

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



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED SEPTEMBER 25, 2019

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Public Safety and Corrections – Public Safety Services

September 2019

Audit Control # 80190086

Introduction

The primary purpose of our procedures at the Department of Public Safety and Corrections – Public Safety Services (DPS) was to evaluate certain controls DPS 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.

Results of Our Procedures

We evaluated DPS’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 DPS’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 cash, capital assets, payroll, LaCarte purchasing card expenditures, and certain statutory dedications.

Follow-up on Prior-report Findings

We reviewed the status of certain prior-report findings in DPS’s procedural report dated December 10, 2018. We determined that management has resolved the prior-report findings related to Noncompliance with LaCarte Purchasing Card Policies and Procedures and Lack of Adherence with Policies and Procedures over Office of Motor Vehicle (OMV) Cash. The prior-report findings on the Lack of Adherence to Controls over Payroll as it relates to OMV and Weaknesses in Controls over Louisiana State Police Property (LSP) have not been resolved and are addressed again in this report.

Current-report Findings

Improper Revenue Collection for the Liquefied Petroleum Gas Commission Rainy Day Fund

The Liquefied Petroleum Gas Commission (Commission) within DPS did not properly collect Liquefied Petroleum Gas Commission Rainy Day Fund (Fund) permit fees, filing fees, penalties, and interest revenue. In addition, the Commission did not make timely deposits in accordance with state requirements.

The Commission is authorized to assess and collect fees for annual permits, registrations, and personnel qualifications related to the storage, sale, and transportation of liquefied petroleum gases over the highways of the state, the installation of tanks or systems for the use of liquefied petroleum gases (LPG), and the installation and use of liquefied petroleum gas appliances. Louisiana Revised Statute (R.S.) 40:1849 authorizes the Commission to fix the permit fee in an amount not to exceed four-tenths of one percent (0.4%) of the gross annual sales of LPG by the dealer or permit holder, with a minimum permit fee of \$75. Through Louisiana Administrative Code (LAC) Title 55, Part XI §107, the Commission has set permit fee renewals at the greater of \$150 per location or 0.1369% of gross annual sales of LPG.

Funds received by the state or by any state board, agency, or commission are required to be deposited immediately upon receipt in the State Treasury by Article VII, Section 9 (A) of the Louisiana Constitution. The Office of Statewide Reporting and Accounting Policy generally defines “immediately” as within 24 hours of receipt.

Our procedures on Fund revenue collections during July 1, 2016, through June 30, 2018 disclosed the following:

- The Commission did not include the correct rates on the Liquefied Petroleum Gas application and permit renewal forms. Failure to assess the correct fees as authorized resulted in forgone revenues of approximately \$5,334 for nine (33%) of 27 permits reviewed.
- The Commission overcharged two permit holders approximately \$27,000. The Commission’s assessment of \$150 per location for these two permit holders exceeded the maximum 0.4% of gross annual sales set in statute.
- The Commission did not include the correct penalty and interest rates on its permit renewal forms. Three items in our review were incorrectly assessed penalties and interest, resulting in an overcharge of a total of \$554 on two permit renewals and an undercharge of \$34 on one permit renewal. We also identified one additional permit renewal which was not assessed a penalty and interest fee but should have been assessed approximately \$46 based on the date the application was stamped received by the Commission.

- For one of the 27 permits reviewed, we were unable to determine if the correct renewal fee was collected because the form submitted did not report the number of locations or the amount of gross annual sales.
- For 17 (63%) of 27 permits reviewed, the fees collected were not deposited immediately in the State Treasury, as required. Fees totaling \$37,540 were deposited between 4 and 76 days after collection. In addition, we were unable to determine the time to deposit for two items totaling \$101,945, because the Commission did not document the date of receipt.

The Commission did not update permit application and renewal forms to accurately reflect fees as established in the Louisiana Administrative Code. In addition, detailed reviews of application renewal forms were not performed to ensure that all required information was included on the forms, assessed fees did not exceed the maximum established by statute, and fee collections were timely deposited. Inaccurate assessment of fees as established by state laws and regulations could result in forgone revenues for the state or overcharges to permit holders. In addition, incomplete permit renewal forms and untimely deposits increase the risk that fraud and/or errors could occur and not be detected in a timely manner as well as reducing interest earned on deposits.

Commission management should ensure that policies and procedures are adequately designed and consistently implemented to properly assess and safeguard fee collections, adequate documentation is submitted and retained, and deposits are made timely. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Lack of Adherence to Controls over Payroll

For the second consecutive engagement, the DPS OMV did not timely certify and approve time sheets.

OMV utilizes electronic time sheets in the Cross-Application Time Sheet (CATS) system. For the period between November 5, 2018, and April 7, 2019, we noted the following:

- 430 (8%) of 5,604 time sheets were not certified by the employee or were certified between 3 and 118 days (or an average of 26 days) after the payroll posting date.
- 2,122 (38%) of 5,604 time sheets totaling approximately \$3.2 million in salaries, wages, leave, and overtime paid, had not been approved by the supervisor prior to payroll processing. At the time of our testing, 1,491 time sheets had not been approved by a supervisor and 631 time sheets were approved by the employees' supervisor between 3 and 83 days (or an average of 21 days) after the payroll posting date.

DPS payroll policy requires time sheet approvers to ensure entries are submitted by subordinate employees by the close of the applicable pay period. Approvers are also responsible for reviewing certified time sheets for accuracy and immediately approving or rejecting the certified

time statement. Action should be taken on timesheets no later than the Wednesday following the close of the pay period.

OMV employees did not adhere to controls over payroll to certify and approve hours actually worked. As a result, there is an increased risk that errors and/or fraud could occur and not be detected in a timely manner.

Management should ensure employees comply with existing policies and procedures, including properly certifying and approving time sheets in a timely manner. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Weaknesses in Controls over Louisiana State Police Property

For the second consecutive engagement, LSP did not ensure that all property purchased by the department was timely tagged and recorded in the state property system and properly safeguarded in accordance with state property regulations.

The Louisiana Administrative Code requires all movable property items having an original acquisition cost of \$1,000 or more to be tagged with a uniform state of Louisiana identification tag and all pertinent inventory information forwarded to the Louisiana Property Assistance Agency (LPAA) within 60 calendar days after receipt of the items.

Our procedures disclosed the following:

- Based on the information entered into LPAA's Asset Management Platform (AMP) System as of March 31, 2019, there were five items valued at \$37,806 entered into AMP between 151 and 2,487 days (or an average 807 days) after receipt.
- In a test of 30 property items acquired or added to AMP between November 1, 2018 and March 31, 2019, eight items (26.7%) totaling \$41,095 were not entered into AMP within 60 days of receipt. The time between the acquisition date of the asset and entry into AMP ranged from 77 to 1,420 days (or an average 295 days). In addition, three of the eight items were not physically tagged at the time of testing.
- The acquisition cost entered into AMP for five (16.7%) of the 30 items did not agree to the purchase amount per invoice or receipt. The total cost of three assets was overstated by \$31,129, and the total cost of two assets was understated by \$4,816.
- We identified 28 items totaling \$27,074 in AMP as of April 4, 2019, that were listed as assigned to LSP employees who retired, resigned, or transferred from employment. While the department asserts that it retained possession of the assets, LSP did not timely update the asset location or employee responsible field in AMP. The days between separation from the agency and change in the system

ranged between 25 and 292 days (or an average of 88 days). For six of the 28 items, neither the assigned LSP employee nor location was changed in AMP.

LSP's movable property function is hampered by inaccurate and incomplete information included in AMP; the decentralization of movable property at various locations; and a lack of consistent application of movable property policies and procedures across locations. Failure to comply with state property regulations increases the risk that assets may be misreported, lost, or stolen.

LSP management should ensure that information included in AMP is accurate and complete through reconciliations to purchases per the accounting system; movable property policies are consistently applied at all LSP locations; and centralized receiving locations are established. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

Cash

DPS collects cash for various vehicle and driver services provided by OMV field offices located throughout the state. We obtained an understanding of controls over cash at OMV field offices, including transaction processing, recording, and reconciliation; voided transactions; and management oversight of field office personnel. We performed tests of selected transactions, voids, regional management site visits, and office management transaction and cash drawer audits. Based on the results of our procedures, DPS had adequate controls in place over cash collections at selected OMV field offices.

Capital Assets

We obtained an understanding of controls over capital assets for LSP. We obtained and reviewed the 2018 Certification of Annual Property Inventory for LSP assets totaling approximately \$139.7 million to determine if there was an excess amount of unlocated property. Based on the procedures performed, we did not identify an excess amount of unlocated property for LSP.

To follow-up on the prior-report finding, we performed procedures to determine if assets were safeguarded, timely tagged, and accurately recorded in the LPAA database as required by state property regulations. We also reviewed controls over the assignment of assets to agency personnel to determine if there were adequate controls in place upon separation of employment and transfer of assets. Based on the results of our procedures, a repeat finding on Weakness in Controls over LSP Property is included in the Current-report Findings section of this report.

Payroll

DPS salaries and related benefits totaled approximately \$280 million in fiscal year 2019. We obtained an understanding of DPS's controls over the time and attendance function. We analyzed system reports for the time period of November 2018 through March 2019 to determine the timeliness of employee certifications and approvals for those employees of the Office of Management and Finance (OMF), LSP, OMV, and the Louisiana Highway Safety Commission (LHSC) utilizing the CATS system. We reviewed selected employee time statements and overtime records at LSP. Based on the results of our procedures, DPS had controls in place to ensure that time sheets were timely certified and approved by employees of OMF, LSP, and LHSC and overtime recorded in the payroll system for LSP employees agreed to supporting timesheets. However, a finding on Lack of Adherence to Controls over Payroll related to the timely review and approval of employee time statements at OMV is included in the Current-report Findings section of this report.

LaCarte Purchasing Card Expenditures

DPS OMF participates in the state of Louisiana's LaCarte purchasing card program for general office supplies, facility maintenance and administrative expenses. We obtained an understanding of DPS's controls over access to and use of these cards. We analyzed LaCarte card transaction listings for the period of October 5, 2018, through March 5, 2019, and reviewed selected transactions to verify that purchases were approved, made for proper business purposes, supported by sufficient documentation, and properly reconciled to invoices and receipts. For acquisitions of assets valued over \$1,000, we verified that assets were properly tagged and entered into the LPAA database for asset management. We also analyzed selected transactions for possible split purchases. Based on the results of our procedures, OMF has adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Statutory Dedications

DPS receives a number of statutorily dedicated funds, including the Liquefied Petroleum Gas Commission Rainy Day Fund (R.S. 40:1849) and the Explosives Trust Fund (R.S. 40:1472.20), which include restrictions on the use of such funds.

The Liquefied Petroleum Gas Commission Rainy Day Fund (LPG Fund) includes fees, penalties and interest, and other revenues received by the Commission for annual permits, registrations, and personnel qualifications related to the storage, sale, and transportation of liquefied petroleum gases over the highways of the state, the installation of tanks or systems for the use of liquefied petroleum gases, and the installation and use of liquefied petroleum gas appliances. Monies in the fund are used for Commission administration expenses.

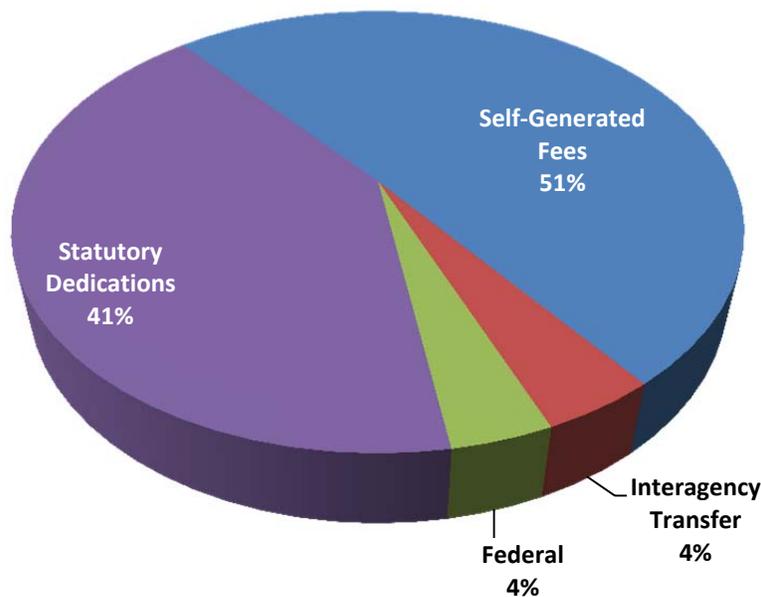
The Explosives Trust Fund (ETF), which is administered by the Emergency Services Unit of the LSP, includes funds collected for explosive licenses and civil penalties for violations. Monies in the ETF shall be used solely to support staffing, training, and the acquisition of equipment necessary for the handling of incidents involving the threat or actual use of explosive or explosive devices which threaten the safety of the citizens of Louisiana.

We performed procedures on the selected statutory dedicated funds to determine that procedures were in place to adequately collect all required fees and appropriately classify collections to the required fund in accordance with state laws. We identified the related expenditures and determined if the expenditure of funds complied with statutory restrictions. Based on the results of these procedures, ETF revenue collections and ETF and LPG Fund expenditures complied with state law. A finding related to revenue collections of the LPG Fund is included in the Current-report Findings section of this report.

Trend Analysis

We compared the most current and prior-year financial activity using DPS’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from DPS’s management for any significant variances. We also prepared an analysis of revenue by appropriation type for all DPS agencies as of June 30, 2019. As shown in Exhibit 1, self-generated fees and statutory dedications compromised approximately 92% of total revenues of the department as of June 30, 2019.

**Exhibit 1
DPS Revenue by Appropriation Type**



Source: ISIS 2G57 Reports as of 6/30/19 for all DPS agencies.

Other Reports

On April 10, 2019, we issued a management letter report on the Louisiana Highway Safety Commission in which we evaluated the effectiveness of LHSC's internal controls over the Highway Safety Cluster of federal programs and determined whether LHSC complied with applicable laws and regulations for the fiscal year ended June 30, 2018. In addition, we determined whether LHSC management had taken actions to correct the prior-year finding related to the Lack of Controls over Federal Cash Management. As a result of those procedures, we reported findings on Noncompliance with Subrecipient Monitoring Requirements, Weakness in Controls over Federal Vouchering, and Deficiencies in Controls over Payroll. 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,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

AB:NM:RR:EFS:aa

DPSC-PSS 2019

APPENDIX A: MANAGEMENT'S RESPONSES



JOHN BEL EDWARDS
GOVERNOR

Department of Public Safety and Corrections

Public Safety Services

JOHN W. ALARIO
EXECUTIVE DIRECTOR

August 16, 2019

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Audit Finding Response

Dear Mr. Purpera,

On behalf of the Liquefied Petroleum Gas Commission (LPGC), I am responding to the request for response to findings of the Louisiana Legislative Auditor.

With regards to incorrect rates on application and permit renewal forms, LPGC concurs with the auditor's findings and has already taken corrective action. LPGC has reviewed and corrected all forms to reflect the changes made in the Louisiana Administrative Code (LAC) Title 55.

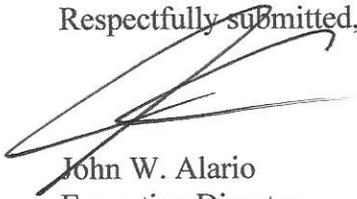
With regards to overcharged of permit holder, LPGC concurs in part with the auditor's findings. In an effort to streamline the Commission's processing and to help Industry with an easier way to do business, LPGC does allow permit holders with multiple locations to use a single permit number. Those with multiple locations would be required to have multiple insurance policies to coincide with different expiration dates. There is a cost savings to both LPGC and Industry in allowing multiple locations under a single permit. LPGC will seek legislation to address this finding.

With regards to incorrect penalty assessment, LPGC concurs with the auditor's findings and has already taken corrective action. LPGC has reviewed and corrected all forms to reflect the changes made in the Louisiana Administrative Code (LAC) Title 55.

With regards to correct permit fee, LPGC concurs in part with the auditor's findings. The auditor assumed that because the permit holder's business name has the "#4" in it, that this permit must be for multiple locations. When in fact this is a single entity. LPGC staff will receive additional training for completing permit renewals.

With regards to timely deposit of fees, LPGC concurs with the auditor's findings and has already taken corrective action. LPGC will return all incomplete applications and payment to those applying for permits. LPGC staff will receive additional training for processing permits.

Respectfully submitted,



John W. Alario
Executive Director

JOHN BEL EDWARDS
GOVERNOR



KAREN G. ST. GERMAIN
COMMISSIONER

State of Louisiana
Department of Public Safety and Corrections
Public Safety Services

OMV-19-09-03
September 6, 2019

Louisiana Legislative Auditor
Daryl G. Purpera, CPA, CFE
P.O. Box 94937
Baton Rouge, La. 70804

Dear Mr. Purpera:

Audit Finding: Lack of Adherence to Controls over Payroll

Please accept this letter as the Office of Motor Vehicles (OMV) official response to the reportable audit finding that noted lack of adherence to controls over payroll by OMV employees.

The agency concurs with the finding. OMV administration is reviewing existing DPS policies and procedures related to payroll entry, certification and approval.

Corrective action has already been initiated to review each payroll entry identified to ensure accuracy of uncertified/unapproved timesheets. The employee that will be responsible for ensuring the continuation of this corrective action plan will be Becky Davis, Motor Vehicle Manager 2, at (225-925-4228) or becky.davis@la.gov.

Sincerely,

Karen G. St. Germain
Commissioner, Office of Motor Vehicles

C: Colonel Kevin Reeves, Deputy Secretary
Lt. Colonel Jason Starnes, Deputy Superintendent
Staci Hoyt, OMV Deputy Commissioner

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JOHN BEL EDWARDS
GOVERNOR

KEVIN W. REEVES, COLONEL
DEPUTY SECRETARY

State of Louisiana
Department of Public Safety and Corrections
Public Safety Services

September 13, 2019
DPS-02-01941-JS

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

Re: Weaknesses in Controls over Louisiana State Police Property

Dear Mr. Purpera:

The Louisiana State Police concurs with the finding related to weaknesses in controls over movable property. The failure to properly enter and update movable property in the property database is a result of employee omission or lapse of attention. A review of the DPS Property Control Procedure Manual confirmed that sufficient procedures are in place when they are followed.

The Department is currently revising the manual due to the recent conversion to LaGov. As a result, the new manual will be distributed to all property custodians and their supervisors. Additionally, training, which will be incorporated into the release, will promote accuracy and uniform enforcement of the property policies and procedures. The Department will continue to address weaknesses of the program in the future.

Responsibility for the corrective action plan rests with Jim Mitchell, Administrative Support Division. The anticipated completion date is December 31, 2019.

Thank you for the opportunity to respond to the audit. If you have any questions, please contact Mr. Mitchell at (225) 922-2842.

Sincerely,

Lt. Colonel Jason S. Starnes
Chief Administrative Officer

CC: Colonel Kevin Reeves
Lt. Colonel Mike Noel

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APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Safety and Corrections – Public Safety Services (DPS) for the period from July 1, 2018, through June 30, 2019. In addition, we performed procedures on certain statutory dedications related to Act 530 of the 2018 Regular Legislative Session. Our objective was to evaluate certain controls DPS 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 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 DPS's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. DPS's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated DPS'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 DPS.
- Based on the documentation of DPS's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, capital assets, payroll, and LaCarte purchasing card expenditures.
- We performed procedures on certain statutory dedications for fiscal years 2017 and 2018 related to Act 530 of the 2018 Regular Legislative Session.
- We compared the most current and prior-year financial activity using DPS's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from DPS'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 DPS and not to provide an opinion on the effectiveness of DPS'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.