

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 19, 2016

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of Children and Family Services



December 2016

Audit Control # 80160116

Introduction

As a part of our audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR) and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2016, we performed procedures at the Department of Children and Family Services (DCFS) to provide assurances on financial information that is significant to the State of Louisiana's CAFR; to evaluate the effectiveness of DCFS's internal controls over financial reporting and compliance; and to determine whether DCFS complied with applicable laws and regulations. In addition, we determined whether management had taken actions to correct findings reported in the prior year.

DCFS is a component of the State of Louisiana created within the executive branch of state government. DCFS is responsible for overseeing federal programs that assist families with needed assistance programs, including the Supplemental Nutrition Assistance Program (SNAP - formerly Food Stamps). DCFS's mission is to keep children safe, help individuals and families become self-sufficient, and provide safe refuge during disasters.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the DCFS management letter dated December 21, 2015. We determined that management has resolved the prior-year findings related to inadequate controls over Foster Care program payments, inadequate control over SNAP documentation, lacking controls over cost allocation for federal funds, and inadequate control over Child Care Assistance Program attendance. The findings relating to control weakness over Temporary Assistance for Needy Families (TANF) work verification plan and inadequate control over TANF eligibility documentation have not been resolved and are addressed again in this letter. The finding related to improper employee activity in federal programs is repeated, although the specific facts and circumstances have changed from the prior year.

Current-year Findings

Control Weakness over Temporary Assistance for Needy Families (TANF) Work Verification Plan

For the fifth consecutive year, DCFS did not ensure that all documentation required under the federal TANF program cluster was maintained, potentially subjecting the department to financial penalties from the federal government. The federal grantor could assess the state penalties totaling not less than 1% and not more than 5% of the \$111 million adjusted grant award based on the exceptions noted below; however, the likelihood of such an assessment is unknown.

In fiscal year 2016, DCFS contracted with the Louisiana Workforce Commission (LWC) to perform case management services including documenting and entering work participation hours into the job-tracking system. LWC did not comply with documentation requirements per the contract and per DCFS policy. Our review of 25 “work eligible” client files revealed that five (20%) of the files did not contain complete supporting documentation of the clients’ work activity reported in DCFS’s job-tracking system as required by federal regulations.

DCFS should ensure its contractor documents or verifies the TANF clients’ work activities and conduct periodic checks of the completeness of records to comply with federal documentation requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Inadequate Control over TANF Eligibility Documentation

For the fourth consecutive year, DCFS did not have accurate and complete eligibility documentation for clients receiving cash benefits under the federal TANF program cluster, resulting in questioned costs of \$5,994 for which the state may be liable. A review of 25 client files revealed that DCFS’ case workers made the following errors in three (12%) case files:

- One file had an income amount entered incorrectly in the system, and the second income was excluded. There was no indication that the wage information available in the Clearance Summary was cleared or viewed. If all sources of income had been included, the individual would not have been eligible for the benefits tested.
- One file did not include all income or a reason for exclusion although the wage information was available on the Clearance Summary and shown as cleared by the caseworker.
- One file had a dependent’s Social Security number entered incorrectly in the system and another dependent’s name entered incorrectly. The case included four dependents, and three of the dependents’ supporting documentation was filed under the incorrect Social Security number.

These exceptions increase the risk that clients may receive benefits to which they are not entitled and could result in DCFS having to repay the funds to the federal grantor. DCFS supervision and review did not identify and correct the errors noted.

Because of the exceptions noted in a program that disbursed approximately \$19 million in cash benefits during fiscal year 2016, DCFS should ensure its caseworkers accurately document all required client information in the system and that the responsible supervisors perform effective checks of the completeness of records in the system to comply with federal documentation requirements. DCFS should also consider the effectiveness of its case review policy that requires supervisors to review a minimum of two case readings for each worker per month. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Improper Employee Activity in Federal Program

DCFS, Fraud and Recovery Unit identified improper activity by one employee who received benefits under SNAP and by three employees who violated department policy related to SNAP cases.

Four employees were cited for program or department policy violations as follows:

- One former employee was cited for an intentional program violation for trafficking SNAP benefits totaling \$2,147. The trafficking involved exchanging SNAP benefits for cash and ineligible items. The employee was disqualified from participating in SNAP for a period of 12 months and was terminated in November 2015. As of June 30, 2016, DCFS has recouped \$861, and the remaining amount of \$1,286 represents questioned costs.
- One former employee falsified applications for a family member and for family members of a fellow employee and took action on a case involving a family member in violation of department policy. In May 2016, the employee resigned from DCFS and then accepted a position in the Louisiana Department of Health's Medicaid Eligibility Section.
- One employee falsified an application for a family member and assisted in the preparation of a false application for an additional family member in violation of department policy. The employee received a reduction in pay and is currently employed with DCFS.
- One employee did not follow policy before certifying two cases and falsified interview documentation. The employee received a reduction in pay and is currently employed with DCFS.

Management should continue to investigate improper employee activities and emphasize the criminal consequences of such activities. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Comprehensive Annual Financial Report (CAFR) - State of Louisiana

As a part of our audit of the State of Louisiana's CAFR for the year ended June 30, 2016, we considered internal control over financial reporting and examined evidence supporting DCFS's SNAP expenditures. Our audit included tests of DCFS's compliance with laws and regulations that could have a direct and material effect on the financial statements, as required by *Government Auditing Standards*.

Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or noncompliance with laws or regulations. In addition, the SNAP expenditures tested are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2016, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on DCFS's major federal programs, as follows:

- Temporary Assistance for Needy Families Cluster (CFDA 93.558)
- Child Care Development Fund Cluster (CFDA 93.575, 93.596)
- Foster Care – Title IV-E (CFDA 93.658)
- Adoption Assistance (CFDA 93.659)

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

In addition, we performed procedures on information submitted by DCFS to the Division of Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards and the Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to control weakness over TANF work verification plan, inadequate control over TANF eligibility documentation, and improper employee activity in federal program that will also be included in the Single Audit for the year ended June 30, 2016. In addition, the information submitted for the preparation of the state's Schedule of Expenditures of Federal Awards was materially correct and the Summary Schedule of Prior Audit Findings, as adjusted, was materially correct.

Other Procedures

In addition to the financial statement and federal compliance work noted above, we performed certain procedures which included obtaining, documenting, and reviewing the department's internal control and compliance with related laws and regulations over the LaCarte and Fueltrac purchase cards, bank reconciliations, and annual movable property certifications.

Based on the results of the procedures performed for LaCarte and Fueltrac purchase cards and annual movable property certifications, we found no issues or weaknesses that were required to be reported.

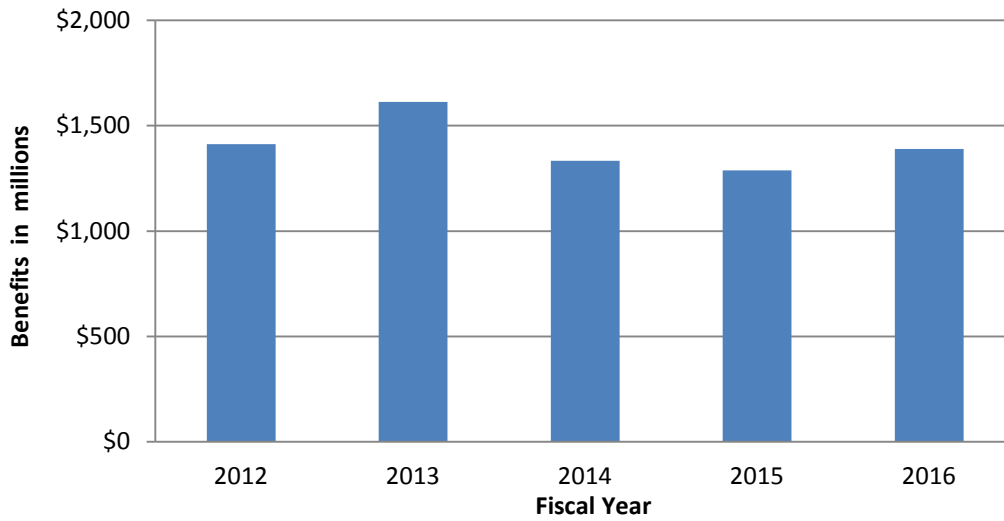
For bank reconciliations, we reviewed the June 30, 2016, bank reconciliations for nine bank accounts and noted that for one account, checks were not redeemed timely and remained outstanding. We identified 184 outstanding checks totaling \$74,693 that were more than a year old, with one check dating back to 2001. The dollar amounts of the checks ranged from \$.01 to \$10,025. DCFS should work to resolve these outstanding checks and determine the appropriate action including remitting unclaimed, stale-dated checks to the State Treasury in accordance with state law.

Trend Analysis

We compared the most current and prior-year financial activity using DCFS's annual fiscal reports and/or system-generated reports and obtained explanations from DCFS management for any significant variances. We also prepared an analysis of SNAP benefits and average number of SNAP households that received benefits over the last five fiscal years.

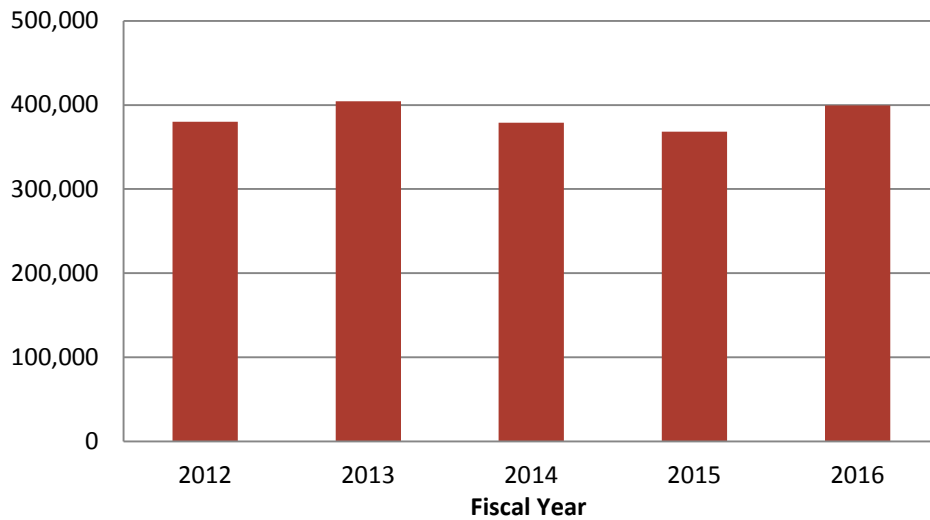
In analyzing financial trends of DCFS SNAP benefits over the past five fiscal years, benefits increased in fiscal year 2013 due to disaster food stamps issued for Hurricane Isaac. In fiscal year 2016, benefits increased slightly due to disaster food stamps issued for March 2016 flooding (Exhibit 1). The average number of households follows the financial trends of SNAP benefits (Exhibit 2).

**Exhibit 1
SNAP Benefits**



Source: Fiscal Year 2012-2016 Annual Fiscal Reports

**Exhibit 2
Average Number of SNAP Households**



Source: Fiscal Year 2012-2016 DCFS website

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of DCFS. The nature of the recommendations, their implementation costs, and their potential impact on the operations of DCFS should be considered in reaching decisions on courses of action.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

BL:AD:WDG:EFS:aa

DCFS 2016

APPENDIX A: MANAGEMENT'S RESPONSES



Executive Division
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John Bel Edwards, Governor
Marketa Garner Walters, Secretary

November 4, 2016

Mr. Daryl G. Purpera CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Attn: Alana Davis, Audit Manager

Dear Mr. Purpera:

The Department of Children and Family Services (DCFS) has reviewed the finding titled "Control Weakness over TANF Work Verification Plan." The Department concurs with the finding.

In fiscal year 2016, DCFS contracted with the Louisiana Workforce Commission (LWC) to perform case management services for the Strategies to Empower People (STEP) program. Case management services include documenting and entering work participation hours into the job-tracking system. In April of 2016, DCFS Regional Economic Stability Consultants began performing case validation reviews on LWC STEP cases. Part of the review specifically focuses on ensuring that LWC STEP personnel have supporting documentation on client work activity and that these activities are correctly entered into the DCFS job-tracking system. It is DCFS' corrective action plan to continue to monitor LWC STEP cases through the case validation review process. There is no anticipated completion date for this corrective action as it will be continuous.

The contact person for DCFS' STEP program is James Vidacovich, Economic Stability Manager 2.

Sincerely,

Marketa Garner Walters
Secretary





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John Bel Edwards, Governor
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November 4, 2016

Mr. Daryl G. Purpera CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804

Attn: Alana Davis, Audit Manager

Dear Mr. Purpera:

The Department of Children and Family Services (DCFS) has reviewed the finding titled "Inadequate Control over TANF Eligibility Documentation." The Department concurs with the finding and is pursuing recovery of questioned costs noted in the report.

Effective September 1, 2016, DCFS began requiring all first level Economic Stability Supervisors to conduct a minimum of twenty-five case reviews each month. Of the seventy-five cases reviewed each quarter, a minimum of six case reviews for each caseworker must be completed. These reviews will ensure that information entered into the eligibility system and documentation in case records are complete, accurate, and meet federal documentation requirements. In addition to the supervisory reviews, Regional Economic Stability Consultants assigned to the TANF program are required to complete one hundred twenty case reviews each quarter. DCFS is also making changes to the electronic case review system making a review of the clearance summary a mandatory factor in case reviews.

The contact person for DCFS' TANF program is James Vidacovich, Economic Stability Manager 2.

Sincerely,

Marketa Garner Walters
Secretary





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John Bel Edwards,
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Secretary

October 21, 2016

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

Attn: Alana Davis, Audit Manager

Dear Mr. Purpera:

The Department of Children and Family Services has reviewed the finding titled "Improper Employee Activity in Federal Programs". The Department concurs with the finding and continues to prioritize prevention and detection of improper activity associated with programs it administers.

The Department of Children and Family Services (DCFS), through its Fraud and Recovery Unit, initiates a review of each employee who receives benefits under the programs administered, including the Supplemental Nutrition Assistance Program (SNAP). The Fraud and Recovery Unit also investigates complaints received from external sources involving DCFS employees and/or SNAP benefits. These investigative reviews identified improper activity by four employees. The results of the DCFS investigations were properly reported to the U.S. Department of Agriculture and the Louisiana Legislative Auditor. The Department has recouped 40% of the amount in question and is actively pursuing repayment of the balance.

If you have any questions or need any additional information, please feel free to contact me.

Sincerely,

Marketa Garner Walters
Secretary



APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Children and Family Services (DCFS) for the period from July 1, 2015, through June 30, 2016, to provide assurances on financial information significant to state of Louisiana and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards*. The procedures included inquiry, observation, review of policies and procedures, and review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR) and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2016.

- We evaluated DCFS's operations and system of internal controls, including controls over federal programs, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to DCFS.
- Based on the documentation of DCFS's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on Supplemental Nutrition Assistance Program (SNAP) expenditures to support the opinions on the State of Louisiana's CAFR.
- We performed procedures on the following federal programs for the year ended June 30, 2016, as a part of the 2016 Single Audit:
 - Temporary Assistance for Needy Families Cluster (CFDA 93.558)
 - Child Care Development Fund Cluster (CFDA 93.575, 93.596)
 - Foster Care – Title IV-E (CFDA 93.658)
 - Adoption Assistance (CFDA 93.659)
- We performed procedures on selected controls and transactions relating to LaCarte and Fueltrac purchase cards, bank reconciliations, and annual movable property certifications.
- We compared the most current and prior-year financial activity using DCFS's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from DCFS management for significant variances. We also analyzed SNAP expenditures for the past five fiscal years.

The purpose of this report is solely to describe the scope of our work at DCFS and not to provide an opinion on the effectiveness of DCFS's internal control over financial reporting or on

compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review DCFS's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. DCFS's accounts are an integral part of the State of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.