by DSS employees in several federal programs, we concur with this finding and provide corrective action measures as follows:

- Regarding theft of Food Stamp Electronic Benefit Transaction (EBT) cards, the local offices have incorporated provisions into office procedures to monitor and document activities of staff that have benefit authorization and EBT card issuance capabilities. INFOPAC Report, LACUOOP7, Daily EBT Card Issuance Report, allows a parish manager to see every card issued on a given day and the USER ID of the person performing the activity. The report also shows the mailing address of the card which gives management a method to monitor if an employee is mailing cards to the parish office or their home address in an attempt to commit fraud. Parish office procedures include a review of the report to monitor staff activities.

- EBT Safeguard Reviews are conducted as part of the Annual Management Reviews and by the EBT Section.

- For future DFSP programs, the agency has developed strategies, improved policy/procedures, specific guidance and processing of employee DFSP applications to prevent fraud and to ensure program integrity.

Four of six employees were terminated. On the two remaining, disciplinary or legal action is pending. The Office of Family Support will continue to investigate where needed and strengthen existing controls to reduce fraudulent activities. The agency is obligated to recover any

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ineligible benefits that were issued except where those benefits fall below certain thresholds as outlined in USDA-FNS regulations.

If further information is needed, please contact David D. Sigue by calling 342-3877.

Sincerely,

Daniel Turner for Adren O. Wilson

Adren O. Wilson
Assistant Secretary

AOW/DDS/RNS

Cc: Ann Silverberg Williamson
Lisa Woodruff-White
Terri Ricks
Bridget Depland

BOBBY JINDAL
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

State of Louisiana

Department of Social Services
Office of Family Support

January 25, 2008

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

RE: Legislative Audit Finding
Disaster Food Stamp Program: Intentional Program Violations and Ineligible Benefits

Dear Mr. Theriot:

Regarding the DFSP findings we concur that DSS has identified ineligible benefits in the DFSP program as intentional program violations. DSS/OFS independently initiated the review of DSS employee DFSP applications. It was in consultation with FNS after we began the review process that we were advised that all employee DFSP cases must be reviewed.

- Appropriate disciplinary action is currently under consideration for the four employees that are still employed by DSS. The agency will seek restitution on all cases that are identified as IPV.
- As of January 23, 2008 the OFS Fraud & Recovery Section has completed full reviews of 880 of the 1428 cases. Of the 880 cases completed only 5 cases have been declared IPV and are awaiting a decision on disciplinary action. There are 409 cases at different stages of completion and 139 cases remain to be processed. In accordance with Federal Regulations (7FUSC 273.18), all DFSP recipients, including employees, who are determined to have received ineligible benefits are required to repay the Agency. Where warranted, other steps are being pursued, such as disciplinary action and/or referral for consideration of criminal charges.
- OFS Fraud & Recovery Section will continue to also investigate additional DFSP benefits paid, and continue to investigate non-employee cases. The agency is obligated to recover any ineligible benefits that were issued except where those benefits fall below certain thresholds as outlined in USDA-FNS regulations. As of January 23, 2008, $140,649.22 has been paid back to the Department.

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- For future DFSP programs, the agency has developed strategies, improved policy/procedures, specific guidance and processing of employee DFSP applications to prevent fraud and to ensure program integrity:

    - Created specific guidance for the operation of a DFSP in agency manual Chapter 4, Section O.
    - To ensure the integrity of any future administered DFSP program, the Office of Family Support, Division of Quality Assurance will monitor each disaster site during the entire DFSP timeframe.
    - All OFS staff received training on the agency's DFSP policy and procedures in 2006 and 2007. Further training will take place each year prior to hurricane season.

- DSS/OFS continues to investigate cases where ineligible DFSP benefits have been paid and are taking appropriate actions.

Please advise if further information is needed.

Sincerely,

Adren O. Wilson
Assistant Secretary

AOW/DDS/RNS

Cc: Ann Silverberg Williamson
Lisa Woodruff-White
Terri Ricks
Bridget Depland

BOBBY JINDAL
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

State of Louisiana

Department of Social Services
Office of Family Support

February 18, 2008

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

RE: Legislative Audit Finding
Child Care Cluster: Noncompliance With Program Requirements

Dear Mr. Theriot:

We concur that the agency did not comply with certain federal and state requirements for administering the federal child care cluster.

- On the issue of attendance logs, we concur with the findings. As a corrective action measure the agency is looking at the possibility of implementing electronic time and attendance by the end of this fiscal year. We are also planning to implement a disqualification period for providers who don't abide by the terms of their provider agreement.

- Regarding corrective action on immunizations, the agency will continue to have supervisors and specialist specifically check for documentation of immunizations when they review cases. The agency will also continue to stress the use of the Louisiana Immunization Network for Kids Statewide (LINKS) to verify immunizations.

If further information is needed, please contact David D. Sigue by calling 342-3877.

Sincerely,

Adren O. Wilson
Assistant Secretary

AOW/DDS/RNS

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Cc: Ann Silverberg Williamson
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Bridget Depland
Cathy Lockett
David D. Sigue

BOBBY JINDAL
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

State of Louisiana

Department of Social Services
Office of Management and Finance
Division of Fiscal Services
Administration

March 31, 2008

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

Re: Foster Care – Title IV-E: Noncompliance With Program Requirements

We concur that the Department did not comply with certain requirements for administering the Foster Care – Title IV-E program. Fiscal adjustments will be reflected on the March 2008 Title IV-E-1 quarterly report to correct errors cited in the finding.

One of the two children cited for residing in a child care institution that was not fully licensed or fully licensed despite not meeting minimum standards was a child who left foster care on January 9, 2005. A late payment was made in September, 2006 for services delivered in October, 2003. Therefore, all findings related to this child were for facility issues that occurred before January, 2005.

The OCS Residential Section have begun receiving licensing facility reports so that OCS will be aware of any deficiencies that might affect Title IV-E eligibility.

The one client for which the Department was cited wherein the child-care institution that did not have documentation to verify safety considerations with respect to staff of the institution was for the same child who left care on January 9, 2005.

As to the 11 of 31 foster care expenditures that were not properly authorized, a memo will be sent out directing all staff to comply with policy reflected in Chapter 20-TIPS Procedural Manual relating to the completion of the TIPS 106b, Client Authorization Procedural Form. As part of the corrective action plan, all supervisory staff will be required to cover this requirement at the next unit meeting or at least before May 31, 2008.

If additional information is needed, please contact Debbie Johnson, OCS Division of Financial Management at 342-2766.

Sincerely,

CHLockett

Cathy H. Lockett, Director
Division of Fiscal Services

C: Ann S. Williamson, Terri P. Ricks, Marketa G. Gautreau, Bridget Depland, Debbie Johnson

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BOBBY JINDAL
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

State of Louisiana

Department of Social Services
Office of Management and Finance

March 10, 2008

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

RE: Legislative Audit Finding
TANF: Internal Control Weaknesses over Program Requirements

Dear Mr. Theriot:

We concur that the agency did not comply with certain program requirements for administering the Temporary Assistance for Needy Families Program (TANF). To improve our overall operation of the TANF program, specifically in the areas of internal control over payment requirements, the agency has or will take the following action to address the deficiencies cited:

- Recoupment has been or either is in process to recover questioned cost for reimbursements made for unsubstantiated or inappropriate expenditures.
- Procedures have been developed by Contractors in regard to sign-in sheets. Contract Managers will ensure that these procedures are adhered to in order to ensure proper application of regulations, policy and control procedures needed to avoid future findings in these areas.

We concur also that federal report PMS-272 was not completed accurately and did not reconcile to the TANF ACF-196 Financial Report. Internal procedures existed but were not adhered to causing the reporting deficiency. To safeguard against a future occurrence the following internal procedures will be reviewed with appropriate personnel:

- ACF-196 federal report will be prepared and reconciled quarterly to accounting system records as delineated on the Agency Statement of Expenditures. Accountant will review monthly expenditures while summing to reconciled ACF-196.
- Accountant Manager will perform secondary review of reconciliation process by analyzing monthly expenditure totals and subtracting prior cumulative total from current cumulative total of the SOE to ensure totals reconcile to ACF-196.
- As the PMS-272 is an accumulation of all expenditures a review and analysis of submitted federal report expenditures will be performed to ensure all submitted federal reports reconcile to compiled PMS-272 report.

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- Internal procedures will be written and implemented by June 30, 2008 requiring Accountant Administrator to perform a third review and analysis of the reconciliation processes completed by Accountant and Accountant Manager.

If further information is needed, please contact David D. Sigue by calling 342-3877 or Debra Williams at 342-4376.

Sincerely,

Terri Ricks
Undersecretary

cc: Ann Silverberg Williamson
Lisa Woodruff-White
Adren Wilson
Bridget Depland
Cathy Lockett
David D. Sigue

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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

December 20, 2007

Mr. Steve J. Theriot, CPA, Office of Legislative Auditor
1600 North Third Street
Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

This letter is in reference to an audit finding sent by your office to the Department of Social Services on December 7, 2007. The finding involved "Control Weaknesses Over Information Technology" for specified access controls and disaster recovery. There follows the Department's official response to the finding.

POSITION ON AUDIT FINDINGS AND RECOMMENDATION(S):

The Department agrees with the audit findings and recommendations. Corrective actions have been taken or are in progress as specified below.

Corrective Action/Dates:
In response to audit findings, the DSS Office of Family Support (OFS) management has completed an extensive review of each of the security levels within the LAMI online system. A User Requirement Document (URD) was created on November 28, 2007 and sent to Information Services to affect changes to security level access within LAMI.

New security levels will be added and existing ones will be refined in order to better control access according to business needs. In addition, the User ID Request/Change form will be revised. Supervisors will be trained to use the form to select specific security levels rather than choosing access to various functional requirements.

The Security Level URD specifically states that the "display only" security level be changed to "no access" for the online screens associated to Electronic Benefit Transfer (EBT) cancellation, issuance override and notice cancellation

The anticipated completion date is March 1, 2008.

Contact Person(s):
Kevin Bourgeios, IT Applications Project Leader, LAMI @ 225-342-2309
Karen Evans, IT Applications Project Leader, LAMI @ 225-342-4079
Mark Hodges, Family Support Program Assistant Director, @ 225-342-9106

Corrective Action/Dates:
A recommendation has been made to OFS to create a new security level for applications programming that restricts production access to "display only" with the exception of Table Maintenance and Utilities screens where there is a legitimate business need. This will be incorporated into the Security Level URD.

The anticipated completion date is March 1, 2008.

Contact Person(s):
Kevin Bourgeios, IT Applications Project Leader, LAMI @ 225-342-2309
Karen Evans, IT Applications Project Leader, LAMI @ 225-342-4079
Mark Hodges, Family Support Program Assistant Director, @ 225-342-9106
Kenneth Chandler, IT Technical Support Consultant/DCL, DBA group @ 225-342-5602
Michael Dronet, IT Technical Support Supervisor, DSS-IT Security Section @ 225-342-5901

Corrective Action/Dates:
The Security Level URD addresses changes to the Fraud and Recovery security level access within LAMI. The URD specifically states that access to the case/member processing and special/manual issuance be changed to "display only" and that the access to EBT cancellation be changed to "no access".

The anticipated completion date is March 1, 2008.

Contact Person(s):
Kevin Bourgeios, IT Applications Project Leader, LAMI @ 225-342-2309
Karen Evans, IT Applications Project Leader, LAMI @ 225-342-4079
Mark Hodges, Family Support Program Assistant Director, @ 225-342-9106
Kenneth Chandler, IT Technical Support Consultant/DCL, DBA group @ 225-342-5602
Michael Dronet, IT Technical Support Supervisor, DSS-IT Security Section @ 225-342-5901

Corrective Action/Dates:
The DSS-IT Data Base Administration (DBA) group updated NATURAL, the IT section's mainframe computer language, and NATURAL Security, the IT Sections mainframe security application, to the most current level (4.1) in the fall of 2007. A desired by-product of having current and synchronized versions of NATURAL and NATURAL Security is to restore access for the DSS Security group and the DSS Internal Audit section to protection logs and select data, e.g. user-ids related to before and after images of changes made to the Department's mainframe data base system known as ADABAS.

Corrective Action/Dates:
The DBA group is testing the results of the upgrade and expects to prove on or before 12/31/2007 that user-id data from the department's protection log will be available to the DSS Security group and DSS internal audit section.

Contact Person(s):
Kenneth Chandler, IT Technical Support Consultant/DCL, DBA group @ 225-342-5602
Kevin Bourgeios, IT Applications Project Leader, LAMI @ 225-342-2309
Karen Evans, IT Applications Project Leader, LAMI @ 225-342-4079
Mark Hodges, Family Support Program Assistant Director, @ 225-342-9106
Michael Dronet, IT Technical Support Supervisor, DSS-IT Security Section @ 225-342-5901

Corrective Action/Dates: The Alter access for nine DSS programmers to select EFT files was revoked during the audit period.

Contact Person(s):
Michael Dronet, IT Technical Support Supervisor, DSS-IT Security Section @ 225-342-5901

Corrective Action/Dates:

The Department's Business Continuity of Operations/Government Planning (COOP/COG) effort is lead by Dr. Alison Neustrom, DSS Director of Policy and Planning, Office of the Secretary @ 225-342-0286. Dr. Neustrom's leadership involves directing respective program representatives for each of the agencies within the DSS umbrella, e.g. the Louisiana Rehabilitation Services, the Office of Family Support, the Office of Community Services, and the Office of the Secretary. Collectively, this COOP/COG core group has worked with expert contract consultants to establish and to continue to refine the Department's COOP/COG.

The DSS-IT section has employed an Internal Management Consultant, Mr. David Moore, 225-342-5629, effective 11/5/2007, to serve as IT Coordinator for the DSS COOP/COG and the DSS-IT Disaster Recovery Plans.

At the direction of the IT COOP / COG Coordinator, DSS IT Managers will participate in table-top exercises as a means of fully developing documented plans to cope with major outages, such as the unavailability of DSS computing centers. These table-top exercises are scheduled to be completed by February 29, 2008. The resulting documentation will be completed and published for use by March 31, 2008.

The Department has created an IT-10 Budget Request on 11/28/2007 to acquire a subset of the number of servers currently housed in the DSS primary data center (Office of Computing Services, Information Services Building) and to install this server subset at the DSS ancillary computing facility located in the LSU Frey Computing Center. These additional servers would be used for disaster recovery purposes due to equipment failure or a total building connectivity failure at DSS' primary computing site (ISB). The IT-10 is in the approval process. While a final approval date can not be predicted, the expectation is that the approval and procurement process will likely be totally accomplished in early 2009.

Contact Person(s):
Dr. Alison Neustrom, DSS Director of Policy and Planning, Office of the Secretary @ 225-342-0286
Mr. David Moore, Internal Management Consultant @ 225-342-5629

CONCLUSION:

The Department greatly appreciates the professional service provided by your staff to this organization. Corrective actions have begun and remain in progress. The Department values highly the benefits that will accrue to its operations and service delivery per addressing the observations of your staff. Please let me know if more information is desired or whether there are any follow-up questions.

Sincerely,

Duane Fontenot

Duane Fontenot, IT Director

Xc: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Bridget Depland
Adren O. Wilson
Cathy Lockett

State of Louisiana
Department of Social Services
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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

November 26, 2007

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

Re: Inaccurate Annual Fiscal Reports

We concur in part that the Department did not submit accurate Annual Fiscal Reports for the Office of Family Support and the Office of Community Services.

Office of Family Support
Your finding cited errors on the Schedule 6-1. The 6-1 was completed correctly in accordance with the instructions provided by the Office of Statewide Reporting and Accounting Policy (OSRAP). It is our understanding that your calculation includes a step not included on OSRAP's schedule. Hence, differences between our amounts and the audited amount exist through no fault of our own.

The errors cited on Note AA were incorrect calculations caused by inadvertent misuse of a percentage. The error cited in Note BB regarding overstatement of the amount "Due from Absent Parents" is also due to inadvertent misuse of a percentage. However, the "Due from Clients" modified and full accrual overstatements was cited not because of calculation errors. These errors were the result of incorrect wording as these lines should have read "Due from Absent Parents."

Office of Community Services (OCS)
Notes AA and BB were done correctly. The estimate done by the Department is based on information available at August 14. We must have a cutoff date from which to make our calculation and complete the AFR timely. The auditor's calculation includes data through the end of August. It is simply not possible for the Department to include data through the end of August and submit the AFR timely.

It bears noting that all of the errors cited on the OFS and OCS AFR are estimates of numbers. The errors on the OFS AFR are estimates calculated with figures extracted from the LASES subsystem. This subsystem was designed as a check writing system not an accounting system. Hence, it does not provide for reasonable estimates in all cases. Nonetheless, we strive to provide the most accurate information possible in our Department's AFR. To that end, we have met with and secured the assistance of the Auditor-in-charge of the DSS audit to review our procedures for calculating these estimates and we look forward to recommendations for improving our processes.

Sincerely,

CHLockett

Cathy H. Lockett, Director
Division of Fiscal Services

C: Ann Williamson
Lisa Woodruff-White
Terri P. Ricks
Bridget Depland

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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

January 11, 2008

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

Attn: Ernest F. Summerville, Jr., CPA
Audit Manager

RE: Legislative Audit Finding: Internal Audit Function

We concur that the Department of Social Services should have an effective internal audit function. The steps necessary to achieve this goal are being taken.

As noted in the finding, the Bureau of Audit Services has been without sufficient staff with adequate skill sets to perform the types of audits required by the Department of Social Services. This situation was exacerbated by a delay in filling a vacant staff auditor position in the early part of the year, the need to assign one staff auditor to another area, and then having three positions become vacant almost simultaneously. To compound the situations, we have also experienced delays in being able to fill the vacant positions.

Since the three positions became vacant, we have worked diligently to fill the positions. Recognizing the need to have better qualified staff and a more effective operation, the positions descriptions and the organization structure of the Bureau of Audit Services were changed. This required Civil Service approval thus delaying the initial request to Civil Service for registers to fill the positions. The first registers received from Civil Service to fill the staff auditor positions did not contain the names of anyone that could be considered for the positions. Thus, the registers had to be returned; we advertised to fill the positions; the positions were again announced and new registers issued by Civil Service. After reviewing the listings on the second set of registers, conducting interviews, obtaining references, and verifying employment, we were able to fill the positions. One of the persons hired, however, resigned the beginning of the second week of employment. We have again advertised to fill that position, have had the position announced, and are awaiting registers from Civil Service.

Further, to increase the skill sets and the staff in the Bureau of Audit Services, in preparing the budget request for fiscal year 2009, we have included a request for two staff positions that would conduct information technology audits and assist other auditors in the information technology aspects of their audit assignment. Additionally, we made a request for three additional auditor positions to address the additional audit coverage required by the Department. Included in that request is funding for professional services to contract for training and assistance in auditing some applications.

Additionally, we met with the Assistant Director, Center for Internal Auditing, Louisiana State University to discuss opportunities for assistance from them in recruiting and developing staff. The importance of having professional staff is being addressed as part of the current job requirements and new hires must either be certified as a Certified Public Accountant or a Certified Internal Auditor or become certified within a two year probational period. Staff will be attending the two one-day seminars sponsored by the local chapter of the Institute of Internal Auditing conducted by Dr. Glenn Summers, Director, Center for Internal Auditing, Louisiana State University. The session scheduled for February 20, 2008 will address the auditing of Governance and the session scheduled for April 25, 2008 will address Audit Essentials. Currently, audit staff is planning an audit of Child Care Eligibility and Payments. Field work is to begin next week.

Please be assured that we are making every effort to correct this finding. If I can provide additional information, let me know.

Sincerely,

Ann S. Williamson

Ann S. Williamson

c: Lisa Woodruff-White
Terri Ricks
Janet Slaybaugh
Cathy H. Lockett

State of Louisiana
Department of Social Services
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KATHLEEN BABINEAUX BLANCO
GOVERNOR

ANN SILVERBERG WILLIAMSON
SECRETARY

December 26, 2007

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**

We concur with the results of your audit finding on the LaCarte Purchasing Card Program.

The Division of Support Services has corrected the deficiencies to eliminate findings in oversight and management. Though our monitoring has improved, our user agencies continue to experience non compliance by their end users.

Corrective Action:

The LaCarte Section will update policy and procedure to emphasize the requirement of itemized receipts for every LaCarte purchase. The anticipated time for completion is sixty days.

The LaCarte Section has incorporated LaCarte training with ISIS/AGPS training which is offered to purchasing coordinators bi-monthly from September through April each fiscal year. The next training is scheduled for February, 2008.

The compliance Officer is developing a LaCarte power point presentation that will be a mandated task for each new cardholder and cardholder who is found to have failed to comply with current policy and procedure. This should be completed by February, 2008.

The Office of Community Services will develop an online notification to Supervisors and Cardholders that will remind them of the importance of obtaining client signatures on itemized receipts for purchases made for children. OCS's first time cardholder training will be updated to emphasize the importance of the signatures.

The LaCarte Section will update policy and procedure to restrict employees from swiping the card for more than $1000 for state contract purchases. We will also send an email to cardholders limiting the purchase from state contract vendors to $1000 when using the LaCarte card. The anticipated time for completion is sixty days.

The LaCarte policy is updated, effective December 1, 2007 to include language that will allow for recommendations of disciplinary actions and cancellation of cards by the Compliance Officer.

The DSS Travel Policy 1-14 establishes guidelines for purchase of special meals. The LaCarte policy will be updated to include these guidelines by LINC so there will be no confusion or misunderstanding of the requirements. The update will be completed in approximately 60 days.

If you have any questions or need further clarification, contact Cheryl Broussard at 342-4148.

Sincerely,

CHLockett

Cathy H. Lockett, Director
Division of Fiscal Services

C: Ann S. Williamson
Lisa Woodruff-White
Marketa G. Gautreaux
Terri P. Ricks
Bridget Depland
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KATHLEEN BABINEAUX BLANCO
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SECRETARY

November 15, 2007

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

Re: Unlocated Movable Property

Dear Mr. Theriot:

We concur with the results of your audit findings on unlocated movable property. At the time of your audit, the Department had $880,590 of unlocated movable property representing the past four years.

Of the total, $611,630 (69.5%) was computer or computer-related equipment deployed department-wide and state-wide but for which the consolidated Information Technology Division within the Office of the Secretary holds management responsibility. Most of the remaining unlocated property finding resulted from the Office of Family Support's subcontract relationships. In an effort to strengthen management controls, the following procedural adjustments have been implemented.

Corrective actions implemented within the DSS I T Division include:

- Several Property Control Forms have been revised and automated, which allows for on-line completion;
- The Annual Physical Inventory procedures and forms have been revised;
- The OS/OM&F Property Control Procedure Manual is currently under revision;
- Automated notification is now received by the IT Business Support Section from the DSS Help Desk when a laptop is requested, which allows for tracking of the laptop and the appropriate property control paperwork;
- IT Buinsess Support staff recently received "input" access to LPAA's Asset Management System (Protégé) which allows for the timely input of transfers, surplus, or dismantling data;
- IT Business Support conducts online searches daily for unlocated assets utilizing Protégé history, Zenworks Asset Management, and Remedy Asset Management software applications;
- IT Business Support maintains a tickle file for pending property control paperwork. Follow-up to the responsible IT Technician and/or Property Manager is sent if the paperwork is not received timely;
- A Log Sheet is maintained at the warehouse to insure that the IT Technicians have a partially completed "Movement of Computer Equipment" form for every piece of equipment they remove from the warehouse. After the equipment is installed at another location, the form must be completed and submitted to the IT Property Control Manager;

- The use of routing forms has been implemented to ensure all property control procedures are completed for new and transferred assets;
- A full-time employee for Property Control was hired and is conducting a physical inventory of equipment transferred into and out of the DSS warehouse. This employee is also responsible for tagging of all new computer equipment which must be delivered to the warehouse which has been established as a centralized processing checkpoint;
- The IT Business Support Manager added Inventory and Property Control Responsibilities to Factor #12 in the PPR process to the new warehouse employee's PPR, thereby tying responsibility of duties to merit increases.

The Office of Family Support has implemented the following additional control measures:

- Procedures and forms have been revised and circulated to OFS staff to improve the accuracy of record keeping on movable property;
- The OFS Contract Services Section is clarifying and expanding the property related procedures regarding tagging of equipment, inventory and disposal of equipment. These terms will be provided to appropriate contractors in writing and will require sign-off by the contract representative;
- This information was shared with all OFS contractors during the Statewide Contractor Conference scheduled of October 31-November 1, 2007;
- Contract Monitors are also being charged with closer monitoring and tracking of equipment within each of their assigned contracts.

We are committed to and accept our responsibility to exercise good stewardship over state owned movable property. All Offices within the Department continuously look for and locate missing property. Over the period in question OCS has located property valued at $105,786 and OFS has located property valued at $9,059. Over the five months since the reporting period has closed, the I T Division has located 5 items valued at $11,505 while simultaneously implementing systemic improvements aimed at enhancing accountability. We hope you will agree that these efforts indicate our resolve to strengthen internal controls and safeguard against future losses.

Sincerely,

Bridget M. Depland
Deputy Undersecretary

C: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Adren Wilson
Marketa Gautreaux
James Wallace
Roseland Starks
Cathy H. Lockett
David Sigue
Debbie Johnson
Claire Hymel

KATHLEEN BABINEAUX BLANCO
GOVERNOR

State of Louisiana
Department of Social Services

ANN SILVERBERG WILLIAMSON
SECRETARY

LOUISIANA REHABILITATION SERVICES
P.O. Box 91297
Baton Rouge, LA 70821-9297
Phone: 225-219-2225 (V/TDD)
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November 13, 2007

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

RE: Vocational Rehabilitation: Weaknesses Over Program Expenditures

Please refer to your letter of October 26, 2007 regarding an audit finding of the Department of Social Services' Vocational Rehabilitation Program as part of your Single Audit of Louisiana. Your finding addresses weaknesses over program expenditures.

Allowable Cost

We concur with this finding that two of 25 (8%) of the client expenditures tested did not contain supporting documentation of the consumer's attendance in training at the time of payment. Subsequent to this audit, the Counselor did obtain appropriate supporting documentation for one consumer's attendance in training to support the validity of the payments and this information has been placed in the consumer's case records. In the other case, LRS became aware of the overpayment when contacted by the vendor and the funds were recouped by the agency.

Eligibility

We concur that three of 30 (10%) of the consumers tested did not have an appropriate eligibility determination within 60 days after an application was submitted.

Reporting

LRS concurs that the amount reported on the federal fiscal year 2006 RSA 2 report Schedule 1, Line 2A2a was overstated by $82,821. LRS personnel did not reconcile the amounts reported to the underlying accounting records.

As a result of this audit, and in an effort to improve the overall operation of the LRS program, the agency will enact the following corrective actions.

- Remind staff through in-service training of the agency's procedure that requires supporting documentation for the provision of and payment for services. Claire Hymel will be responsible for this corrective action which will be completed by February 1, 2008.

- Remind staff of the agency's policy and procedure requirement regarding timelines for the determination of eligibility. Claire Hymel will be responsible for this corrective action which will be completed by February 1, 2008.

- The federal fiscal year 2006 RSA 2 report will be amended and resubmitted. In addition, LRS will work closely with DSS Information Services to receive statistical and fiscal data in a more timely fashion as needed to properly complete the report. Stephen Johnston will be responsible for the corrective action to be completed by February 1, 2008.

If you have any questions, or need additional information, please contact Claire Hymel at (225) 219-2231 or chymel@dss.state.la.us.

Sincerely,

Roseland Starks

Roseland Starks
LRS Director

/cmh

cc: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Bridget Depland
Cathy Lockett
Claire Hymel
Roseland Starks
Barbara Fabre
Stephen Johnston

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KATHLEEN BABINEAUX BLANCO
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ANN SILVERBERG WILLIAMSON
SECRETARY

October 29, 2007

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

Re: Child Support Escrow Fund Not Reconciled

Dear Mr. Theriot:

We concur that during SFY 2007, DSS did not reconcile the Child Support Escrow Fund to the client accounts on a periodic basis.

A reconciliation process has been developed. Beginning July 1, 2007, the Division of Fiscal Services began reconciling the escrow account prospectively. Extensive efforts were invested in reconciling the account historically, but it proved to be virtually impossible. Therefore, it was decided to approach the reconciliation in a different manner as was mentioned in our 2006 Exit Conference convened on April 25, 2007.

At present, we have successfully reconciled July and August. Problems involving programming issues were encountered balancing September. We are continuing to work with RedMane Technology and Support Enforcement Services to resolve the problems detected in September.

Upon successful reconciliation of the month of September, we will ask staff from your office to review our processes for the months of July through September 2007. We understand that no assurances can be given until a full fiscal year is audited. However, we are hopeful that your staff will be able to provide some assurance that we are on the right path.

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

Sincerely,

CLockett

Cathy H. Lockett, Director
Division of Fiscal Services

c: Ann S. Williamson
Lisa Woodruff-White
Terri P. Ricks
Bridget Depland
Adren Wilson

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December 26, 2007 (revised 1.05.08)

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

Re: Access to Electronic Data Processing Not Properly Restricted

Dear Mr. Theriot:

We concur in part with the findings that twenty-three of 618 (3.7%) active AFS user IDs and twenty-eight of 678 (4.1%) active AGPS/CFMS user IDs were assigned to individuals who had terminated, resigned, retired, or transferred to another agency. However, we request that you consider the fact that AFS, AGPS and CFMS are components of one system, the ISIS automated system. Though access to each system requires a separate authorization, one user ID is assigned to each employee that utilizes ISIS and the majority of users operate across multiple systems on a routine basis. When a request is made to change/cancel/delete an employee's user ID in the system, the employee's user ID is changed/canceled/deleted in all systems within ISIS (e.g. paperwork processed to delete an employee's user ID from AFS, also deletes the employee from AGPS and CFMS simultaneously). Therefore; a single citation that combines AFS, AGPS and CFMS users in one ISIS user ID finding might more accurately reflect the status of this activity.

There are 18 user IDs that have been double counted as a result of having been cited in the two separate AGPS/CFMS and AFS findings. Adjusting the duplication out of consideration would reduce the number of overdue ISIS user ID cancellations from 51 down to 33. Nonetheless, we agree that there remains room for improvement from the user agencies' Office ISIS Contact Persons, Agency HR Representatives and Agency Supervisors in the timeliness of reviewing reports, reporting employee status changes and requesting cancellations.

The Division of Support Services, which reviews and acts on the user agencies requests will schedule training with the ISIS Office Contacts in January, 2008. Because several of the ISIS Office Contact Persons are new to the ISIS Office Contact position responsibilities we expect that the provision of formal training will define the expectation and improve their performance.

Additionally, the Division of Support Services will implement an automated email on the 5th of each month to remind each office's HR representative to issue the separations reports and will implement an automated email the 10th of each month to remind each ISIS Office Contact Person to review and compare the separation report with the BUNDLE report of active User IDs and submit proper paperwork for cancellations and corrections as warranted. For any Agency Office not submitting requests or a report of 'no changes' within 10 days of the reminder notice issuance date, Support Services will advise the Assistant Secretary of that agency of the need for agency compliance. The first notifications will begin in January 2008.

We wish to note that the ZP14 Separation Report, upon which this process is dependent, is a monthly report indicating the activity within the previous month. As a result, requests for ISIS user ID status updates may not be initiated until 30 to 45 days after the precipitating incident has occurred.

We appreciate your efforts to assist us in improving the integrity of our systems and procedures and look forward to continuing to work with your representatives in this regard.

Sincerely,

Bridget M. Depland
Deputy Undersecretary

C: Ann Williamson
Terri P. Ricks
Cathy Lockett
Theresa Seal
Karen Lord

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KATHLEEN BABINEAUX BLANCO
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November 28, 2007

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

Re: Control Weakness Over Refunds

We concur with the results of your audit findings on controls over refunds. The Division of Fiscal Services has developed a course of action to begin to ensure that refunds owed to the Department due to vendor and/or contractor overpayments are received in full. This procedure is not applicable to client overpayments or overpayments due to fraudulent activity.

A Department wide memorandum will be issued instructing staff to notify the Division of Fiscal Services, Cash Management Unit immediately upon becoming knowledgeable of all overpayments wherein a refund is owed to the Department. A standard notification system will be developed. Fiscal Services will monitor receipt of the refund to ensure that it is received in full. Anticipated date of implementation is February 1, 2008.

In addition, Fiscal Services will review the Department's Accounts Receivable policy to determine if changes can be made to it that will assist in ensuring full receipt of refunds; collaborate with the Division of Support Services to include requirements regarding notification of refunds in their ISIS training; and monitor the number of refunds reported to determine staffing needs in order that Fiscal can efficiently track and record monies due to the Department. Anticipated date of completion is December 1, 2008.

Sincerely,

CLockett

Cathy H. Lockett, Director
Division of Fiscal Services

c: Ann Williamson
Lisa Woodruff-White
Terri P. Ricks
Bridget Depland