

DEPARTMENT OF STATE CIVIL SERVICE

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 19, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of State Civil Service



June 2019

Audit Control # 80190044

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 to provide accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

The agencies included within the Department are State Civil Service, Ethics Administration Program, 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 on selected controls and transactions relating to movable property, payroll and personnel, and the processing of late fees by the Board of Ethics.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in the Department's procedural report dated June 21, 2017. We determined that management has resolved the prior-report finding related to Inadequate Controls over the Division of Administrative Law Financial Reporting. 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 second consecutive engagement, the Louisiana Board of Ethics (BOE) is not timely submitting delinquent debts to the Attorney General (AG) for collection. As of January 16, 2019, the BOE website noted 1,944 outstanding late fees totaling \$2.4 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 22 late fees dated from July 1, 2017, to January 16, 2019, the following was identified:

- Eight (36%) late fees were either sent untimely for collection or had not been sent as of March 2019.
- For nine (41%) late fees, the demand letter for collection was sent late, which delayed the debt from being established as delinquent and caused the debt to be sent untimely for collection.
- Two (9%) late fees had certified letters returned as undeliverable, which prevented the debt from being established as delinquent and being sent for collection.

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 for 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 improve its efforts to comply with agency policy and state law and minimize delays in transmitting delinquent debts to the AG. Management concurred that all efforts should be taken to minimize any delays to transmit the debts to the AG and provided that BOE continues to improve its policy (see Appendix A).

Movable Property

We obtained and reviewed the Certifications of Annual Property Inventory for fiscal years 2018 and 2019, totaling approximately \$1.5 million each year for the Department's four agencies, to

determine if there was an excessive amount of unlocated property. Our procedures determined that the department complied with state property regulations related to annual property certifications and the reported unlocated property was reasonable.

Payroll and Personnel

Salaries and related benefits comprise approximately 84% of the Department's expenditures in fiscal years 2018 and 2019. We obtained an understanding of the Department's controls over the time and attendance function and reviewed selected employee time statements and leave records. 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, and leave taken was properly accounted for.

Board of Ethics Processing of Late Fees

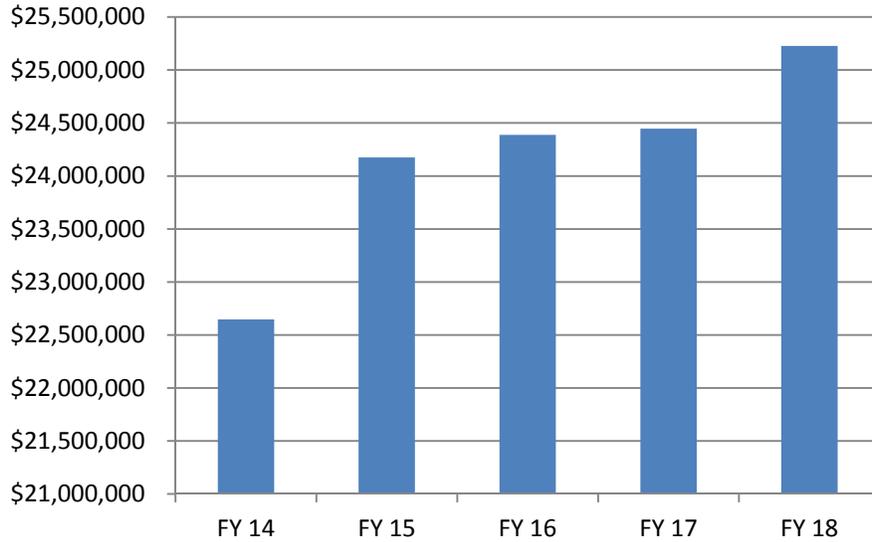
We obtained a basic understanding of the Board of Ethics' process and controls over the assessment and collection of late fees, and the submission of delinquent debts related to the late fees to the Attorney General's Office (AG) for collection. We performed procedures on selected transactions to determine 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).

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. We also prepared an analysis of five years of expenditures.

As shown in Exhibit 1, the Department's expenditures have increased over the past five years. According to management, the approximate \$780,000 increase in fiscal year 2018 over fiscal year 2017 occurred primarily for two reasons: (1) market rate adjustments that were given state-wide, which increased salaries and related benefits, and (2) an increase in the retirement contribution rate.

Exhibit 1
Five-Year Expenditures Trend, by Fiscal Year (FY)



Source: Fiscal Year 2014-2018 ISIS Data

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

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

TWD:AD:RR:EFS:aa

DSCS 2019

APPENDIX A: MANAGEMENT'S RESPONSE



STATE OF LOUISIANA
DEPARTMENT OF STATE CIVIL SERVICE
LOUISIANA BOARD OF ETHICS
P. O. BOX 4368
BATON ROUGE, LA 70821
(225) 219-5600
FAX: (225) 381-7271
1-800-842-6630
www.ethics.la.gov

May 31, 2019

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

RE: Weakness over Submitting Delinquent Debts for Collection

Dear Mr. Purpera,

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

Legislative Auditor Comment

The Ethics Administration Program did not timely submit delinquent debts to the Attorney General for collection.

Agency Response

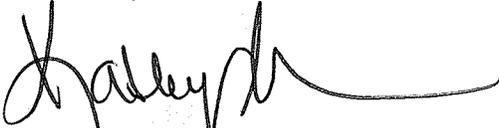
The Auditor suggests that the agency should improve its efforts to comply with agency policy and state law and minimize delays in transmitting delinquent debts to the AG. While the Agency concurs that all efforts should be taken to minimize any delays to transmit the debts to the Attorney General's Office, it continues to comply with the statutory provisions in R.S. 47:1676. The Agency continues to improve its policy to determine the finality of judgments, as well as setting time frames for the transfer of final debts to the AG's Office. Subsequent to the last audit, workflows and computer-generated reports were developed and implemented. These tools have been developed within the database to ensure that the process to determine the finality of debt and the transfer of the final debts are made to the AG's Office. 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 AG's Office pursuant to R.S. 47:1676C(2)(a). Most of this work requires a manual process that is 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.

Management understands its duty to ensure that all debts are examined to determine that a debt is owed, that it is final and legally collectible in tandem with its corresponding duty to transfer that final debt to the AG's Office. While the agency has experienced a lack of resources and only one position responsible for such duties, the Agency is committed to improving oversight on the procedures.

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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,

A handwritten signature in black ink, appearing to read 'Kathleen M. Allen', with a long horizontal flourish extending to the right.

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, 2017, through June 11, 2019. Our objective was to evaluate certain controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which are 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 the results of our analytical procedures, we performed procedures on selected controls and transactions relating to movable property, payroll and personnel, and the processing of late fees by the Board of Ethics.
- 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.