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Report Highlights

Louisiana Workforce Commission

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Why We Conducted This Audit

We performed certain procedures at the Louisiana Workforce Commission (LWC) as a part of the Annual Comprehensive Financial Report of the State of Louisiana, the Single Audit of the State of Louisiana, and to evaluate LWC's accountability over public funds for the period July 1, 2020, through June 30, 2021.

What We Found

- **Inadequate Controls over and Noncompliance with Unemployment Insurance Benefits Requirements** – In March 2020, the CARES Act was passed with funding for new Unemployment Insurance (UI) programs. Additional legislation was enacted by Congress during the current fiscal year that provided supplemental payments, extended many of the UI-related provisions, and also required claimants to provide supporting documents to verify income and identity. Because of the large amount of funding provided and the lack of verification requirements at the beginning of the year, these programs have been exposed to identity theft and fraud schemes across the United States of America. During our testing, we determined that claimants tested had errors due to inconsistent or missing information on the UI application and lack of income or identity information, which may indicate that the claimant is intentionally filing to receive benefits that are not entitled, or that may indicate possible identity theft. We also identified child support deductions that were not properly withheld.
- **Noncompliance with Requirements for the Reemployment Services and Eligibility Assessment Program** – LWC did not administer the program in accordance with federal regulations, which require participation as a condition of continued UI eligibility. LWC reported 60% of identified participants 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 these claims to determine if UI benefits should be discontinued.
- **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. Our audit procedures revealed LWC did not charge employers associated with 10 (17%) of 60 interstate claims tested due to discrepancies in the claim information received from other states. LWC investigated and resolved the discrepancies after being notified by the auditor of the errors.

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What We Found (Cont.)

- **Noncompliance with Subrecipient Monitoring Requirements** – LWC did not adequately monitor the subrecipients of the WIOA Cluster programs for compliance with federal laws and regulations. Our procedures disclosed LWC did not conduct annual monitoring reviews of its subrecipients or finalize monitoring reviews in a timely manner. In addition, LWC did not ensure that required audits were completed timely and that subrecipients provided appropriate corrective action for any findings issued.
- **Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act (FFATA)** – LWC did not comply with FFATA reporting requirements for the WIOA Cluster programs. LWC disbursed approximately \$50.6 million in subawards to 15 different subrecipients. These subawards account for 86% of the programs’ fiscal year expenditures. However, LWC did not report the required information in the FFATA Subaward Reporting System. Failure to upload subaward information to the FSRS could distort the views of those using the data.
- **Unexecuted Source Code Escrow Agreement** – For the fifth consecutive year, LWC’s contract with GSI lacked an adequate source code escrow agreement that would allow LWC to continue operations of the UI program if GSI could no longer provide services. Although LWC and GSI amended the contract to address this issue, 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 not be able to use the source code in the event of GSI’s contractual default.
- The prior-year findings related to Inaccurate Financial Reporting and Weak Security Controls were resolved.
- Financial information relating to the following accounts of LWC’s Unemployment Trust Fund were materially correct, as adjusted: cash in the U.S. Treasury, receivables, due from federal government, due to federal government, other current liabilities, assessments, use of money and property, federal grants and contracts, and UI benefits.