

LOUISIANA WORKFORCE COMMISSION

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED JUNE 6, 2022

**LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



Louisiana Workforce Commission

June 2022

Audit Control # 80210074

Introduction

As a part of our audit of the State of Louisiana’s Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2021, we performed procedures at the Louisiana Workforce Commission (LWC) to provide assurances on financial information that is significant to the state’s Annual Comprehensive Financial Report; evaluate the effectiveness of LWC’s internal controls over financial reporting and compliance; and determine whether LWC complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the LWC management letter dated June 2, 2021. We determined that management has resolved the prior-year findings related to Inaccurate Financial Reporting and Weak Security Controls. The prior-year findings related to Inadequate Controls over and Noncompliance with Unemployment Insurance Benefits Requirements, Inadequate Source Code Escrow Agreement, and Noncompliance with Subrecipient Monitoring Requirements have not been resolved and are addressed again in this letter. The prior-year finding related to Noncompliance with Civil Service Rules Regarding Special Leave was not repeated as audit procedures performed did not detect this violation occurring in fiscal year 2021.

Current-year Findings

Inadequate Controls over and Noncompliance with Unemployment Insurance Benefits Requirements

For the second consecutive year, LWC did not have adequate internal controls and did not comply with requirements of the Unemployment Insurance (UI) federal program. LWC issued more than \$5.6 billion in benefit payments to more than 619,000 claimants during fiscal year 2021. Because of the large amount of funding provided during the COVID-19 pandemic and the lack of identity

or wage requirements at the beginning of the year, these programs have been exposed to identity theft and fraud schemes.

In March 2020, Congress passed the CARES Act, which included funding for new UI programs. These new programs are funded entirely with federal funds and include the Pandemic Unemployment Assistance (PUA) program and the Federal Pandemic Unemployment Compensation (FPUC) program. The PUA extended unemployment benefits to claimants who did not qualify for UI, but had lost their job due to the COVID-19 pandemic, including those who were self-employed and gig workers. FPUC provided claimants receiving UI or PUA benefits an extra \$600 per week through July 2020. In August 2020, the Presidential Declared Disaster Assistance to Individuals and Households – Other Needs [Lost Wages Assistance (LWA)] program provided an extra \$300 per week for six weeks if a claimant earned at least \$100 per week in UI or PUA benefits.

In December 2020, Congress passed the Continued Assistance for Unemployed Workers Act of 2020 (CAA), which extended many of the UI-related provisions in the CARES Act and also required claimants to provide supporting documents to verify income and identity.

We tested a non-statistical random sample of 138 claimants who were paid \$1,304,848 in unemployment benefits in fiscal year 2021. Ninety-three of the claimants received UI/FPUC/LWA benefits, and 45 received PUA/FPUC/LWA. Because some claimants had multiple errors, the known questioned costs were evaluated by claimant. Our audit procedures identified the following, which resulted in questioned costs totaling \$257,728.

- 14 (10%) out of 138 claimants reviewed had inconsistent or missing information on the UI application which may indicate the claimant is intentionally filing to receive benefits that they are not entitled, or that may indicate possible identify theft. These inconsistencies included job history information on the application that did not agree with the UI database; incomplete job information on the application; questionable and contradictory personal contact information including email, telephone number, and address when compared with work location; and contradictory information about the last day of work.
- 15 (33%) out of 45 PUA claimants were required to provide proof of wages after the requirement was instated, but never provided any wage documentation. CAA required all claimants receiving federal assistant payments after December 27, 2020, to provide evidence of self-employment earnings in order to remain eligible for PUA.
- 9 (20%) out of 45 PUA claimants did not have identification on file after the requirement was instated per CAA. The U.S. Department of Labor (USDOL) issued guidance on January 8, 2021, to require identity verification of applicants by January 20, 2021. Of the claimants, five identifications were requested and not received, and four identifications were not requested.
- Deductions were not properly withheld for six (4%) of the 138 claimants reviewed. All six of these exceptions related to child support deductions. Five of the cases

were never set up after LWC received the child support enforcement notice from the Department of Children and Family Services (DCFS). One case was set up by LWC, but subsequently removed without notice from DCFS.

LWC implemented internal controls throughout the year to identify possible fraud or disqualification from the programs that could lead to overpayments. However, personal identifying information and wage documents only began to be collected at mid-year, as the requirements of CAA went into effect. LWC was not able to obtain all the required information after the claims were already established and, therefore, benefits continued to be paid on some claimants without the proper documentation. Failure to obtain personal identifying information and wage documents results in noncompliance with federal program requirements and increases the risk of overpayments resulting from fraudulent claims. LWC's procedures for the establishment of child support deductions are manual and became ineffective due to the volume of claims processed during the pandemic. Failure to properly withhold child support payments results in noncompliance with state laws.

LWC should strengthen controls to ensure all required wage and identification documents are obtained. In addition, LWC should take the necessary actions to ensure child support deductions are set up timely and to ensure LWC is compliant with applicable laws. Management concurred in part with the finding and outlined a plan of corrective action. Management provides that it is not practical to review each claim for inconsistent information due to the sheer volume of claims filed. Management notes that proof of wages was not initially required for the PUA program, and claimants did not have to provide it until the information was requested by LWC. Per management, although not all claimants were required to provide proof of identity, LWC implemented identity verification requirements, but the workload required to verify the documents provided was substantial. Finally, management indicates issues with child support deductions not properly withheld occurred due to the fact that the child support deductions are processed manually, due to the onslaught of claims volume during the past year, and due to the increase in child support orders (see Appendix A, pages 1-4).

Additional comments: While the inconsistent and missing information, including the child support orders that were not processed, was mainly caused by the volume of claims processed during the fiscal year, LWC remains responsible for administering the UI program with adequate internal controls to remain in compliance with federal requirements, as well as to prevent and detect fraud.

Noncompliance with Requirements for the Reemployment Services and Eligibility Assessment Program

LWC did not administer the Reemployment Services and Eligibility Assessment (RESEA) program in accordance with federal regulations. The March 2021 and June 2021 quarterly progress reports submitted by the LWC to the USDOL reported a combined 5,081 (60%) out of 8,428 identified participants who did not respond or could not be contacted in the month that they were identified for the program. LWC did not take further action on the 5,081 claimants to adjudicate the claims to determine if UI benefits should be discontinued.

Federal regulations and guidance over the RESEA program require participation as a condition of continued UI eligibility. LWC is not compliant with RESEA program requirements which could result in UI payments being made to claimants who are no longer eligible.

LWC management represented that RESEA operations and personnel were impacted by changes necessitated by the COVID-19 pandemic. As a result, resources and efforts were focused on those UI claimants who responded to the LWC profiling.

LWC should take steps to ensure the RESEA program is administered fully as those identified participants not entering the program should be sent to adjudication for review of continued UI eligibility. Management concurred in part with the finding and outlined a plan of corrective action (see Appendix A, pages 5-6).

Inadequate Controls over Interstate Billing and Employer Charging Requirements

LWC did not have adequate controls in place to ensure discrepancies in information received from other states for unemployment compensation claims were adequately resolved in a timely manner. Failure to do so could result in improper payments to states, improper charges to employers' accounts, or noncompliance with federal regulations.

The state of Louisiana participates in the Interstate Benefit Payment Plan, which is an interstate agreement that allows an unemployed worker with employment and wages in more than one state to elect to combine his or her wages from all such states in order to satisfy the wage qualification requirements of the "paying state," or as a means of increasing his or her weekly or maximum benefit amount. The states where the wages are earned ("transferring states") are charged for the unemployment paid by the "paying state" based on the proportion of wages earned in each state. Transferring states are responsible for paying interstate charges upon receipt, but when charges cannot be accounted for, the agencies involved should immediately attempt to settle the dispute. All State Workforce Agencies utilize the Interstate Connection Network (ICON) provided by the USDOL to facilitate the exchange of information needed to process Interstate Benefits, Combined Wage Claims, and other Unemployment Insurance related information between states and to coordinate the payment of these claims with other states. LWC's Helping Individuals Reach Employment (HiRE) system interfaces with the ICON system to meet these requirements. As a part of this process, LWC charges affected employers their proportionate share of the total claim in accordance with state law.

Based on our audit procedures, LWC did not charge employers associated with 10 (17%) of 60 interstate claims tested from "paying states." Although LWC transferred information about wages earned with these employers, made a determination regarding their liability, and paid the related bills promptly, the employers for these claims were not charged because of discrepancies in the claim that may require the "paying state" to correct. Controls in the HiRE system prevent employers from being charged until such discrepancies are investigated and resolved. However, controls should be strengthened to ensure that unresolved issues are followed up on in a timely manner. Discrepancies were investigated and resolved after LWC was notified by the auditor of the errors found.

Management indicated the volume and complexity of interstate charges during the pandemic inhibited its ability to effectively perform certain procedures, and it was operating with limited staff and experience due to turnover and vacancies during this time.

LWC management should ensure discrepancies in interstate claims information are investigated and disputed, as necessary. These procedures should include reviewing billing quarters affected by the pandemic for other possible errors or unresolved issues, and further investigating the cause to ensure matters are adequately resolved and employers are properly charged. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 7).

Noncompliance with Subrecipient Monitoring Requirements

For the third consecutive year, LWC did not adequately monitor subrecipients under the Workforce Innovation and Opportunity Act (WIOA) Cluster programs. Failure to perform adequate monitoring impairs LWC's ability to ensure that program funds passed through to its subrecipients are spent in accordance with program regulations and increases the risk of improper payments, which LWC may have to repay to the federal grantor. WIOA program expenditures totaled \$58.8 million during fiscal year 2021, with approximately \$50.6 million provided to subrecipients who were not adequately monitored.

Audit procedures identified the following:

- LWC did not conduct annual monitoring reviews of its subrecipients for compliance with federal laws and regulations. During fiscal year 2021, reviews were conducted for only one of the 15 subrecipients and this review related to fiscal year 2019 program activity.
- LWC did not finalize monitoring reviews for subrecipients in a timely manner. LWC's policy requires monitoring reviews to be completed, including resolution of any findings and issuance of close-out letters, within five months of the issuance of the monitoring reports. For 13 of the 15 (87%) monitoring reports issued during fiscal year 2020, final determinations were made between six and 18 months after the report issuance. In addition, as of December 31, 2021, final determination has not been made for one of the 15 (7%) reports.
- LWC did not have the controls in place to ensure that required audits of subrecipients were completed timely and that subrecipients provided appropriate corrective action for any findings issued. LWC's documentation did not contain evidence to support the reviews were performed timely. In addition, LWC marked three of the 15 audit reports as requiring corrective action plans, but have not requested this information from the subrecipients. Further, one of the 15 (7%) audit reports was issued 18 months after fiscal year end.

Federal regulations require pass-through entities monitor the activities of subrecipients to ensure funds are used for authorized purposes. Annual monitoring reviews are required of all LWC subrecipients' compliance with federal requirements and pass-through entities must follow-up to ensure the subrecipient takes timely and appropriate action on deficiencies found as a part of these

reviews. Regulations also note that pass-through entities are responsible for ensuring that subrecipients expending \$750,000 or more in federal awards during the subrecipient's fiscal year receive an audit, and that the required audits are completed within nine months of the end of the subrecipient's audit period. This nine-month deadline was extended an additional six months for fiscal year 2021. Finally, federal regulations require pass-through entities to issue management decisions on applicable findings and follow-up to ensure subrecipients take timely and appropriate action on all audit findings.

LWC management indicated there were multiple issues that impacted its ability to perform adequate subrecipient monitoring including a significant workload in the close out of the 2020 reviews of the fiscal year 2018 program activity, turnover in management and staff personnel with new staff needing to be trained, and local offices being closed and working remotely for part of the year.

LWC management should ensure that annual audits and monitoring reviews are performed for all subrecipients as required by federal regulations. In addition, management should ensure that audit resolution is performed timely for all required audits. Management concurred in part with the finding and outlined a plan of corrective action (see Appendix A, pages 8-10).

Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act

LWC did not comply with Federal Funding Accountability and Transparency Act (FFATA) reporting requirements for the Workforce Investment Opportunity Act Cluster programs. During fiscal year 2021, LWC disbursed approximately \$50.6 million in subawards to 15 different subrecipients. These subawards account for approximately 86% of the programs' fiscal year expenditures.

Federal regulations require the non-federal entity to report each obligating action, equal to or exceeding \$30,000, to the FFATA Subaward Reporting System (FSRS). LWC management indicated that turnover in agency personnel caused the subaward information to not be reported as required. Not uploading obligating actions to the FSRS could result in a citizen or federal official having a distorted view as to how LWC is obligating federal funds.

LWC should assign appropriate personnel to complete the necessary FFATA reporting requirements in accordance with federal requirements. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 11).

Unexecuted Source Code Escrow Agreement

LWC did not have a fully-executed contract with Geographic Solutions, Inc. (GSI) to provide for extended escrow services between LWC and GSI. LWC contracts with GSI as a sole source provider of the HiRE system. The HiRE system is used to administer the state's Unemployment Insurance program, and GSI performs critical services without which LWC could no longer operate the program.

An amended contract with GSI was signed in October 2020, and later amended in November 2021, to provide for these services. However, as of November 2021, the escrow fees had not been paid and the source codes had not been provided to the escrow agent. As a result, LWC may be unable to use the source code in the event of GSI's contractual default. This is the fifth consecutive audit that LWC's contract with GSI lacks an adequate and fully executed source code escrow agreement.

Good internal controls over information technology contracts should ensure all key terms in an agreement are executed to protect the entity upon contractual default of the contractor.

Management should take the actions necessary to ensure the escrow service agreement is fully executed. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 12).

Annual Comprehensive Financial Report – State of Louisiana

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2021, we considered internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions of LWC's Unemployment Trust Fund as follows:

Statement of Net Position

Assets – Cash in U.S. Treasury, Receivables, and Due from Federal Government

Liabilities – Due to Federal Government and Other Current Liabilities

Statement of Revenues, Expenses, and Changes in Net Position

Revenues – Assessments, Use of Money and Property, and Federal Grants and Contracts

Expenses – Unemployment Insurance Benefits

The account balances and classes of transactions tested, as adjusted, 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, 2021, 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 LWC's major federal programs, as follows:

- Unemployment Insurance (AL 17.225)
- Workforce Innovation and Opportunity Act Cluster (AL 17.258, 17.259, and 17.278)

- Coronavirus Relief Fund (AL 21.019)
- Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (AL 97.050)

Those tests included evaluating the effectiveness of LWC’s internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LWC complied with applicable program requirements. In addition, we performed procedures on information submitted by LWC 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 findings related to Inadequate Controls over and Noncompliance with Unemployment Insurance Benefits Requirements, Noncompliance with Requirements for the Reemployment Services and Eligibility Assessment Program, Inadequate Controls over Interstate Billing and Employer Charging Requirements, Noncompliance with Subrecipient Monitoring Requirements, Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act, and Unexecuted Source Code Escrow Agreement. These findings will also be included in the Single Audit for the year ended June 30, 2021. In addition, LWC’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.

Other Reports

Other reports were issued by the Louisiana Legislative Auditor’s Performance Audit Services – Data Analytics Unit as follows: *Improper Payments in the Unemployment Insurance Program: Deceased Recipients* issued on June 16, 2021, identified potential improper payments totaling approximately \$1.08 million to 374 individuals; *Improper Payments in the Unemployment Insurance Program: Overpayments and Rule Violations* issued on November 10, 2021, identified approximately \$2.9 million in payments that potentially violated federal and/or state unemployment benefit laws and regulations; *Improper Payments in the Unemployment Insurance Program: Ineligible Recipients Based on State Employment* issued on February 9, 2022, identified approximately \$6.1 million to 1,054 individuals who do not appear to have been eligible for these programs; and *Unemployment Insurance Program: Accuracy of IRS Form 1099-G Filings* issued on May 18, 2022, found that LWC did not file accurate 1099s with the IRS for 1,832 of 700,204 claimants in calendar year 2020. These reports are available on the Louisiana Legislative Auditor’s website.

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

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

BL:CR:RR:EFS:aa

LWC2021

APPENDIX A: MANAGEMENT'S RESPONSES



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John Bel Edwards, Governor
Ava Cates, Secretary

Office of the Secretary

May 17, 2022

Mr. Michael J. Waguespack, CPA
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Mr. Waguespack:

The Louisiana Workforce Commission (LWC) respectfully submits its response to the finding *Inadequate Controls Over and Noncompliance with Unemployment Insurance Benefits Requirements*, included in the Single Audit Report.

As stated in the report, LWC issued more than \$5.6 billion in benefit payments to more than 619,000 claimants during fiscal year 2021. The finding at issue in this report resulted from a non-statistical random sample of 138 claims which, as previously noted, were filed during an incredibly challenging time. Throughout the COVID-19 pandemic, LWC experienced an unprecedented workload increase for the qualified state merit staff required to respond. Our staff was tasked with implementing multiple pandemic-related programs created through the CARES Act, the Continued Assistance Act and the American Rescue Plan Act. These programs were created to help individuals in dire need of assistance during economic shutdowns.

LWC implemented six (6) new programs within a matter of weeks in order to begin disbursing the required federal funding to previously employed individuals, including those who would not otherwise qualify for state unemployment benefits. It is important to note that these federal programs were implemented without comprehensive guidance from the United States Department of Labor (USDOL). The program requirements were and are ever evolving and amended to address situations and deficiencies that all states encountered. Many states are still working to implement retroactive guidance provided by USDOL. While the guidance did allow for non-state merit staff assistance due to the tremendous workload increases, this assistance did not fully resolve the staffing issues states inevitably faced.

Unemployment Insurance (UI) is a complex program administered within both state and federal laws. The initial USDOL guidance that was provided for implementation of these programs prohibited states from verifying employment and wages and were established as self-attestation programs. States were inundated with claims that, when taken at face value, appeared to qualify for benefits. Congress later implemented identification, employment and wage verification requirements to be completed during the application process and retroactively due to widespread fraudulent activity and abuse of the self-attestation allowance.

The LWC responded to the pandemic and the multiple disasters that impacted the state over the last two years as effectively as possible. Our Agency will continue to work diligently to resolve the issues noted in the report and to investigate claims to determine proper eligibility. Fortunately, there have been several automation processes put in to place to combat fraud and expedite key functions of the unemployment program. These automation endeavors will continue to further enhance our systems.

Should you have any questions or need additional information, please feel free to contact my office at 225-342-3001.

Sincerely,

A handwritten signature in blue ink that reads "Ava Cates".

Ava Cates
Secretary

Inadequate Internal Controls Over and Noncompliance with Unemployment Insurance Benefit Requirements

The Louisiana Workforce Commission (LWC) concurs in part.

In response to the COVID-19 pandemic, beginning in early 2020 and continuing into 2021, the LWC was tasked with administering and/or implementing all of the following programs with an urgency to provide payments to the public:

- Unemployment Insurance (UI), including Unemployment Compensation for Federal Civilian and Military claims
- Pandemic Emergency Unemployment Compensation (PEUC)
- Pandemic Unemployment Assistance (PUA)
- Federal Pandemic Unemployment Compensation (FPUC)
- Mixed Earners Unemployment Compensation (MEUC)
- Extended Benefits (EB)
- Lost Wage Assistance (LWA)
- Disaster Unemployment Assistance (DUA)

Five of the above programs were created in response to the pandemic and meant to assist those unemployed suddenly as a direct result of the impact of COVID-19. States were given little time and insufficient guidance to get these program implemented, while also managing a record-breaking surge in claim volume, for which our existing system and staffing resources were not equipped to handle.

Note that the non-statistical random sample used in the report identified 29 unique individuals with either a deficiency or that is still pending action due to continued significant workloads. Of the 29 individuals, 18 filed for PUA prior to the program's requirement for employment or identity verification. These requirements require retroactive functions and further increased the workload for the LWC.

- **Inconsistent or Missing Information**

The LWC concurs in part. The LWC is actively adjudicating, investigating and auditing claims filed since the beginning of the pandemic, along with the claims that are currently filed, and will continue to do so when identified for further review.

The LWC has received nearly a million claims since March 2020. This finding suggests the LWC review every claim filed for inconsistencies, including those filed during a timeframe in which there is no requirement to do so. Furthermore, inconsistencies in recipient and employer address have no proven significance as individuals can work and reside in various areas. There are no laws that require a claim to be further investigated if the personal address and work location are contradictory. As this is not required, the expectation to review each claim for consistency of location or data provided to determine whether the activity is questionable is not practical due to the sheer volume of claims filed. The LWC is further investigating any claims that appear to have high fraud risk indicators.

- **Required Proof of Wages**

The LWC does not concur. The retroactive requirement to verify an individual's employment and wages continues to be burdensome for our staff. Citizens were not prepared to provide this information to our agency as this was not initially required to receive benefits. The largest of the new programs created in response to the pandemic is the PUA program.

This program was open to individuals that were self-employed and did not require proof of employment and/or wages. Our agency has begun the verification process. In addition, those individuals that were filing for PUA benefits prior to the employment verification requirement are not required to provide proof until the agency has requested verification. This audit does not reflect whether or not the agency has requested proof from the individual at this time.

To provide clarification, 14 of the 15 individuals identified filed their initial PUA application prior to this requirement. Those 14 individuals are not required to submit proof until the LWC requests this information, which has not yet occurred. The LWC is in the process of requesting a waiver of this retroactive requirement from USDOL for several reasons. The tremendous workload that will be created due to this retroactive requirement is unnecessary. The USDOL provided guidance that will allow a blanket waiver for various scenarios, and this particular scenario has been approved in Massachusetts. The level of effort required and amount of potential confusion that may occur as a result of this retroactive requirement is unnecessary if the end result will be a waiver of any overpayment created. Note also that the remaining one individual of the 15 mentioned was paid in error due to a staff training issue.

- **Missing Identification**

The LWC concurs in part. Not all claimants were required to provide proof of identity. In an effort to thwart the surge of fraudulent claim activity, the LWC implemented identity verification requirements in November 2020 for all programs. Congress did not implement identity requirements until January 2021, and these requirements were solely for the PUA program. This earlier implementation prevented some fraudulent claims from being filed two months sooner. Although the identity verification processes were implemented sooner than required, the workload required to verify the documents provided is still substantial, even with the use of automation. The agency has contracted resources to identify clusters of fraudulent activity to assist our staff.

In addition to the new claims filed after this requirement was implemented, the LWC also required identity verification on claims that were identified as high fraud risk. The implementation of identity verification on all programs required a tremendous effort at a time when our system was being attacked by numerous bad actors. Individuals who were already receiving some form of pandemic-related assistance may have not been asked for additional identity verification, as they were already enrolled in the program prior to the requirement. Any outstanding identity issues that are pending further action will be reviewed as soon as possible.

- **Deductions not properly withheld**

The LWC concurs in part. Child support deductions are processed manually. These manual updates are completed when the LWC receives the orders from the Department of Children and Family Services (DCFS). Pre-pandemic, these manual updates were made in a timely fashion and no additional interfaces were needed. Due to the onslaught of claims volume incurred during the past year, as well as the exponential increase in child support orders that need to be processed, the LWC is implementing an automated process to update claims for the deduction and cease of child support payments.

Contact Person:

Margaret Mabile

Corrective Action Plan:

The LWC will continue to adjudicate and investigate all claims that are identified. The LWC will also continue to explore additional indicators of fraudulent activity for further investigation.

The LWC is in the process of automating the child support deductions from the State of Louisiana to minimize the workload of existing staff and expedite the processing of new child support orders.

Anticipate Completion Date:

Automation of child support deductions – estimated completion Fall 2022



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John Bel Edwards, Governor
Ava Cates, Secretary

Office of the Secretary

May 20, 2022

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
1600 N 3rd Street
Baton Rouge, Louisiana 70802

Dear Mr. Waguespack:

The Louisiana Workforce Commission (LWC) is in receipt of your letter dated May 6, 2022 regarding the finding of *Noncompliance with Requirements for the Reemployment Services and Eligibility Assessment Program* (RESEA). Attached hereto is our response to this finding.

The RESEA program is designed to provide intensive reemployment assistance to individuals who have gone through the adjudication process, are determined monetarily eligible, are receiving unemployment benefits, and are deemed most likely to exhaust their Unemployment Insurance (UI) benefits. As you will note in the response, proactive steps are being taken to improve the overall performance of the program while implementing more effective and efficient methods of providing services and conducting business. We believe that the steps taken thus far have either resolved the finding or are working toward corrective actions that will be taken to resolve the finding.

The LWC is committed to cooperating with the Louisiana Legislative Auditor's Office to improve administration of workforce programs and deliver the best possible services to Louisiana citizens.

If you have any questions or need any additional information, please feel free to contact my office at (225) 342-3001 or Assistant Secretary Tavares Walker at (225) 342-2679.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ava Cates".

Ava Cates
Secretary

FINDING

Noncompliance with Requirements for the Reemployment Services and Eligibility Assessment Program

LWC's RESPONSE

LWC concurs in part.

Louisiana experienced many challenges due to the spread of COVID-19, which rapidly impacted our state at the beginning of March 2020. The pandemic affected not only businesses, schools, state agencies and American Job Centers, but also the RESEA program's service delivery, particularly with respect to staffing. The U.S. Department of Labor (USDOL) recognized the challenges of delivering RESEA services under these circumstances. On March 13, 2020, via email communication, USDOL granted states the option to temporarily suspend RESEA services in certain locations or statewide. In so doing, USDOL allowed states as much flexibility as possible in addressing claimants' program participation concerns. LWC staff members dutifully assisted RESEA participants via telephone by cold calling and/or any other creative method that did not stress the system or negatively impact the claimant.

Since fully resuming RESEA services, and in order to ensure compliance with program requirements, the following proactive measures were taken:

- (1) Louisiana Workforce Commission has implemented steps to identify participants based on the Service Point Letter notifications sent via mail and through their Helping Individuals Reach Employment (HiRE) message center. A participant has two (2) weeks to comply with the service point letter requirements. If the participant fails to comply with mandated reemployment services, the participant will be disqualified indefinitely until the participant complies.
- (2) Louisiana Workforce Commission procured the Policy and Research Group (PRG) on February 21, 2022 as the designated RESEA Evaluator. PRG evaluation will ensure the RESEA program is trending in an upward direction and will improve successful outcomes.
- (3) Louisiana Workforce Commission has taken the necessary steps to ensure the RESEA program is administered in compliance with program requirements. RESEA program staff must notify all profiled UI claimants of their mandated participation in reemployment services. Any individuals identified as not fully participating in the program will be sent to adjudication for review and continued eligibility. The agency also added additional resources to RESEA service delivery, including virtual service delivery through the 10to8 Self Scheduling Platform. The projected date to start using the 10to8 platform is June 15, 2022. Through these added service delivery tools, LWC has taken necessary measures to minimize possible exposure of our RESEA staff and participants to COVID-19, and to ensure proper service delivery in compliance with the RESEA program requirements.

CONTACT PERSON

Nikisha Lathan Roberson, State Reemployment Manager



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John Bel Edwards, Governor
Ava Cates, Secretary

Office of the Secretary

April 11, 2022

Mr. Michael J. Waguespack, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Mr. Waguespack,

The Louisiana Workforce Commission (LWC) respectfully submits its response to the finding *Inadequate Controls over Interstate Billing and Employer Charging Requirements*.

LWC fully recognizes the importance of having adequate controls in place for reviewing and reconciling incoming interstate bills, as well as contacting other states to follow-up on unresolved discrepancies in a timely manner. As such, LWC concurs with the finding at issue, and notes that the discrepancies identified during the audit have since been resolved.

Under normal operating conditions, LWC would have immediately identified and corrected the noted discrepancies. Indeed, there are policies and procedures in place to prevent instances such as those identified in the report. However, the immense and unprecedented strain caused by the COVID-19 pandemic severely inhibited LWC's ability to respond as it typically would. The sheer volume and complexity of interstate charges initiated during the time period in question overwhelmed our already limited staffing resources.

As noted in the finding, LWC has established controls in place in the HiRE system to prevent employers from being charged until any discrepancies are investigated and resolved. We agree that these controls should be strengthened, and have already begun to rectify the issue in order to ensure all employers are properly and timely charged for interstate billing.

Going forward, LWC will make certain that discrepancies in interstate claims are investigated and disputed as necessary. Please be assured that any potential controls that may help to improve our procedures will be implemented accordingly.

Should you have any questions or need additional information, please feel free to contact my office at 225-342-3001.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ava Cates".

Ava Cates
Secretary



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John Bel Edwards, Governor
Ava Cates, Secretary

Office of the Secretary

February 11, 2022

Mr. Michael J. Waguespack, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Waguespack,

The Louisiana Workforce Commission (LWC) respectfully submits its response to the Single Audit Report finding of *Noncompliance with Subrecipient Monitoring Requirements*.

First and foremost, it is important to note that the Compliance and Monitoring Unit of LWC has historically been dismantled due to the fact that it is an unfunded mandate. As a result of substantial cuts to Workforce Innovation and Opportunity Act (WIOA) funding in 2015, LWC went from having an average of 12 monitors on staff to having none. Though WIOA funding fluctuates, our responsibilities in administering WIOA programming do not. Despite the many challenges LWC has faced, we are committed to improving the overall effectiveness of our WIOA programming, particularly with respect to subrecipient monitoring.

As you are well aware, LWC was not immune from the effects of the COVID-19 pandemic. Throughout the timeframe referenced in this report, we experienced a significant rise in employee turnover within the Compliance and Monitoring Unit. Numerous key personnel responsible for subrecipient monitoring were also out on protected leave during this time. Moreover, local workforce development areas across the state were completely shut down by their local chief elected officials and/or governing bodies. Without access to the records and staff members in those offices, adequate monitoring became virtually impracticable.

Furthermore, the enormous weight of the increased unemployment insurance claims volume throughout the pandemic forced a shift in our priorities. Several staff members in various departments at LWC were required to take on additional responsibilities in order to tackle the sudden increase in workload. This abrupt and unexpected change caused a rippling effect throughout the agency. While high turnover rates and salary issues existed prior, the pandemic undoubtedly exacerbated these problems and presented further staffing challenges.

We recognize the importance of monitoring our subrecipients to ensure that all legal requirements are met, and we have made great strides toward improvement. In fact, LWC has been working with the Office of State Procurement to issue an RFP for Monitoring Services, proposals for which are due March 24, 2022. We will continue our efforts to ensure that we are on track to accomplish full and complete compliance with subrecipient monitoring at the close of fiscal year 2022.

Should you have any questions or need additional information, please feel free to contact my office at 225-342-3001.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ava Cates".

Ava Cates
Secretary

- LWC did not conduct annual monitoring reviews of its subrecipients for compliance with federal laws and regulations. During fiscal year 2021, reviews were conducted for only one of the 15 subrecipients and this review related to fiscal year 2019 program activity.
 - ❖ LWC concurs in part with this finding that only one of the 15 subrecipients was reviewed during fiscal year 2021 (July 1, 2020 – June 30, 2021). We find it is important to note that the review in question is related to program year 2019 activities, which occurred during fiscal year 2020. Also, as previously noted, many of LWC's key personnel responsible for ensuring that subrecipient monitoring was conducted were out on protected leave during this time, coupled with the fact that LWC experienced significant turnover within the Compliance and Monitoring Unit.

During these same time periods, an Acting Assistant Secretary was appointed to serve from July 6, 2020 – August 21, 2020 until a new Assistant Secretary was appointed on August 25, 2020. Both the Acting and newly-appointed Assistant Secretaries worked closely with the monitoring unit to address outstanding findings from the previous year's monitoring for all 15 subrecipients. Staff turnover and prolonged absences due to COVID-19 as well as other personal and health-related reasons, caused a significant slow-down of the review and response process necessary to address the numerous monitoring findings (266 total findings across all 15 subrecipients) that remained outstanding.

Effective January 9, 2021, the Compliance and Monitoring Unit began reporting directly to the Deputy Assistant Secretary until a new Director was hired on June 1, 2021. While under the direction of the Deputy Assistant Secretary, the Compliance and Monitoring Unit resolved all outstanding findings for 13 of the 15 subrecipients prior to the close of fiscal year 2021. Of the remaining 2, one of the subrecipients has since been issued a final determination of disallowed costs, to which they have filed an appeal.

The remaining subrecipient was the subject of a USDOL monitoring review from March 22, 2021 to April 6, 2021. Because of the number of findings and complexity of each, LWC has worked closely with this last subrecipient to provide adequate responses and resolution to the LWC fiscal year 2018 findings, while also working through the USDOL findings. As of the date of this response, the last subrecipient has provided documentation that is currently under review. The Compliance and Monitoring Unit expects to have all documentation reviewed by Friday, March 4, 2022, with any necessary corrective action having been initiated.

Additionally, as of the date of this response, LWC has conducted monitoring of the administrative and programmatic functions of all 15 subrecipients. More specifically:

1. Administrative, programmatic and financial monitoring for 4 subrecipients has been completed with final monitoring reports issued; 2 out of the 4 have been placed on corrective action plans.
2. Administrative and programmatic monitoring for 11 subrecipients has been completed. For these subrecipients, LWC contracted the services of a CPA who is currently wrapping up their financial monitoring. It is expected that the CPA's work will be completed by March 15, 2022 with exit memorandums issued to all 11 subrecipients by March 31, 2022. Follow-up work will continue as necessary and pursuant to LWC's monitoring policy.

- LWC did not finalize monitoring reviews for subrecipients in a timely manner. LWC's policy requires monitoring reviews to be completed, including resolution of any findings and issuance of close-out letters, within 5 months of the issuance of the monitoring reports. For 13 of the 15 (87%) monitoring reports issued during fiscal year 2020, final determinations were made between 6 and 18 months after the report issuance. In addition, as of December 31, 2021, final determination has not been made for one of the 15 (7%) reports.
 - ❖ For the reasons stated above, LWC concurs with this finding. The remaining subrecipient was the subject of a USDOL monitoring review from March 22, 2021 to April 6, 2021. Because of the number of findings and complexity of each, LWC has been working with this last subrecipient to provide adequate responses and resolution to the LWC fiscal year 2018 findings, while also working through the USDOL findings. As of the date of this response, the last subrecipient has provided documentation that is currently under review. The Compliance and Monitoring Unit expects to have all documentation reviewed by Friday, March 4, 2022, with any necessary corrective action having been initiated.
- LWC did not have the controls in place to ensure that required audits of subrecipients were completed timely and that subrecipients provided appropriate corrective action for any findings issued. LWC's documentation did not contain evidence to support the reviews were performed timely. In addition, LWC marked three of the 15 audit reports as requiring corrective action plans, but have not requested this information from the subrecipients. Further, one of the 15 (7%) audit reports was issued 18 months after fiscal year end.
 - ❖ LWC concurs with this finding. LWC has since issued management letters to all 15 subrecipients for the 2019 single audits. The 3 audit reports marked as requiring corrective actions were marked in error. A second review of the audit reports by management indicated that there were no findings related to LWC administered programs in the 2019 audit reports. It was discovered that the staff were referring to findings in LWC issued monitoring reports (in error).

In addition, a review of all 15 subrecipients' 2020 single audits has been conducted. Management letters have been drafted and are currently under review. We expect that these management letters will be finalized and emailed to all 15 subrecipients by Friday, February 18, 2022, and will include requests for corrective actions where necessary.

Staff has been trained on the proper review of single audit reports, what constitutes a finding for LWC/WIOA purposes and the work that should be completed to close out the review, whether a management letter or request for corrective action. LWC has also updated its policy regarding single audits and disseminated same to all 15 subrecipients as well as LWC staff.



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John Bel Edwards, Governor
Ava Cates, Secretary

Office of the Secretary

March 7, 2022

Mr. Michael J. Waguespack, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Mr. Waguespack,

The Louisiana Workforce Commission (LWC) respectfully submits its response to the Single Audit Report finding of *Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act*.

As an initial matter, LWC concurs with the finding at issue. However, we also note that this finding has indeed been resolved. The Federal Funding Accountability and Transparency Act (FFATA) reporting requirements were previously assigned to an Office of Workforce Development (OWD) staff member who discontinued performing this particular task when transferred to a different position within the agency. New leadership within OWD was not initially informed of these particular requirements. Immediately upon notification, all reports were completed and filed with the FFATA Sub-Award Reporting System (FSRS). Additionally, the FFATA reporting requirements have been assigned to a primary staff member of OWD and will be closely monitored through an agency-wide tracker to ensure compliance. LWC has also enacted an internal policy to prevent similar occurrences in the future.

LWC is keenly aware of the importance of obligating federal funds and would never intentionally fail to comply with reporting requirements regarding same. Moreover, as an agency that provides essential services to the citizens of Louisiana, LWC will take any and all steps necessary to demonstrate to the public that funding for these services will be timely and accurately reported to the proper authorities.

Should you have any questions or need additional information, please feel free to contact my office at 225-342-3001.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ava Cates".

Ava Cates
Secretary



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John Bel Edwards, Governor
Ava Dejoie, Secretary

Office of the Secretary

January 26, 2022

Mr. Michael J. Waguespack, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Mr. Waguespack,

The Louisiana Workforce Commission (LWC) respectfully submits its response to the *Unexecuted Source Code Escrow Agreement* audit finding.

The Louisiana Workforce Commission (LWC) concurs with the finding. LWC and Geographic Solutions, Inc. (GSI) resources were swamped by the continued response to COVID-19 during the period of this audit and execution of the escrow agreement was postponed. However, in recent months, the source code agreement has been fully executed. The escrow fees were paid on December 7, 2021 as evidenced in the attached extract from the agency's general ledger. Also, GSI, Inc. delivered the fourth quarter source code and documentation to install the software to the escrow agent on January 2, 2022. Note the attached account summary from Iron Mountain as evidence of the transfer of the source code and acceptance of the code by the escrow agent.

The system is now being constructed and testing is schedule for May 2022. Upon successful testing of the system, the escrow arrangement will be completed and this finding should be fully resolved.

Should you have any questions or need additional information, please feel free to contact Bennett Soulier at 225-342-3110.

Sincerely,

Ava Cates
Secretary

Attachments

For attachments, contact the Louisiana Workforce Commission

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Workforce Commission (LWC) for the period from July 1, 2020, through June 30, 2021, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2021.

- We evaluated LWC's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LWC.
- Based on the documentation of LWC's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the Annual Comprehensive Financial Report.
- We performed procedures on Unemployment Insurance (AL 17.225), Workforce Innovation and Opportunity Act Cluster (AL 17.258, 17.259, and 17.278), Coronavirus Relief Fund (AL 21.019), and the Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (AL 97.050) for the year ended June 30, 2021, as a part of the 2021 Single Audit.
- 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, 2021, as a part of the 2021 Single Audit.
- We compared the most current and prior-year financial activity using LWC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LWC's management for significant variances.

The purpose of this report is solely to describe the scope of our work at LWC and not to provide an opinion on the effectiveness of LWC'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 LWC's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LWC's accounts are an integral part of the State of Louisiana's Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.