

DEPARTMENT OF STATE CIVIL SERVICE

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Procedural Report
Issued September 20, 2023

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Department of State Civil Service



September 2023

Audit Control # 80230057

Introduction

The primary purpose of our procedures at the Department of State Civil 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.

The agencies included within the Department are State Civil Service, Ethics Administration, Division of Administrative Law, and Municipal Fire and Police Civil Service.

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 and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to the processing of late fees by the Board of Ethics, revenue collections from state agencies, information technology access, and payroll and personnel.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in the Department's procedural report dated August 4, 2021. The prior-report finding related to the Louisiana Board of Ethics – Weakness over Submitting Delinquent Debt for Collection has not been resolved and is addressed again in this report.

Current-report Finding

Louisiana Board of Ethics

Weakness over Submitting Delinquent Debt for Collection

For the fourth consecutive engagement, the Louisiana Board of Ethics (BOE) is not timely submitting delinquent debts to the Attorney General (AG) for collection. As of April 19, 2023, the BOE website noted 2,476 outstanding late fees totaling \$3.6 million from campaign finance disclosure reports, lobbying expenditure reports, and personal financial disclosure statements. Per Louisiana Revised Statute 47:1676, BOE is required to submit all debts to the AG for collection when the debt has been delinquent for 60 days.

In a test of 30 late fees dated from July 1, 2021, to April 19, 2023, the following was identified:

- For 11 (37%) late fees, the demand letter for collection was not sent, which prevented the debt from being established as delinquent and caused the debt not to be sent to the AG for collection.
- For 14 (47%) late fees, the demand letter for collection was sent late, which delayed the debt from being established as delinquent. Two of the 14 late fees have been sent to the AG.
- For one (3%) late fee, the notification of the BOE's appeal decision has been undeliverable, which prevented the debt from being established as delinquent and being sent to the AG for collection.

Per BOE, this occurred primarily due to a lack of staffing to process the late fees. A recent appropriation of funding will allow for an additional position to assist with collection efforts.

BOE's process includes: [1] send a certified mail notice/order that the entity failed to file and advise of late fees and wait for the return receipt; [2] after verified receipt, wait 20 days (which is the due date) to receive payment or allow for requests of waivers or appeals to expire; [3] if after 30 days past the due date, payment or request for waivers/appeals is not received, send demand letter and wait 30 days until debt is considered delinquent by BOE; and [4] wait an additional 30 days and then send delinquent debt to the AG for collection. Failure to follow BOE policy in sending required correspondence at designated times caused delinquent debts to be sent untimely for collection.

BOE management should continue its efforts to minimize delays in transmitting delinquent debts to the AG to comply with agency policy and state law. Management concurred that all efforts should be taken to minimize any delays to transmit the debts to the AG; asserted it complies with Louisiana Revised Statute 47:1676; and

provided that BOE continues to evaluate staffing needs, reallocate staff, and improve its current process (see Appendix A).

Processing of Late Fees by the Board of Ethics

We obtained a basic understanding of the BOE's process and controls over the assessment and collection of late fees, and the submission of delinquent debts related to the late fees to the AG for collection. We performed procedures on selected transactions to determine if controls were operating effectively to process late fees and ensure delinquent debts were submitted timely to the AG. Based on the results of these procedures, we determined that the Board of Ethics should improve its efforts to minimize delays in sending delinquent debts to the AG (see *Current-report Finding* section).

Revenue Collections from State Agencies

Approximately 94% of the State Civil Service's (SCS) revenue collections are interagency transfers (IAT) from state agencies. The IAT revenues are used by SCS for the cost of operating the state civil service system and instituting, developing, conducting, and otherwise providing in-service training and educational programs.

During fiscal Years 2022 and 2023, SCS determined the amount billed to state agencies each fiscal year based on Louisiana Revised Statute (R.S.) 42:1383.A. This statute allows SCS to bill each state agency an amount not to exceed nine-tenths of one percent of annual gross salaries of state classified employees within each agency, as reflected in the records maintained by the Department.

We obtained an understanding of SCS's internal controls over interagency revenues. We compared amounts billed to amounts paid for fiscal years 2022 and 2023. Based on the results of our procedures, SCS has adequate controls in place to ensure that revenue collections were assessed, billed, and collected properly and that SCS' billing complied with revised statute requirements.

Information Technology Access

We performed procedures to determine whether information technology access to LaGov was restricted to business-need only and access was adequately segregated. In addition, we selected all employees who terminated their employment at the Department during the two fiscal years ending June 30, 2023, as of April 28, 2023, and compared the employee's date of termination to the date access was removed from the LaGov system. Based on the results of our procedures, the Department had adequate controls in place to ensure that access was properly restricted, access was adequately segregated, and terminated employees' access to the system was removed timely.

Payroll and Personnel

Salaries and related benefits comprise approximately 87% and 84% of the Department's expenditures in fiscal year 2022 and fiscal year 2023 through December 31, 2022, respectively. We obtained an understanding of the Department's controls over the time and attendance function and reviewed selected employee time statements and leave records. In addition, we reviewed LaGov reports to identify payouts of annual and sick leave to ensure the payouts followed Civil Service policy. Based on the results of our procedures, the Department had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, leave taken was properly accounted for, and leave payout followed Civil Service policy.

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.

Other Report

On August 18, 2022, an informational brief was issued by Louisiana Legislative Auditor's (LLA) Performance Audit Services. This informational brief provides the results of the review of information and statistics related to optional pay adjustments for classified employees at the Department. This report is available on the LLA website.

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

CS:AD:RR:BQD:aa

DSCS2023

APPENDIX A: MANAGEMENT'S RESPONSE



STATE OF LOUISIANA
DEPARTMENT OF STATE CIVIL SERVICE
LOUISIANA BOARD OF ETHICS
P. O. BOX 4368
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1-800-842-6630
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August 8, 2023

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Weakness over Submitting Delinquent Debt for Collection

Dear Mr. Waguespack,

Please accept this as the official response to the reportable audit finding for the Ethics Administration Program.

Legislative Auditor Comment

Weakness over Submitting Delinquent Debt for Collection.

Agency Response

The Louisiana Legislative Auditor suggests that the Ethics Administration Program (the "Agency") should improve its efforts to minimize delays in transmitting delinquent debts to the Attorney General's Office to comply with Agency policy and state law and minimize delays in transmitting delinquent debts to the Attorney General's Office. While the Agency concurs that all efforts should be taken to minimize any delays to transmit the debts to the Attorney General's Office, it asserts that it does comply with the statutory provisions in R.S. 47:1676. After providing the requisite notices and waiting 60 days as required by the statute, the agency is required to authenticate the debt prior to sending it to the Attorney General's Office pursuant to R.S. 47:1676C(2)(a). Determining the finality of a judgment is a manual process, which during normal times can be time-consuming to ensure that all required statutory notices have been received, all delays have expired, and all notices pursuant to R.S. 47:1676 have been provided.

Due to changes in the United States Postal Service's procedures in response to COVID-19 for delivery of certified mail, the process to determine the finality of judgments has continued to take additional time. In 2021, the Agency began using the services of local sheriffs to serve the requisite notices. Therefore, when mail is returned, and an accurate address for the late filer is determined, the Agency is using the services of local sheriffs to serve the filer with the requisite notice.

I am keenly aware of the Agency's duty to ensure that all debts are examined to determine that a debt is owed and that it is final and legally collectible, as well as its duty to transfer that final debt to the Attorney General's Office. However, prior to 2023, both the Disclosure and Campaign Finance Divisions had only one employee to perform the job role of issuing Late Fee

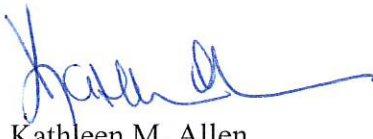
August 8, 2023

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Orders, receiving and processing waiver requests, processing payments, sending demand letters and transferring delinquent accounts to the Attorney General's Office for collection. After repeated requests for an additional position, the Agency received an appropriation of funding for a position to assist with collection efforts. Given the additional position, which was filled on November 14, 2022, the Agency is continuing to evaluate the staffing needed to handle the increasing volume of Late Fee Orders issued, the research and processing of returned mail for unclaimed and refused Late Fee Orders, the issuance of final demand letters, and the submission of delinquent debt to the Attorney General's Office for collection.

Given the past and current audit findings, the Ethics Administration Program will continue to evaluate its staffing needs and reallocate staff. It is the objective of this Agency to continue to improve its current process and to address the concerns of the Auditor. I or Kristy Gary, Deputy Ethics Administrator, can be contacted at (225) 219-5600 if additional information is needed.

Sincerely,



Kathleen M. Allen
Ethics Administrator

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of State Civil Service (Department) for the period from July 1, 2021, through June 30, 2023. 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 controls 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 and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to the processing of late fees by the Board of Ethics, revenue collections from state agencies, information technology access, and payroll and personnel.
- 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 the 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.