

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



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED SEPTEMBER 19, 2018

**LOUISIANA LEGISLATIVE AUDITOR  
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POST OFFICE BOX 94397  
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**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

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**FOR STATE AUDIT SERVICES**  
NICOLE B. EDMONSON, CIA, CGAP, MPA

**DIRECTOR OF FINANCIAL AUDIT**  
ERNEST F. SUMMERVILLE, JR., CPA

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Department of Public Safety and Corrections – Corrections Services

September 2018

*Audit Control # 80180047*

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### Introduction

The primary purpose of our procedures at the Department of Public Safety and Corrections – Corrections Services (Department) was to evaluate certain controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

### 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 movable property, payroll expenditures, inventory, cash, and sheriff housing payments.

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### Current-report Findings

#### Inadequate Controls over Inventory

The Department does not have adequate controls in place to ensure that complete and accurate inventory records are maintained for the Elayn Hunt Correctional Center (EHCC) pharmacy inventory and Allen Correctional Center (ALC) canteen and automotive fuel inventory, increasing the risk of theft and waste, and preventing management from properly monitoring inventory levels. Good internal control includes maintaining complete and accurate inventory records, including a method for accurately accounting for items as they are purchased and used, and reconciling physical inventory counts to inventory records. During our procedures, we noted the following:

- Five (50%) of 10 EHCC non-controlled substance items tested could not be reconciled between the physical inventory count conducted on March 8, 2018, and the inventory records because issuances from the pharmacy to emergency crash carts were not logged, donations from nursing homes were commingled

with inventory but not separately tracked, and inaccurate counts were reported on the quarterly inventory report dated January 3, 2018.

- Nine (75%) of 12 ALC canteen items tested could not be reconciled between the physical inventory count conducted on March 26, 2018, and the inventory records. One of these variances occurred because inaccurate counts were reported on the quarterly inventory report dated December 29, 2017. The cause of the remaining variances could not be determined.
- We observed meter readings at ALC for all diesel fuel on March 14, 2018, and all gasoline fuel on March 26, 2018, but were unable to reconcile these readings to the quarterly inventory report dated December 29, 2017, because the report included readings that were calculated using the wrong measurement conversion, usage logs were inconsistently used or inaccurate, and readings from meters were not working properly. Management implemented new meters, a new daily meter readings report for tanks, and new vehicle log procedures on March 15, 2018. We observed meter readings for diesel fuel tank #1 again on March 26, 2018, and were able to reconcile the new readings, reports, and logs for this tank to our observation on March 14, 2018.

Management should ensure that inventory is adequately safeguarded and purchases, issuances and spoilage, where applicable, are properly tracked and documented so that inventories can be reconciled to the inventory records at any time. Management should also implement procedures to reconcile physical inventory counts to inventory records to ensure that quarterly inventory counts are accurate. EHCC management should develop and maintain a perpetual log for the emergency crash carts and implement a tracking method for donations. ALC management should reconcile the vehicle logs to the meter readings to ensure that all activity, including usage after the afternoon reading, is recorded and meter readings are appropriate. Management concurred with the finding and outlined a plan of corrective action. In regards to the recommendation of implementing a tracking method for donations, management noted that due to the large volume of medications donated, requiring a separate tracking process for donated medications would require additional staffing and negate savings created by the program (see Appendix A, pages 1-2).

### **Inadequate Controls over Payroll**

The Department does not have adequate controls in place to ensure that the Louisiana Correctional Institute for Women's (LCIW) employees certify attendance prior to payroll disbursement, increasing the risk of inaccurate payroll disbursements or leave balances. In a test of LCIW payroll disbursements for the period July 1, 2017, through February 2, 2018, we noted 1 (20%) of 5 time sheets tested that had not yet been certified by the employee more than 31 days after the disbursement of payroll. We expanded tests to the payroll period ending February 25, 2018, and noted 7 (70%) of 10 time sheets tested had not yet been certified by the employees more than 25 days after the disbursement of payroll.

These exceptions occurred because Department Regulation No. A-02-050 requires employees to certify attendance but does not require supervisors to submit the employees' certifications to the

timekeeper prior to payroll disbursement. Instead, the policy requires supervisors to submit the certifications “within a reasonable period of time” and specifies that timekeepers have up to 60 days to ensure that all documentation has been obtained from the employee and the supervisor.

Management should establish and implement a policy to ensure that payroll time sheets are certified and approved prior to the disbursement of payroll. Management concurred in part with the finding indicating attendance is not always certified prior to payroll disbursement and that it will update the policy to give specific timeframes for certifications and shorten the time the administrator has to complete the payroll closeout. However, management does not believe the recommendation to certify time sheets prior to the disbursement of payroll is feasible (see Appendix A, pages 3-5).

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## **Movable Property**

The Department maintains approximately \$70 million of movable property at various locations across the state. We reviewed all 18 Certifications of Annual Property Inventory submitted to the Louisiana Property Assistance Agency between February 13, 2017, and February 23, 2018, to determine whether inventory was performed timely and did not result in an excessive amount of unlocated property. We also obtained an understanding of internal control and tested selected items and transactions from the period July 1, 2017, through January 31, 2018, at Corrections’ Administration (Headquarters), Louisiana State Penitentiary (LSP), LCIW, EHCC, ALC, and Prison Enterprises. Based on the results of our procedures, the Department had adequate controls in place to safeguard movable property, accurately and timely record property in the asset management system, and comply with state movable property regulations.

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## **Payroll Expenditures**

Salaries and related benefits comprised approximately 50% of the Department’s expenditures in fiscal year 2018. We obtained an understanding of internal control over the time and attendance function and tested selected time and leave records from the period July 1, 2017, through January 31, 2018, for Headquarters, LSP, LCIW, EHCC, ALC, and Prison Enterprises. Based on the results of our procedures, the Department had adequate controls in place over the time and attendance function at Headquarters, LSP, EHCC, ALC and Prison Enterprises but did not have adequate controls in place for LCIW (see Current-report Findings).

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## **Inventory**

At June 30, 2018, the Department reported approximately \$23 million in inventory for supplies, commodities, and canteen items. We obtained an understanding of controls over the LSP and EHCC pharmaceutical inventories and the ALC canteen and automotive inventory. We selected items from the quarterly inventory reports as of December 31, 2017, for testing, observed physical counts of the inventory in March 2018, and performed procedures to reconcile the

physical count in March 2018 to the quarterly inventory report. Based on the results of our procedures, we determined that the Department had adequate controls in place for the LSP pharmaceutical inventory but did not have adequate controls in place for the EHCC pharmaceutical inventory or ALC canteen and automotive inventory (see Current-report Findings).

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## **Cash**

The Department is authorized to maintain various bank accounts for managing imprest funds, offender banking and organization accounts, Prison Enterprises' operating account, and other authorized purposes. We obtained an understanding of the Department's controls over reconciling the Prison Enterprises operating account and reviewed all bank reconciliations for the period July 2017 through January 2018. We also obtained an understanding of the Department's controls over reconciling ALC's offender banking and organization accounts, reviewed all bank reconciliations for the period October 2017 through January 2018, and tested selected transactions from the January 2018 bank statement. Based on the results of our procedures, the Department had adequate controls in place for these accounts to ensure timely preparation, review and approval of bank reconciliations and to ensure that transactions in and out of ALC's offender banking and organization accounts are authorized and adequately supported.

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## **Sheriff Housing Payments**

In fiscal year 2018, the Department expended approximately \$169 million for local housing, transitional work programs, and local re-entry programs for state adult offenders. We obtained an understanding of the Department's controls over local housing payments, reviewed management's schedule of local housing audits performed in fiscal year 2018, and selected payments from the period July 1, 2017, through February 28, 2018, for testing. Based on the results of our procedures, the Department had adequate controls in place to ensure that offender location and custody dates from the parish invoice agreed to the Department's records, and amounts paid were authorized, paid at the correct rate, and properly recorded.

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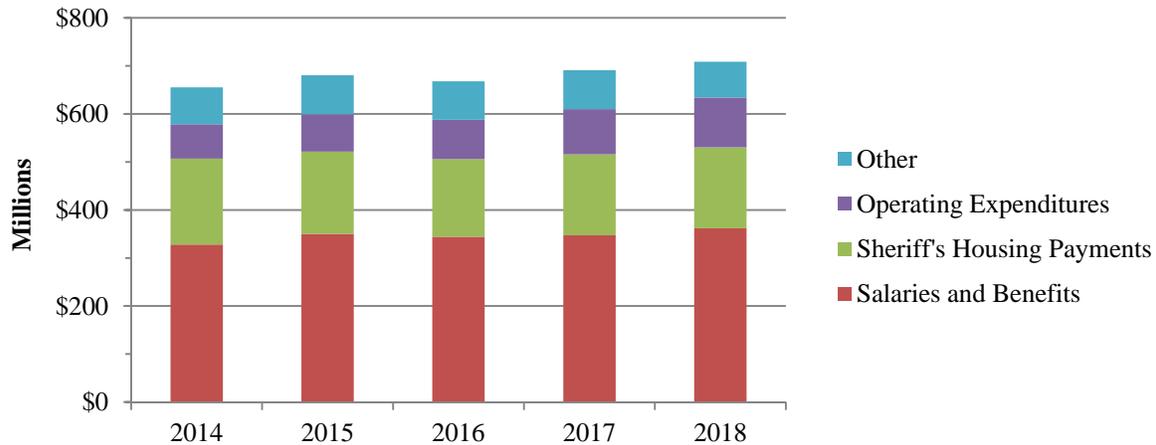
## **Trend Analysis**

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 management for any significant variances. We also prepared an analysis of the Department's expenditures by type (Exhibit 1) and Prison Enterprises' operating revenues and expenditures (Exhibit 2).

Exhibit 1 presents the Department's expenditures, by type, for the nine correctional facilities, Corrections' Administration, Sheriff's Housing, and Adult Probation and Parole. As shown in Exhibit 1, expenditures have remained relatively steady over the past five fiscal years, with fluctuations due to the transfer of offender healthcare expenditures from the public hospitals to

the Department in fiscal year 2015 and reductions to state funding in fiscal year 2016, which were subsequently increased in fiscal years 2017 and 2018.

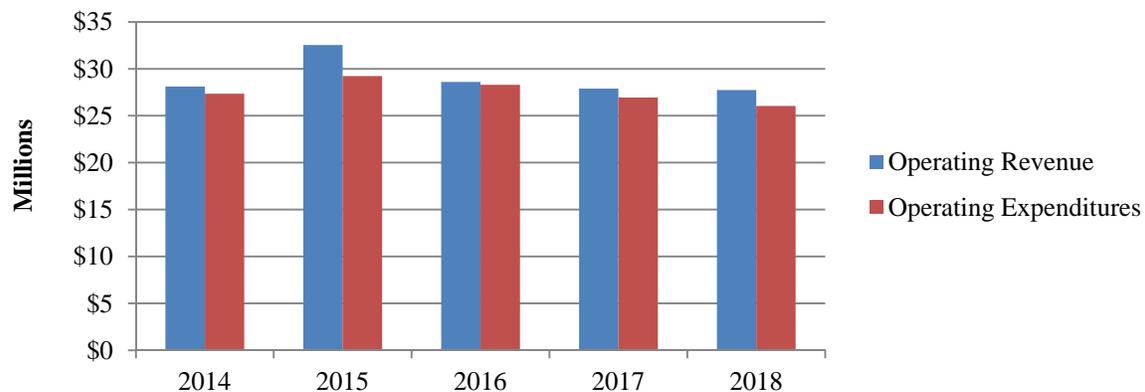
**Exhibit 1  
Expenditures, by Fiscal Year**



Source: Fiscal year 2014-2018 Annual Fiscal Reports

Exhibit 2 presents the operating revenues and expenditures of the Prison Enterprise fund. As shown in Exhibit 2, operating revenue remains steady averaging \$28 million each year, except for fiscal year 2015, when it increased by approximately \$4.4 million due to increased sales of the soybean crop and the increased sales and timing of cattle sales. The operating expenditures of Prison Enterprises have decreased from \$29 million in fiscal year 2015 to \$26 million in fiscal year 2018 mainly due to decreases in costs of sales.

**Exhibit 2  
Prison Enterprises  
Operating Revenue and Expenditures,  
by Fiscal Year**



Source: Fiscal year 2014-2018 Annual Fiscal Reports

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

EBT:DM:BH:EFS:aa

DOC 2018

## **APPENDIX A: MANAGEMENT'S RESPONSES**



# Department of Public Safety & Corrections

State of Louisiana  
Office of Management and Finance

**JOHN BEL EDWARDS**  
Governor



**JAMES M. LE BLANC**  
Secretary

August 31, 2018

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

Dear Mr. Purpera:

Please accept this as the Department of Public Safety and Corrections – Corrections Services' (DPS&C-CS) response to the recent financial compliance audit conducted at the Department with regards to controls over inventory.

The Department concurs with the following audit findings, and has already taken the recommended corrective actions to ensure that inventory is properly tracked and adequately safeguarded.

- Elayn Hunt Correctional Center's pharmacy began maintaining a perpetual log for emergency crash carts in April of 2018. Inventory issued from the pharmacy to the emergency crash carts is either logged electronically or written on an order sheet and filed in the pharmacy in order to ensure inventory records are complete and accurate.
- Allen Correctional Center canteen staffing re-assignments were made effective April 9, 2018. Effective the first of May, inventory spot checks were implemented daily by the Lt. and canteen staff. Any discrepancies are addressed immediately. Spoilage reports are processed weekly and approved by the Administrative Director weekly. Physical inventory counts will continue to be reconciled to inventory records to ensure that quarterly inventory counts are accurate.
- Allen Correctional Center implemented new fuel reading meters, new daily meter reading reports for the fuel tanks, and new vehicle log procedures on March 15, 2018. Fuel meter readings are taken daily and reconciled weekly with the vehicle logs to ensure that all activity is recorded and meter readings are appropriate. Any discrepancies are immediately researched and corrective action is taken as necessary.

As for the audit finding regarding donated medication at Elayn Hunt Correctional Center, the Department concurs that non-controlled medications donated from nursing homes are commingled with the rest of

our pharmacy inventory, but we do not concur with the recommendation of implementing a separate tracking method for these medications.

First, it is important to note that in all cases where discrepancies were found by the auditors, there was actually more medication in physical inventory than shown in inventory records. The audit did not find any instances in which pharmacy inventory was missing. The discrepancies found are due to the large volume of medication donated from nursing homes. Upon donation, the nursing home provides a list of all donated medications, but each pill is not physically counted before being placed in inventory.

The program the Department has in place with the consent of the Louisiana Board of Pharmacy of using donated medications from nursing homes allows us to save the State thousands of dollars each year. However, due to the large volume of medications donated, requiring a separate inventory tracking process solely for donated medications would require additional staffing and negate savings created by the program.

The Department strives to maintain complete and accurate inventory records, and therefore, will take the following corrective action. We will review our current policies regarding pharmacy inventory and update our inventory tracking procedures, where applicable, in an effort to improve upon the system that is already in place. Efficient tracking of all pharmacy inventory together will ensure physical inventory counts reconcile to inventory records so that quarterly inventory counts are accurate.

Should you have any questions or require additional information, please contact Stacey Brown, Chief Financial Officer.

Sincerely,

A handwritten signature in blue ink that reads "James M. LeBlanc". The signature is written in a cursive style with a large initial "J" and a prominent "M".

James M. LeBlanc  
Secretary

# Department of Public Safety & Corrections

State of Louisiana  
Office of Management and Finance

**JOHN BEL EDWARDS**  
Governor



**JAMES M. LE BLANC**  
Secretary

August 31, 2018

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

Dear Mr. Purpera:

Please accept this as the Department of Public Safety and Corrections – Corrections Services' (DPS&C-CS) response to the recent financial compliance audit conducted at the Department with regards to controls over payroll.

While the Department concurs that employees' attendance is not always certified prior to payroll disbursement, we do not concur with the recommendation of implementing a policy to ensure that payroll timesheets are certified and approved prior to the disbursement of payroll for the following reasons:

First, and foremost, it is important to note that while the audit finding states that the current method of employee certification increases the likelihood of inaccurate payroll disbursements or leave balances, no such errors were found. Correctional Officer time is one of the most complex in state government due to the FLSA 7k exemption and the 14 day/86 hour work period, however, the audit found that all employees were properly compensated and leave was charged appropriately. We attribute this to the payroll processes the Department has in place including well trained time administrators and supervisors, the fact that each supervisor reviews the timesheets multiple times within a pay period, and the requirement for two separate audits of each payroll file that must be completed by two separate time administrators.

Several factors come into play within a prison that impact either an employee's ability to certify his or her time prior to payroll disbursement or the time administrator being able to get the finalized payroll documents out to the shift supervisor before payroll disbursement. Shift work due to the 24-hour nature of a prison is the major factor but there are other factors which must be taken into consideration such as the paper process we utilize for time and attendance as well as the security measures we take to protect an employee's personal information from being viewed by offenders.

The vast majority of our employees are correctional officers who work shift work. Prisons are 24 hour facilities that must be manned at all times. There are four shifts of 12-hour staff. Correctional staff who work shift work are on one of four teams and the four teams are on one of two schedules; two teams (day

and night) work five days one week and two days the next week. The other two teams work the opposite days to ensure 24-hour coverage.

State Payroll always closes on a Monday and payment is made on the Friday of that same week. We have correctional staff who work every Friday, Saturday and Sunday (including Sunday night into Monday morning) of each week to include payroll weeks. Shift supervisors coordinate with time administrators to ensure that each employee's payroll is properly documented and entered into the payroll system at the end of each tour of duty (consecutive days of work). It is important to note that because of this, by the time payroll has closed the supervisor has reviewed the timesheet of each employee no less than three times for accuracy.

Due to the shift work of our correctional staff DOC time administrators are still working with shift supervisors on Payroll Monday and entering attendances and absences for the half of their security staff who worked the weekend that just ended. At agencies that operate 8-10 hours a day Monday-Friday time administrators are instructed to finish entering payroll on Friday and they use payroll Monday as a day to audit their payroll entries and catch errors before the pay period closes. They also use this time to ensure any needed documentation is included and to correct errors before sending the timesheets to be certified by staff and supervisors. At 24-hour facilities, like LCIW, due to the weekend schedules of staff the time administrators do not get a day that can be used solely to review payroll when the pay period is open. This creates a cascading effect and increases the time needed to get the payroll documents out to staff. Due to the time entry required on payroll Monday, time administrators cannot review payroll until Tuesday, however, by Tuesday the pay period has closed in the payroll system and closed pay periods are not treated the same as open pay periods. In an open pay period the time administrator can go into the payroll system and easily correct a mistake that was found or change a record however, once the pay period has closed a formal process must take place in order to make any necessary changes. Auditing must take place and errors must be corrected however, once payroll closes, the process to correct an error is lengthier. A form (Prior Pay Period Adjustment Form- PPPA) must be completed and signed by the affected shift supervisors. Once the change indicated on the form has been approved, it must then be sent to Human Resources for entry. Human Resources then corrects the error and sends the form back to the time administrator to include with that pay periods' payroll documents.

After auditing on Tuesday and into Wednesday for time administrators with large groups of employees, the PPPA process can take a few days to complete for several reasons.

1. Shift supervisors work at various times - day shifts, night shifts, and on one of four teams. The days and times that shift supervisors are scheduled to work after payroll closes varies.
2. Each prison is like a small city. Often, mail must go through several points before finally reaching its designated person. This is compounded by the fact that many employees and supervisors work the night shift and are not at the facility during normal business hours. In cases where supervisors work the night shift, time administrators cannot ask them to come and sign the document. Also, Internal mail that must go into secure areas of the prison are only handled by authorized staff.

Time administrators are also using this time to gather any remaining documentation that is required such as leave slips and overtime reports that, often times, employees have not had an opportunity to submit. Employees who are scheduled to work the Friday, Saturday and Sunday prior to payroll Monday are not scheduled to work again until Wednesday. Employees who had an emergency or were ill for their weekend tour of duty will not be able to submit the necessary leave slips until their next scheduled work

day which would be Wednesday. The Wednesday tour of duty will not end until Friday. Friday, which is the payroll disbursement date, would be the earliest that the time administrator would be able to receive those documents from the supervisor for the closed payroll period. To send the timesheets out for certification with missing documentation and asking an employee or a supervisor to certify it, we believe, is not best for the employee, supervisor or time administrator.

Once the payroll records are audited and sent out for certification shift supervisors try to get them back to the time administrator as quickly as possible, however, there are some challenges again that are unique to a prison environment.

1. Shift work means that each officer works 7 calendar days in a two-week period and 5 business days out of 10. A vacation of 7 work days means the employee is not at the facility for two weeks. A two day absence in a non-shift work agency allows three additional work days within the week to have the employee certify however, in the shift work environment this often means that the employee is out for an entire week. Although correctional staff work more hours than regular 8-hour a day staff, they work less days and this along with employees who exclusively work the night shift presents challenges when there is an administrative need for signatures or other paperwork.
2. The vast majority of correctional staff do not have in and out mailboxes, work computers, work emails or personalized desks. An employees' personal information also cannot be placed where an offender can have access to view it. The payroll information cannot be left on someone's desk or otherwise unsecured to wait for the employee to certify the document as could potentially be done in an environment outside of a prison. Because the timesheet must stay secured, shift supervisors must personally meet with each employee to get them to certify their time. This is accomplished at roll-call times for the vast majority of timesheets however, due to vacations, scheduled days off, sick leave, emergencies, FMLA, etc. not every scheduled employee will be at roll call at the same time.

The Department takes seriously any audit finding regarding payroll. As such, we plan to take the following action:

The Department will update our policy to give specific time frames for employee and supervisor certification and shorten the period the time administrator has to complete the closeout of a pay period. However, based on the considerations above and the paper based system of leave slips and overtime reports that must utilized due to staff working in secure areas of the prison where computers with internet access are not allowed, we believe that implementing a policy which states that certification must occur prior to payroll disbursement would not be responsible as the timesheets would have to go out prior to the completion of the auditing process and prior to all documents being received.

Should you have any questions or require additional information, please contact Stacey Brown, Chief Financial Officer.

Sincerely,



James M. LeBlanc  
Secretary



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Safety and Corrections – Corrections Services (Department) for the period from July 1, 2017, through June 30, 2018. 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 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 and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to movable property, payroll expenditures, inventory, cash, and sheriff’s housing payments.
- 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.