

DEPARTMENT OF PUBLIC SERVICE

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 8, 2022

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Department of Public Service



August 2022

Audit Control # 80220031

Introduction

The primary purpose of our procedures at the Department of Public Service (Department) was to evaluate certain controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

Results of Our Procedures

We evaluated the Department’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the Department’s controls, our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to payroll expenditures, professional service contracts, and Public Utilities Audit Division reports.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in the Department’s procedural report dated September 23, 2020. We determined that management has resolved the prior-report finding related to Weakness in Controls over Payroll.

Payroll Expenditures

Approximately 83% of the Department’s expenditures consists of salaries and related employee benefits. We obtained an understanding of internal control over the time and attendance function and reviewed all electronic timesheet and leave approvals in the payroll system from the period June 28, 2021, through March 6, 2022. Based on the results of our procedures, the Department had adequate controls in place to ensure timely certification, review, and approval of employee time and attendance records.

Professional Service Contracts

We obtained an understanding of the Department's controls over professional service contracts; reviewed the active contracts as of February 28, 2022; and tested a sample of payments on those contracts for the period July 1, 2020, through February 28, 2022. Based on the results of our procedures, the Department had adequate controls in place to ensure that professional service contracts were initiated in accordance with state procurement policies, laws and regulations, and payments were made in accordance with contract requirements.

Public Utilities Audit Division Reports

The Department's Public Utilities Audit Division's mission is to ensure that the rates for services passed on to the citizens of Louisiana by regulated utility and common carrier companies are based on reasonable, allowable, recoverable operating costs and prudent investments. The Division's in-house staff is assigned approximately 155 cases each year. We obtained an understanding of the Department's policies and procedures for monitoring rates and selected a sample of "in-house" audit cases for applications filed after July 1, 2020, with a report issued before March 31, 2022, related to rate stabilization plans, formula rate plan annual reports, and rate cases for review. Based on the results of our procedures, the Department had adequate controls in place to ensure that "in-house" audits were performed in accordance with Department policies, reviewed, and adequately supported.

Trend Analysis

We compared the most current and prior-year financial activity using the Department's Annual Fiscal Reports and/or system-generated reports and obtained explanations from the Department's management for any significant variances.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Service (Department) for the period from July 1, 2020, through June 30, 2022. Our objective was to evaluate certain controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the Department's Annual Fiscal Reports, and accordingly, we do not express an opinion 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.

- We evaluated the Department's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Department.
- Based on the documentation of the Department's controls, our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to payroll expenditures, professional service contracts, and Public Utilities Audit Division reports.
- We compared the most current and prior-year financial activity using the Department's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Department's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the Department, and not to provide an opinion on the effectiveness of the Department'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 purpose.