

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MARCH 6, 2013

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$4.47. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 9191 or Report ID No. 80120068 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

January 30, 2013

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements and the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2012, we conducted certain procedures at the Department of Children and Family Services (Department) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented an understanding of the Department's operations and system of internal controls, including controls over major federal award programs administered by the Department, through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Department.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the Department's annual fiscal reports and/or system-generated reports and obtained explanations from Department management for any significant variances. We also analyzed Supplemental Nutrition Assistance Program (SNAP) expenditures for the past five years.
- Our auditors reviewed the status of the findings identified in the prior year management letter dated March 28, 2011. The findings regarding noncompliance with Temporary Assistance for Needy Families (TANF) eligibility requirements and improper disposal and handling of confidential records have been resolved by management. The finding regarding improper employee activity is addressed again, in part, in this letter.
- Our auditors considered internal control over financial reporting and examined evidence supporting the Department's note disclosures for SNAP benefits and the Schedule of Expenditures of Federal Awards. We also tested the Department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, in accordance with *Government Auditing Standards*.

- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget (OMB) Circular A-133 on the following federal programs for the fiscal year ended June 30, 2012, as part of the Single Audit of the State of Louisiana:
 - SNAP Cluster (CFDA 10.551, 10.561)
 - TANF Cluster (CFDA 93.558, 93.714, 93.716)
 - Child Care Development Fund Cluster (CFDA 93.575, 93.596, 93.713)
 - Child Support Enforcement (CFDA 93.563)
 - Foster Care - Title IV-E (CFDA 93.658)
 - Disability Insurance/SSI Cluster (CFDA 96.001, 96.006)
 - American Recovery and Reinvestment Act - Homelessness Prevention and Rapid Re-Housing Program (CFDA 14.257)

The Annual Fiscal Reports of the Department were not audited or reviewed by us, and, accordingly, we do not express opinions on those reports. The Department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have included all significant findings that are required to be reported by *Government Auditing Standards*. The findings relating to fraudulent billings by a daycare owner and control weakness over TANF work verification plan will be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2012.

The following significant findings are included in this letter for management's consideration:

Fraudulent Billings by Daycare Owner

The Department's Fraud and Recovery Unit (FRU) identified fraudulent billings of \$16,405 submitted by the owner of two daycares receiving funding from the federal Child Care Assistance Program. The owner was later found guilty on three counts of false claims, sentenced to 55 months in prison, assessed a penalty of \$300, and required to make restitution in the amount of \$16,405. Management should continue to investigate improper provider billing and emphasize the criminal consequences of such activities. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

Fiscal Year 2012 Investigations by the Fraud and Recovery Unit

The Department's FRU investigated allegations of improper employee conduct during fiscal year 2012 with the following outcomes:

- Five cases resulted in pending criminal charges at June 30, 2012, and the employees either resigned or have been terminated.
- Four cases resulted in criminal charges that were dropped by the district attorney after the employees made restitution and the employees either resigned or have been terminated.
- Three cases resulted in the employees being placed on Pretrial Intervention by the district attorney and the employees either resigned or have been terminated.
- Eleven cases resulted in a report to management and the employees either resigned, retired, or have been terminated.
- Three cases resulted in a report to management and the employees received a reduction in pay, demotion, and/or consultation.

The FRU was created by statute to provide a fraud detection function for public assistance programs. The FRU sends monthly reports to the Louisiana Legislative Auditor regarding the status of current investigations and prepares an annual report that is sent to the Senate and House Committees on Health and Welfare. Many of the cases investigated by the FRU are initiated by "tips" received on the toll-free Public Assistance Fraud Hotline, the Department's website, or by email.

The Department has also implemented additional controls to reduce employee misconduct, including identifying and scrutinizing all employees that receive federal program assistance through the Department. Also, all employees must sign an annual form acknowledging that they are prohibited from taking any action on cases involving themselves, immediate family members, friends, and social acquaintances.

Because of the risk involved in the public assistance programs, and the fraud that continues to occur both internally and externally to the Department, we recommend that the Department develop additional data analysis methods and monitoring techniques to prevent the fraud from occurring and to detect the fraud that does occur quickly. Management did not concur that the finding accurately reflects investigations and the related risk and did not feel that a corrective action plan was necessary (see Appendix A, pages 3-5).

Additional Comments: While many of the investigations performed by the FRU relate to cases from prior years, we believe that the disclosure of these investigations provides additional transparency into the Department's efforts to combat improper employee

conduct. The associated risk relates directly to public confidence in the Department's administration of federal program benefits and its responsibility to hold its own employees to a high standard of accountability. We welcome the opportunity to work with the Department in the on-going improvement of data analysis methods and monitoring to prevent, rather than simply investigate, future improper employee conduct. The Legislative Auditor's Performance Audit Services section is currently auditing the SNAP (program) and will recommend additional data analysis methods and monitoring techniques to detect fraud.

Control Weakness over TANF Work Verification Plan

The Department did not maintain and verify all documentation required under the federal TANF program cluster, potentially subjecting the Department to financial penalties from the federal government. Our review of 34 "work eligible" client files revealed that three (9%) of the files did not contain documentation or verification of the clients' work activity that was entered into the Department's job tracking system, as required by federal regulations. For one additional sample item, the support was not in the client file, but the Department was able to obtain adequate support at our request.

Although the federal grantor could assess penalties totaling not less than 1% and not more than 5% of the related grant based on the exceptions noted, the likelihood of potential penalties is unknown. We recommend that the Department ensure the completeness of its existing records and better monitor its documentation going forward. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 6-7).

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

This letter is intended for the information and use of the Department and its management, others within the Department, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

Appendix A

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



Undersecretary
Division of Management & Finance
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0805
(F) 225.342.8636
www.dcfsl.a.gov

Bobby Jindal, Governor
Suzy Sonnier, Secretary

November 19, 2012

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

Attn: Alanna Davis, CPA
Audit Manager

RE: Fraudulent Billings by Daycare Owner

Dear Mr. Purpera:

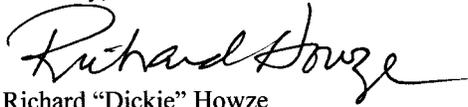
The following is submitted in response to your request dated November 5, 2012 in reference to the aforementioned Audit Finding. We concur, the Louisiana Department of Children and Family Services (DCFS), Fraud and Recovery Unit (FRU), identified fraudulent billings by the owner of two daycares receiving funding from the federal Child Care Assistance Program (CCAP). Over-billing was identified by the DCFS Economic Stability Section and referred to FRU for investigation. During the investigation conducted by FRU and the U.S. Department of Health & Human Services - Office of Inspector General; invoices were identified that contained false information resulting in improper payment. As such, the following steps have been and/or will be taken:

- DCFS has implemented the Tracking of Time Services (TOTS), automated child care time and attendance system for CCAP providers. TOTS is an electronic system that provides accurate and timely capturing, tracking, and reporting of time and attendance data. This system will promote payment accuracy and reduce fraud and abuse. This system utilizes finger imaging and IVR (Interactive Voice Response) as a mechanism for capturing this data. With the implementation of TOTS, DCFS has improved its review and monitoring procedures to ensure CCAP provider payments are accurate and supported.
- DCFS Childhood Developmental & Early Learning Section (CDELS) – CCAP Provider Directory Unit certifies child care provider CCAP eligibility and conducts ‘midpoint’ eligibility reviews. The Unit Supervisor also conducts routine review of provider eligibility cases to verify compliance.
- DCFS has created a monthly report matching provider and children in care of those providers. DCFS Operations – Field Staff are responsible for reviewing said report for policy violations, and making referral to the DCFS CDELS for appropriate action. DCFS CDELS will initiate recoupment and/or referral to FRU of confirmed overpayments.
- DCFS is currently implementing CAFÉ (Common Access Front End). CAFÉ is a web-based front end system that once fully implemented will interface with CCAP offering increased efficiency and accuracy.
- Fraud and Recovery Unit continues to pursue the recovery of the \$16,405, but at this time has collected no payments toward the debt due to imprisonment of the owner of the daycare.



Please advise in the event that additional clarification and/or information are required.

Sincerely,



Richard "Dickie" Howze
Undersecretary

RDH/MB/JW/dja

- c: Suzy Sonnier, Secretary
Brent Villemarette, Deputy Secretary-Programs
Sammy Guillory, Assistant Deputy Secretary-Programs
Sharon Tucker, Deputy Secretary-Operations
Connie Wagner, Assistant Deputy Secretary-Operations
Kaaren Hebert, Policy Advisor
Charlie Dirks, Executive Counsel
Trey Williams, Director, Bureau of Communications
Del Augustus, Director, Bureau of Audit & Compliance Services/ DCFS Audit Liaison
Barbara Lively, CPA, LLA Auditor-In-Charge





Department of
**Children &
Family Services**

Undersecretary
Division of Management & Finance
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0805
(F) 225.342.8636
www.dcfsls.gov

Bobby Jindal, Governor
Suzy Sonnier, Secretary

January 29, 2013

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

Attn: Alanna Davis, CPA
Audit Manager

RE: Fiscal Year 2012 Investigations by the Fraud and Recovery Unit

Dear Mr. Purpera:

The following is submitted in response to your request dated January 15, 2013 in reference to the aforementioned Audit Finding. We do not concur, that the presented finding accurately reflects investigations and the associated risk thereof; as conducted during fiscal year 2012 by Louisiana Department of Children and Family Services (DCFS), Fraud and Recovery Unit (FRU). As such, DCFS's concerns with said finding are as follows:

The finding offers, 26 allegations of improper employee conduct were investigated during fiscal year 2012:

In accordance State Agency Management and Federal Program Representations; DCFS offers disclosure of known fraud to both the Louisiana Legislative Auditor's Office (LLA) and the applicable local District Attorneys (DA). Timely notification of investigations, to these oversight entities, is sent less than 30 days from the initiation of the investigation. DCFS offers heightened transparency by providing monthly executive summary updates to LLA & the DAs. These monthly updates include all investigations pending criminal prosecution, administrative decision, and their applicable progressions and/or determinations; to include investigations which were unsubstantiated. As a result of timing associated with adjudication; many of these investigations are reported across fiscal years. Namely, of the 26 investigations identified; the cases were established as follows: 1 case - 2008; 6 cases - 2009; 8 cases - 2010; and 2 cases - 2011. Each of the prior year investigations were reported to LLA in the applicable fiscal year Single Audits. As such, these findings do not represent added risk to DCFS programs, rather duplicative reporting by LLA. DCFS has completed all 9 investigations established in fiscal year 2012; and has made applicable referrals to the DA for criminal prosecution.

The finding offers, 5 cases resulted in pending criminal charges at June 30, 2012:

Of the 5 cases noted, all DCFS investigations are complete, the offenders are no longer employed by DCFS, criminal charges have been filed, and applicable arrests have been made. These cases are pending DA adjudication. The DAs offer DCFS updates on said court proceedings; which are provided in monthly updates to LLA.



The finding offers, 4 cases resulted in criminal charges that were dropped by the DA after the employees made restitution, and the employees either resigned or have been terminated. Further, it offers, 3 cases resulted in Pretrial Intervention:

DCFS does not concur with the perceived risk associated with and reporting of investigations that were reported to LLA in previous fiscal year Single Audits, resulted in criminal charges, arrests, restitution, and the offenders are no longer employed by DCFS. Further, adjudication and/or pretrial intervention is at the discretion of the DA, not that of DCFS.

The finding offers, 11 cases resulted in a report to management:

It is noteworthy that 8 of the 11 investigations identified were reported to LLA previous fiscal year Single Audits, and resulted in restitution; as such are duplicative. The remaining 3 cases resulted in full restitution, and/or no misappropriation of DCFS Program funding. In all cases, the offenders are no longer employed by DCFS.

The finding offers, 3 cases resulted in employees received a reduction in pay, demotion, and/or consultation:

It is noteworthy that the identified cases represent policy violations rather than acts of fraud and/or misappropriation of DCFS Program funding. As such, DCFS Management exercised its authority in executing disciplinary action commensurate with applicable offenses.

LLA recommends, as a result of the risk involved in the public assistance programs, and the fraud that continues to occur both internally and externally to DCFS; that DCFS should develop additional data analysis methods and monitoring techniques to prevent the fraud from occurring, and to detect the fraud that occurs quickly.

DCFS does not concur with the perceived risk as presented, nor that it is realistic to 'prevent' such fraud from occurring. DCFS offered benefits are administered in accordance with federal eligibility requirements. In some instances DCFS employees meet such eligibility requirements and are entitled to such. The only possible means of 'preventing' such risk of fraud is to deny DCFS employees' eligibility – violating federal regulations. DCFS currently employees approximately 3,910 of which 65 (1.7%) receives DCFS administered benefits. Further, of the 65 employees 9 (0.23%) investigations supported improper employee activity; of which includes policy violations and not intentional program violations or misappropriation of DCFS federal funding. While the risk is not eliminated, DCFS contests that such a risk (.23%) exemplifies gross negligence in Agency oversight.

Giving the potential risk of DCFS employee related fraud, the Agency currently implements mitigating controls to detect, prevent, and deter misappropriation. Specifically, DCFS requires all employees be oriented and provide acknowledgement thereof, with regard to prohibited actions of personal, family, friends, or acquaintances cases. DCFS has an anonymous Fraud Hotline and reiterates the Agency's Zero Tolerance Program from field operations up to communication from the DCFS Secretary. Further, DCFS implements a heightened review process for all DCFS employees to ensure accurate and appropriate benefit determination and issuance. Moreover, DCFS Fraud and Recovery Unit analyzes monthly reporting of employee issued benefits; to coordinate case review with field operations as added due diligence. Any misconduct and/or allegation thereof are investigated to promote DCFS program integrity.



DCFS prides itself on assessing the control environment associated with Federal Programs it has been instructed to administer. We proactively establish zero tolerance against fraud, waste, and abuse. In an effort to mitigate risk and assure good stewardship, DCFS is committed to the implementation and governance of proactive and timely internal controls; as demonstrated in our policies, procedures, reviews, reporting, investigations and ultimately our culture.

Due to DCFS's non concurrence with the finding as presented, the associated risk thereof, and the Agency's internal controls, policies, and procedures; DCFS does not feel a corrective action plan is necessary. Moreover, when DCFS requested specific examples of improved data analysis methods and monitoring techniques to prevent the fraud from occurring and to detect the fraud that occurs quickly; LLA could not offer such recommendations.

Please advise in the event that additional clarification and/or information are required.

Sincerely,



Richard "Dickie" Howze
Undersecretary

RDH/DJA

- c: Suzy Sonnier, Secretary
Brent Villemarette, Deputy Secretary – Programs
Sharon Tucker, Deputy Secretary – Operations
Sammy Guillory, Assistant Deputy Secretary – Programs
Sandra Broussard, Assistant Deputy Secretary – Operations
Charlie Dirks, Executive Counsel
Kaaren Hebert, Policy Advisor
Trey Williams, Director, Bureau of Communications and Governmental Affairs
Del Augustus, Director, Bureau of Audit and Compliance Services/ DCFS Audit Liaison
Barbara Lively, CPA, LLA-Auditor-In-Charge





Undersecretary
Division of Management & Finance
627 North 4th Street
Baton Rouge, LA 70802

(O) 225.342.0805
(F) 225.342.8636
www.dcfslouisiana.gov

Bobby Jindal, Governor
Suzy Sonnier, Secretary

December 13, 2012

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

Attn: Alanna Davis, CPA
Audit Manager

RE: Control Weakness Over TANF Work Verification Plan

Dear Mr. Purpera:

The following is submitted in response to your request dated November 29, 2012 in reference to the aforementioned Audit Finding. We concur, the Louisiana Department of Children and Family Services (DCFS) did not maintain and verify all documentation required under the federal Temporary Assistance to Needy Family (TANF) Program Cluster. As such, the following steps have been and/or will be taken:

- A corrective action memorandum, to address the deficiencies noted, will be written and disseminated to all DCFS Economic Stability workers. Said memorandum will specifically reiterate guidelines for client file review of participation hours and Jobs Automated System (JAS) verification documentation. Moreover, the memorandum will address controls for tracking and retention of client files to ensure completeness of case records monitoring.
- DCFS will pilot a Document Imaging solution in December 2012; with statewide implementation in early 2013. All case records and documentation will be scanned into an electronic case record and will be accessible by applicable DCFS staff. This technological enhancement will allow DCFS to transition from paper case records and documentation to a fully automated client file; strengthening DCFS governance.
- Additionally, DCFS anticipates proposing legislation, in 2013, to revise the current Strategies to Empowering People (STEP) Program. The new TANF work program will focus on increased workforce participation outcomes.

Please advise in the event that additional clarification and/or information are required.

Sincerely,

Richard "Dickie" Howze
Undersecretary

RDH/KM/dja

A-6



Control Weaknesses Over TAN F Work Verification Plan

- c: Suzy Sonnier, Secretary
- Brent Villemarete, Deputy Secretary-Programs
- Sammy Guillory, Assistant Deputy Secretary-Programs
- Sharon Tucker, Deputy Secretary-Operations
- Sandra Broussard, Assistant Deputy Secretary-Operations
- Kaaren Hebert, Policy Advisor
- Charlie Dirks, Executive Counsel
- Trey Williams, Director, Bureau of Communications
- Del Augustus, Director, Bureau of Audit & Compliance Services/ DCFS Audit Liaison
- Barbara Lively, CPA, LLA Auditor-In-Charge

