

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Corrections Services
Department of Public Safety
and Corrections
State of Louisiana
Baton Rouge, Louisiana

November 10, 1999



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Senator J. "Tom" Schedler, Chairman
Representative Francis C. Thompson, Vice Chairman

Senator Robert J. Barham
Senator Wilson E. Fields
Senator Thomas A. Greene
Senator Craig F. Romero
Representative F. Charles McMains, Jr.
Representative Edwin R. Murray
Representative Warren J. Triche, Jr.

LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Twenty-six copies of this public document were produced at an approximate cost of \$38.74. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. A copy of this document is available on the Legislative Auditor's Web site at www.la.state.la.us.

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 Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

**CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated November 2, 1999**

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 has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

November 10, 1999



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

November 2, 1999

**CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1999, we conducted certain procedures at the Department of Public Safety and Corrections, Corrections Services. Our procedures included (1) a review of certain departmental internal controls; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior report recommendations.

The June 30, 1999, Annual Fiscal Reports of the Department of Public Safety and Corrections, Corrections Services, was not audited or reviewed by us, and, accordingly, we offer no form of assurance on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and other selected departmental personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report on Corrections Services dated February 24, 1999, we reported findings relating to improper expenditures for food and household supplies; improper procurement practices; wardens of Louisiana State Penitentiary and Dixon Correctional Institute do not live on prison grounds; inadequate controls over federal program reports and expenditures; improper accumulation of compensatory leave; inadequate use of internal audit division; electronic data processing control weaknesses; and unfavorable budget variance. All of the findings have been resolved by management, except for the findings relating to the wardens of Louisiana State Penitentiary and Dixon Correctional Institute not living on prison grounds and the ineffective use of the internal audit division, which are addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

LEGISLATIVE AUDITOR

**CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA**

Management Letter, Dated November 2, 1999

Page 2

**Wardens of Louisiana State Penitentiary
and Dixon Correctional Institute
Do Not Live on Prison Grounds**

For the fourth consecutive year, the wardens of Louisiana State Penitentiary (LSP) and Dixon Correctional Institute (DCI) did not reside at their respective institutions. It would be prudent for the department to employ the most effective methods relating to its housing and vehicle expenses and the on-site management of its correctional institutions by providing housing for the wardens of LSP and DCI at their respective institutions.

We have been informed that the current LSP warden does not reside at the institution because the warden's residence at Angola has been seriously damaged. The LSP warden was appointed to that position on March 23, 1995, and was previously employed as the warden of DCI at Jackson, Louisiana. However, he continues to reside in a house at DCI, approximately 34 miles one way from LSP. As a result, the department is currently incurring additional commuting costs for him to travel back and forth from DCI to LSP.

In addition, the current DCI warden receives a housing allowance totaling \$4,810 per year, and the department is incurring additional commuting costs because he has been displaced by the LSP warden. The DCI warden resides in a private home approximately seven miles from the institution and, as a result, neither warden is on-site to address emergencies at their respective institutions.

Corrections Services should review the housing arrangements at LSP and DCI and consider housing the wardens at their respective institutions to provide for immediate on-site availability. Management did not concur with the finding (see Appendix A, page 1).

Ineffective Use of the Internal Audit Division

For the tenth consecutive year, the Department of Public Safety and Corrections, Corrections Services, did not effectively use its Internal Audit Division staff to evaluate the adequacy of its accounting controls. The department created an Internal Audit Division in May 1994. However, because of other management priorities, the department has not effectively used the Internal Audit Division as follows:

LEGISLATIVE AUDITOR

**CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA**

Management Letter, Dated November 2, 1999

Page 3

1. A comprehensive risk-based plan for audits to be performed has not been prepared.
2. Although the division completed several operational reviews at adult and juvenile institutions and work release centers during the year ended June 30, 1999, these reviews did not address significant self-generated revenues, non-payroll expenditures, various inmate accounts, or data processing controls.
3. For the year ended June 30, 1999, the division did not perform any operational reviews on the following:
 - Corrections Services Administration expenditures of \$21,230,272, which includes the Office of the Secretary, Office of Management and Finance, Pardon Board, Parole Board, and Adult Services
 - Sheriffs' Housing of State Inmates expenditures of \$114,129,473, which paid approximately 125 local government law enforcement entities to incarcerate an average of 13,195 state inmates each week
 - Office of Youth Development expenditures of \$89,283,077, which included payments of \$43,393,598 to 71 contract programs to house or monitor juvenile offenders
 - Adult Probation and Parole expenditures of \$33,375,231, which has 21 district offices that collected \$9,052,729 from persons on probation or parole
 - Federal program expenditures of \$2,786,235

Considering the size and diversity of the department, with assets of \$73,327,092 and revenues of \$540,167,854, as of and for the year ended June 30, 1999, an effective *internal audit function is needed to provide management with assurances that the assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner.*

LEGISLATIVE AUDITOR

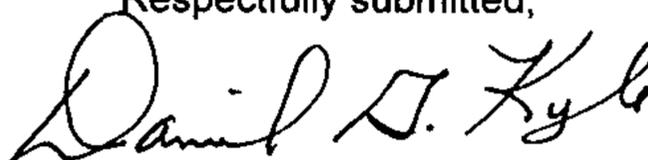
**CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA**
Management Letter, Dated November 2, 1999
Page 4

Corrections Services should effectively use the Internal Audit Division to evaluate the adequacy of its accounting controls. Management of the department does not concur with the finding in that it does not agree that there has been ineffective utilization of the Internal Audit Division. However, the department plans to continue to seek additional resources for the internal audit function (see Appendix A, pages 2 and 3).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on operations of the department should be considered in reaching decisions on courses of action.

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

DL:RCL:PEP:dl

[DPS-CS]

Appendix A

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

DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS



M. J. "MIKE" FOSTER, JR., GOVERNOR

RICHARD L. STALDER, SECRETARY

September 20, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: *Wardens' Residences*

Dear Dr. Kyle:

Regarding your repeat finding concerning the Wardens of Louisiana State Penitentiary (LSP) and Dixon Correction Institute (DCI) not residing on prison grounds, the Department reviewed the housing arrangements at these facilities and determined that the Department is meeting its needs in terms of on-sight availability of management personnel at these two facilities. The current allocation of housing is efficiently addressing the broad spectrum of executive, security, medical, and maintenance staffing requirements.

LSP currently has 105 houses. Many are occupied by various levels of security personnel, including a Deputy Warden 5, 8 Assistant Wardens, 7 Colonels and 2 Lieutenant Colonels. The continued utilization of available resources in making necessary repairs to staff housing rather than rebuilding the warden's residence at LSP will provide the State with a greater return on the investment, in the department's opinion.

DCI currently has three houses. The limited amount of state-owned housing at DCI does not allow for housing assignments for senior level security staff to be on the grounds. Warden Cain's residing at DCI helps to alleviate this problem by being available to assist Warden LeBlanc in addressing potential security problems at DCI. The security experience and support provided to DCI by Warden Cain far outweighs the additional commuting costs that are incurred.

Additionally, Warden LeBlanc has a personal residence within approximately seven miles of the institution. This distance is not significantly greater than the state housing for the institution, which is approximately five miles from the prison grounds. Because of this, Warden LeBlanc's ability to respond to emergencies is not impaired and no significant additional commuting costs are incurred by his utilizing his private residence.

Sincerely,

Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB:dsh

cc: Richard Stalder, Secretary
Johnny Creed, Assistant Secretary/Office of Adult Services
Ron Granier, Chief Fiscal Officer



DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS

RICHARD L. STALDER, SECRETARY

September 7, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Internal Audit Division

Dear Dr. Kyle:

The department does not agree with your finding regarding its ineffective utilization of the Internal Audit Division. The department has continually added to the responsibilities of the Division and utilizes the available resources as effectively as possible. Over the past fiscal year the internal audit staff conducted 45 audits at various correctional facilities. Scopes of these audits included cash handling and management, movable property, inmate offender welfare and organization funds, accounting system reconciliations, canteen operations, budgeting, medical co-pay, indigent supplies and services and warehouse inventories. These audits were effective in providing assurances to management that assets are properly safeguarded, internal control structures are established and operating in accordance with applicable laws and Department Regulations and Procedures are sufficient to prevent or detect errors and irregularities in a timely manner.

The department agrees with your finding in that an adequate internal audit function is needed for the department and that accomplishment of the three items enumerated in your finding would increase its effectiveness. As indicated each year, the department lacks sufficient resources to adequately staff and provide for the needed services in this area. The department has repeatedly requested the resources in the budget to properly staff this function and have repeatedly been denied. Furthermore, the department's workload continues to increase as does statutory reporting requirements. The department is continually asked to provide additional information and services while facing budget and position reductions each year in its administrative appropriation as well as having to absorb expenditure items which are necessary but unfunded.

In spite of this, the department continues to strive to have exemplary performance in all facets of operations. To this end, all institutions have been accredited by the American Correctional Association. The standards that are required to meet ACA accreditation set strict operating requirements on all field units, several of which involve internal controls dealing with the financial aspects of the operations. In order to remain accredited, the department must continue to meet these high standards.

Dr. Daniel G. Kyle, CPA, CFE

September 7, 1998

Page 2

The department continues to conduct operational audits annually for state-run adult units, twice annually for all state-run juvenile units, and quarterly for privately managed units in accordance with Department Regulation C-05-003. The audit teams include representatives from both the Office of Youth Development and Adult Services, and the Office of Management and Finance Personnel and Payroll and Fiscal Services division (see attached). The purpose of this regulation is to provide ongoing audits of institutional programs to insure compliance with Department Regulations and Policies. It includes review of policy, procedures, and relevant documentation (normally in the ACA file) and such inspection/verification as may be needed to determine compliance status with key ACA standards, several of which deal directly with internal controls on several of the key financial areas in the institutions. The department also requires all operating units to report monthly operating data to top management of the department through Department Regulation C-05-001, a copy of which is attached.

The department will continue to seek additional resources and to strive to have an effective internal audit division given the available resources. Whatever assistance your office could provide in informing the legislature and other decision makers as to the pressing need to have these functions funded for the executive departments would certainly be appreciated.

Sincerely,



Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB:dsh

cc: Richard Stalder, Secretary
Ron Granier, Chief Fiscal Officer
Internal Audit