

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED NOVEMBER 15, 2017

**LOUISIANA LEGISLATIVE AUDITOR  
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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Children and Family Services

November 2017

Audit Control # 80170127

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## 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 fiscal year ended June 30, 2017, we performed procedures at the Department of Children and Family Services (DCFS) to provide assurances on financial information that is significant to the state's CAFR; evaluate the effectiveness of DCFS's internal controls over financial reporting and compliance; and determine whether DCFS complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

DCFS is a component unit of the State of Louisiana created within the executive branch of state government. DCFS's mission is caring for the well-being and safety of Louisiana's people.

## Results of Our Procedures

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### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the DCFS management letter dated December 19, 2016. We determined that management has resolved the prior-year findings related to inadequate control over Temporary Assistance for Needy Families (TANF) eligibility documentation and improper employee activity in a federal program. The prior-year finding related to control weakness over the TANF work verification plan has not been resolved and is addressed again in this letter.

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### Current-year Findings

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

For the sixth 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.

DCFS paid the Louisiana Workforce Commission (LWC) nearly \$456,000 during fiscal year 2017 to perform case management services, including documenting and entering work participation hours into the job-tracking system. DCFS did not adequately monitor LWC to ensure it complied with documentation requirements per the contract and per DCFS policy. Our review of 40 “work eligible” client files revealed that 13 (33%) of the files did not contain complete supporting documentation of the clients’ work activities reported in DCFS’s job-tracking system as required by federal regulations.

DCFS should ensure LWC documents or verifies the TANF clients’ work activities and should conduct periodic checks of the completeness of records to comply with federal documentation requirements. While management concurs that cases were not properly documented, management does not concur that it did not adequately monitor LWC to ensure it complied with documentation requirements (see Appendix A, page 1).

**Additional comments:** DCFS, as the primary recipient of TANF federal funds, is responsible for ensuring compliance with program requirements including maintenance of documents supporting work participation hours. Although DCFS conducts case readings on LWC subcontractors and provides corrections as needed, inadequate supporting documentation continues to be an issue.

### **Inaccurate Federal Program Billing**

DCFS did not properly bill its indirect costs to three federal programs. In a sample of 30 statistical steps (Stats) tested in the cost allocation plan (CAP) for allowable costs from a population of 1,140 Stats, two (6.7%) selected were not charged in accordance with the CAP.

The errors resulted in overbilling the Foster Care program by \$28,284, overbilling the Disability Insurance/SSI Cluster (DDU) by \$990, and under billing the TANF program by \$990. Although the \$28,284 could be charged to another federal program through a quarterly funding adjustment, we were unable to determine if federal or state funds were ultimately used. The amounts overbilled to the Foster Care program and DDU represent questioned costs.

The billing errors occurred because DCFS inadvertently allocated program costs to incorrect cost pools. DCFS should adjust federal reports to correct for the errors and should improve its monitoring over the allocation of indirect costs. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 2-3).

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## **Comprehensive Annual Financial Report (CAFR) - State of Louisiana**

As a part of our audit of the CAFR for the year ended June 30, 2017, we considered internal control over financial reporting and examined evidence supporting DCFS's SNAP benefit expenditures, as reported in the note disclosure in its annual fiscal report.

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

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

As a part of the Single Audit for the year ended June 30, 2017, 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:

- Supplemental Nutrition Assistance Program Cluster (CFDA 10.551, 10.561)
- Child Support Enforcement (CFDA 93.563)

Those 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 (SEFA), and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported a finding related to inaccurate federal program billing. This finding will also be included in the Single Audit for the year ended June 30, 2017. In addition, DCFS's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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## **Other Procedures**

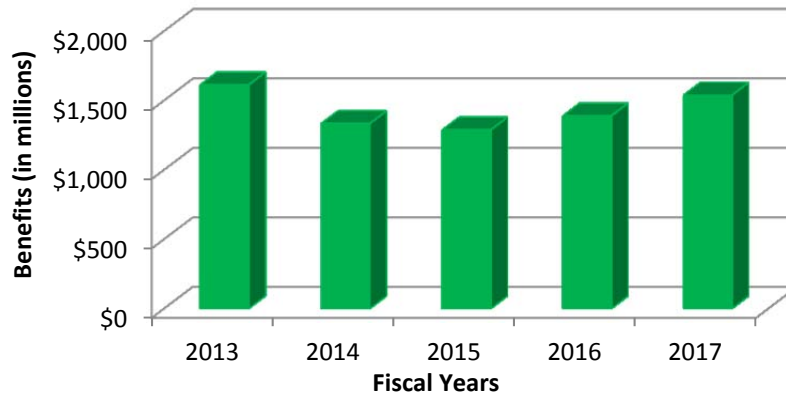
In addition to the CAFR and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing DCFS's internal control and compliance with related laws and regulations over the annual movable property certifications. Based on the results of these procedures, we found no issues or weaknesses that were required to be reported.

## 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.

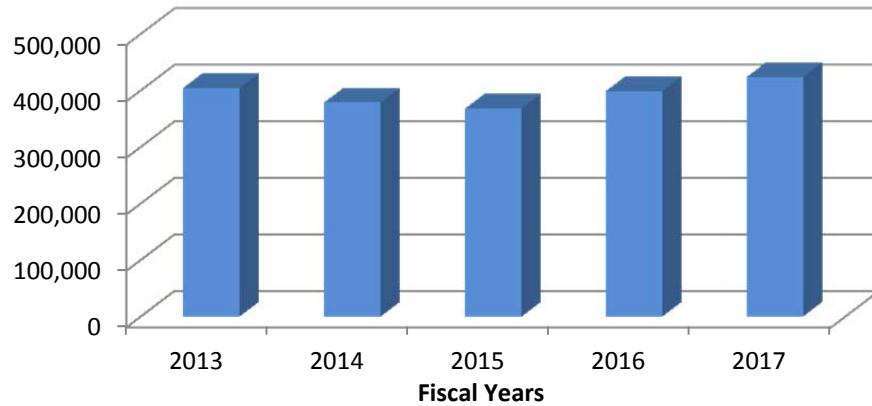
In analyzing the financial trends of DCFS SNAP benefits over the past five fiscal years, benefits were higher in fiscal year 2013 due to disaster food stamps issued for Hurricane Isaac. Benefits increased in fiscal year 2016 due to disaster food stamps issued for the March 2016 flooding; and again in fiscal year 2017 for the widespread flooding in August 2016 and tornados that hit New Orleans in February 2017 (Exhibit 1). The average number of households follows the financial trends of SNAP benefits (Exhibit 2).

**Exhibit 1  
SNAP Benefits**



**Source:** Fiscal year 2013-2017 Annual Fiscal Reports


**Exhibit 2**  
**Average Number of SNAP Households**



**Source:** Fiscal year 2013-2017 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,  
  
 Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

BP:AD:WDG:EFS:aa

DCFS 2017





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





Executive Division  
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[www.dcf.la.gov](http://www.dcf.la.gov)

John Bel Edwards, Governor  
Marketa Garner Walters, Secretary

September 22, 2017

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

Attn: Alanna Davis, CPA, Audit Manager

Dear Mr. Pupera:

The Department of Children and Family Services (DCFS) has reviewed the finding titled "Control Weakness over Temporary Assistance for Needy Families (TANF) Work Verification Plan."

Thirty-three percent of reviewed files did not contain complete supporting documentation of the clients' work activity reported in DCFS' job tracking system. The Department concurs with this part of the finding in that these cases were not properly documented. The Louisiana Workforce Commission (LWC) is contracted by DCFS to administer case management services for the TANF work program. Case management services include maintaining paper case records that include supporting documentation for work activity.

The finding also states that DCFS did not adequately monitor LWC to ensure it complied with documentation requirements per the contract and per DCFS policy. The Department does not concur with this part of the finding. DCFS' nine regional TANF Economic Stability Consultants conduct case readings on LWC subcontractors. The readings include specific emphasis on the presence of supporting documentation for work activities. Copies of the case readings, including lack of documentation findings, are provided to the LWC subcontractors for correction.

DCFS' Consultants will continue to read and monitor LWC case records and report any lack of documentation to LWC. DCFS is designing a replacement for its current eligibility and job tracking computer systems. This new Integrated Eligibility system is scheduled to begin pilot operation in November of 2018 with statewide implementation scheduled for March of 2019. This new system will contain an electronic case record system for work activities that will include case notes and verification documentation. This electronic record will be a long term solution to document issues.

The contact person for DCFS' TANF program is James Vidacovich, Economic Stability Manager and he can be reached at telephone number (225) 342-0495 or [James.Vidacovich.DCFS@la.gov](mailto:James.Vidacovich.DCFS@la.gov).

Sincerely,

Marketa Garner Walters  
Secretary





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John Bel Edwards, Governor  
Marketa Garner Walters, Secretary

October 24, 2017

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

RE: Inaccurate Federal Program Billing

Dear Mr. Purpera:

The following is submitted in response to your request dated October 10, 2017, in reference to the aforementioned audit finding. We concur with the finding that the Department of Children and Family Services (DCFS) did not properly bill indirect costs to three (3) federal programs. Due to administrative error, the Title IV-E Foster Care program and Disability Insurance/SSI Cluster were over-billed and the Temporary Assistance for Needy Families (TANF) program was under-billed. Costs that were allocated to the Title IV-E Foster Care program should have been allocated to state funds. Costs that were allocated to the Disability Insurance/SSI Cluster should have been allocated to the TANF program.

### **Corrective Action**

DCFS completed a funding adjustment on the Form CB-496: Title IV-E Programs Quarterly Financial Report in the amount of the \$28,284 during the 13<sup>th</sup> period of State Fiscal Year 2017 to correct the overbilling to the Title IV-E Foster Care program. This amount is now properly charged to state general funds. DCFS will adjust the December 2017 State Agency Report of Obligations for SSA Disability Programs Form SSA-4513 to correct the overbilling to the Disability Insurance/SSI Cluster.

DCFS transferred the responsibility for preparation of all monthly statistical information to the Cost Allocation Section who has implemented a multi-level review of statistical information entered into the Integrated Statewide Information System (ISIS).

- Staff will compile the statistical information relative to the budget unit/program, period reported, cost pool, and amount/count; complete the Statistical Form C (Stat





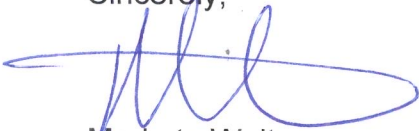
Form C); and enter the statistical information into ISIS on the Pool/Base Definition Reference (PBDF) table.

- Prior to ISIS Cost Allocation validation, a designated reviewer will verify the accuracy of the information entered on the PBDF table by reviewing all supporting documentation and the Stat Form C.
- Before the Cost Allocation process is finalized in ISIS, the manager will review the Cost Allocation Validation Run to verify the accuracy of the statistical units entered from the Stat Form C.

The person responsible for the corrective action is Etta Harris, Deputy Undersecretary. The anticipated completion date for making the adjustments to correct the errors is January 30, 2018 and the review process will be ongoing.

Thank you for the opportunity to respond to this finding. If you need any additional information please feel free to contact me.

Sincerely,



Marketa Walters

cc: Terri Ricks, Deputy Secretary  
Tammy Starnes, Audit Director





## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Children and Family Services (DCFS) for the period from July 1, 2016, through June 30, 2017, to provide assurances on financial information significant to the State of Louisiana's Comprehensive Annual Financial Report (CAFR), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the CAFR and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2017.

- 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) Note benefit expenditures to support our opinions on the State of Louisiana's CAFR.
- We performed procedures on the following federal programs for the year ended June 30, 2017, as a part of the 2017 Single Audit.
  - SNAP Cluster (CFDA 10.551, 10.561)
  - Child Support Enforcement (CFDA 93.563)
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2017, as a part of the 2017 Single Audit.
- 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's management for significant variances. We also analyzed SNAP benefits over the past five fiscal years.

In addition, we performed procedures on DCFS's annual movable property certifications. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

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.