

APPENDIX N

Detection of Fraud, Waste and Abuse of Funds Policy

State of Louisiana

Certification Checklist

Prepared by



LOUISIANA
Office of
COMMUNITY
DEVELOPMENT

Detection of Fraud, Waste, and Abuse of Funds Policy Louisiana Office of Community Development

Summary: The purpose of this policy is to define the guidelines OCD will follow to detect Fraud, Waste, and Abuse of Funds

Applicable Laws: None

The following policy applies to both CDBG Disaster Recovery (CDBG-DR) and CDBG Mitigation (CDBG-MIT) grant funds.

The process of detecting any fraud, waste and abuse of CDBG-DR and CDBG-MIT funds is an ongoing process and is monitored constantly. Each program will be responsible for incorporating this policy into its operating procedures. The process involves not only OCD, but also the state Division of Administration's Internal Auditor, the Office of Legislative Auditors, the Office of Inspector General and the Office of Finance and Support Services. A summary of each is listed below.

OCD

OCD is responsible for the day-to-day administration of the federal programs. Appropriate personnel review all requests for payment and accompanying invoices to ensure costs are reasonable and within the scope of the activity funded. In addition to grantee certification of the accuracy of payment requests, two authorizations are required on a request for payment prior to sending the request to OFSS for payment. All payment requests are reviewed for proper authorized signatures, dates of service and supporting documentation prior to input into the financial system for payment.

Grantee Administration Manual

OCD has developed a Grantee Administrative Manual for the CDBG-DR funds, which is provided to all grantees and subrecipients. It can be found electronically at <http://www.doa.la.gov/Pages/ocd-dru/DRadminManual.aspx> . The purpose of the manual is to assure that all CDBG-DR funds are properly managed and accounted for, and to assure that grantees and subrecipients administer their projects and programs in accordance with all CDBG-DR rules and regulations. Additionally, OCD provides training to grantees and subrecipients on how to use the Grantee Administrative Manual.

Finally, there is monitoring of all grantees and subrecipients. This involves both desktop and onsite monitoring. OCD's Annual Monitoring Plan, which includes how projects and programs are related for monitoring on a quarterly basis. Within the Grantee Administrative Manual, OCD

has provided grantees with a methodology and checklist to monitor subrecipients and contractors. OCD reviews grantee monitoring during on-site monitoring reviews.

Office of the Legislative Auditors

The Legislative Auditor serves as the supervisory body of public spending, overseeing more than 3,500 audits of state and local governments and their related quasi-public enterprises.

Conducting independent financial and performance audits of the state's agencies, colleges, and universities, auditors identify issues in an effort to protect public resources and tighten government control systems. When necessary, they look into allegations of fraud, waste or abuse. The Legislative Auditor will perform an annual audit of the Division of Administration (DOA), which includes OCD, in accordance with 2 CFR 200 Part F.

Office of State Inspector General

In addition, the state has an established Office of Inspector General. The office's mission is to investigate white collar criminal and public corruption cases, and to root out and prevent fraud and corruption in government. The office is a designated law enforcement agency by statute, with the associated investigative powers and privileges. The Inspector General answers to the governor.

Office of Finance and Support Services

OFSS, a division within the Division of Administration, has established clear designation of responsibilities in order to ensure separation of duties. This separation of duties, along with other established operational policies and procedures, provides assurance that fraud cannot be accomplished without collusion among employees in separate areas. OFSS is responsible for payments, federal draw requests and state and federal financial reporting. One employee actually inputs the properly authorized payment request into the financial system, and the request must be approved by an OFSS Supervisor in the system before a payment request is approved.

Payment Management

The payment management unit of OFSS provides information to the appropriation accounting unit so that federal funds can be drawn. The federal draw down request is reviewed and approved by an OFSS supervisor prior to the draw down request being processed. All funds are electronically transferred to the State Treasurer's central depository account to be used to liquidate the payables. The financial reporting of the expenditure and revenue activities is prepared by the appropriate accounting unit. All reports are prepared by one employee and reviewed by the appropriate manager prior to release of the report/statement.

The process within OCD begins at the program level. Program and Project Managers have established application review processes that include confirming project information provided by

grantees and subrecipients, with an emphasis on duplication of benefits, valid project descriptions, confirmed sources of funding, eligible activity and CDBG-DR National Objective.

Internal Auditing

The grantee's internal auditor is independent; that function is provided by DOA's Internal Audit Section, which reports to the Commissioner of the Division of Administration.

The Division of Administration Internal Audit Section's Audit Charter defines its scope of responsibilities as follows:

"The scope of the internal audit function is to determine whether the DOA's network of risk management, control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various departments occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Employee's actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programs, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the DOA's control process; and
- Significant legislative or regulatory issues impacting DOA are recognized and addressed properly."

In the FY 2019 Internal Audit Plan fraud is a risk factor that is considered each year as a component in the Internal Audit Section's overall Risk Assessment for DOA, of which OCD is included.

An excerpt from the audit plan is as follows:

"In an effort to evaluate risk and identify what sections within DOA would benefit from an audit by the Internal Audit Section, we asked each section or agency head to complete a risk assessment questionnaire. The results of the questionnaires were used to help determine where audit resources should be focused in Fiscal Year 2016. In addition, this risk assessment

instrument will identify where internal controls need to be strengthened and where operations within the DOA may need to become more efficient.”

The questionnaire was divided into nine areas and included several questions under each area. Each area was assigned a particular weight factor. The weight factors are reviewed each year and are based on auditor judgement and consideration of the importance of each area as it relates to risk.

Training

OCD holds CDBG training for the State and its subrecipients which will include the Detection of Fraud, Waste, and Abuse. This training will comply with all Federal Register Notices regarding training requirements.

Responsible Party: The responsible party for substantial Action Plan Amendments for both CDBGDR and CDBGMIT grants will be the Program Director and may be contacted at 225-219-9600.