

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS –
YOUTH SERVICES – OFFICE OF JUVENILE JUSTICE
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED SEPTEMBER 23, 2020

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Public Safety and Corrections -
Youth Services – Office of Juvenile Justice

September 2020

Audit Control # 80200033

Introduction

The primary purpose of our procedures at the Department of Public Safety and Corrections – Youth Services – Office of Juvenile Justice (OJJ) was to evaluate certain controls OJJ 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 findings reported in the prior report.

Results of Our Procedures

We evaluated OJJ’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 OJJ’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, purchasing card expenditures, payroll and personnel expenditures, placement services expenditures, professional services medical expenditures, independent living expenditures, and other procedures on the internal audit function.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in OJJ’s procedural report dated June 20, 2018. The prior-report finding related to Inadequate Controls over Time and Attendance has not been resolved and is addressed again in this report. Regarding the prior-year finding related to Control Weaknesses over Movable Property and Facility Usage, \$38,166 of movable property at the Jetson Correctional Facility (Jetson) remained unlocated and was written off in accordance with state property regulation in fiscal years 2018 and 2019. In addition, OJJ continues to work with the Division of Administration and the Department of Public Safety and Corrections – Correction Services on a written agreement detailing the arrangements of LCIW’s occupation of the Jetson facility.

Current-report Findings

Inadequate Controls over Time and Attendance

For the second consecutive engagement, OJJ did not maintain adequate internal controls over time and attendance to ensure that accurate data was entered and processed into the payroll system. In our review of 30 time and attendance records for the period July 2018 through January 2020, we noted six records (20%) that included the following discrepancies:

- 8 hours of holiday leave were not paid to three employees.
- 8 hours of shift differential earned per time sheet were not paid to one employee per the Time Entry Audit (ZT02) report.
- 2.3 hours of premium pay earned per time sheet were not paid to one employee per the ZT02 report.
- Hours worked per time sheet and ZT02 report did not agree with time worked per auditor recalculation, resulting in one employee receiving 1.8 hours of compensatory time (at time and one-half rate) that was not earned. In addition, no leave approval form for 0.2 hours.

These differences occurred because supervisors did not detect errors on employee time sheets and time administrators did not verify accuracy of hours on the ZT02 report. Failure to implement good internal controls over time and attendance increases the risk that payroll errors and/or fraud could occur and remain undetected.

OJJ's time and attendance policy provides that supervisors are responsible for approving all time sheets and time administrators are responsible for reviewing the ZT02 report to verify its accuracy. OJJ's Employee Manual policy provides that full-time employees shall be compensated for holidays observed.

Management should enforce and monitor its established policies and procedures related to time and attendance as well as provide additional training to employees. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Weakness in Controls over Professional Services Medical Expenditures

OJJ did not have adequate controls in place to ensure invoices submitted by its health care services contractor accurately calculated the required fee schedule adjustments for average daily youth population (ADP) fluctuations. Per OJJ's contract with the health care services provider, monthly invoices for actual units provided should be adjusted when the ADP fluctuates higher or lower than anticipated, by 10% of the set monthly base amount.

In a review of invoices from July 1, 2018, through November 30, 2019, totaling approximately \$11 million, we noted \$4,764 in underpayments and \$17,409 in overpayments in 13 of the 17 invoices reviewed.

These errors occurred because OJJ did not adequately review the monthly invoices for accuracy of the ADP adjustments to ensure they were computed per the formula specified in the vendor's contract. Failure to properly review monthly invoices increases the risk of error and/or fraud.

Management should strengthen its controls over the review of monthly invoice ADP calculations to ensure the provider is paid according to the terms of the contract. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Movable Property

We obtained and reviewed the Certifications of Annual Property Inventory, totaling approximately \$10 million for OJJ's multiple locations, to determine if there was an excessive amount of unlocated property. In addition, we reviewed documentation supporting the purchase of 57 vehicles totaling \$1.3 million in fiscal year 2019. Based on the results of our procedures, we determined that assets were properly safeguarded, OJJ complied with state property regulations related to property certifications, and the purchases of vehicles were properly authorized and adequately supported. In addition, OJJ continues to work with the Division of Administration and the Department of Public Safety and Corrections – Correction Services on a written agreement detailing the arrangements of LCIW's occupation of the Jetson facility.

Purchasing Card Expenditures

OJJ participates in the state of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenditures. We obtained an understanding of OJJ's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2018, through December 31, 2019, and reviewed selected transactions. Based on the results of our procedures, OJJ had 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.

Payroll and Personnel Expenditures

Salaries and related benefits comprised approximately 51% of OJJ's expenditures in fiscal years 2019 and 2020, as of December 31, 2019. We obtained an understanding of OJJ's controls over the time and attendance function and reviewed selected employee time statements and leave records.

Based on the results of our procedures, except as noted in the Current-report Findings section, OJJ had adequate controls in place to ensure timely review and approval of employee time

statements and leave requests, employees were paid for hours worked, and leave taken was properly accounted for.

Placement Services Expenditures

Placement services expenditures include contract payments for meals, incentive-based positive behavior management programs, treatment plans, counseling, psychiatric consultation, and accredited educational services to youth housed in OJJ's custody. Expenditures totaled approximately \$20.6 million and \$10.2 million for fiscal years 2019 and 2020 at December 31, 2019, respectively. We obtained an understanding of OJJ's controls over the awarding and payment of these contracts.

We selected placement services expenditures from July 1, 2018, through December 31, 2019, and examined supporting documentation for transactions. Based on the results of our procedures, OJJ had adequate controls in place to ensure that contracts were properly approved and expenditures were in accordance with the terms of the contracts, were properly recorded, and had adequate supporting documentation.

Professional Services Medical Expenditures

The majority of professional services medical expenditures are related to OJJ contracts with a healthcare company providing on-site health care services including medical, nursing, mental/behavioral health, dental and pharmacy to youth housed in secure care facilities. Expenditures totaled approximately \$7.4 million and \$3.6 million for fiscal years 2019 and 2020 at December 31, 2019, respectively. We obtained an understanding of OJJ's controls over the awarding and payment of the contracts in accordance with fee schedules and adjustments for average daily youth population fluctuations.

We selected professional services medical expenditures from July 1, 2018, through December 31, 2019, and examined supporting documentation for transactions. Based on the results of our procedures, except as noted in the Current-year Findings section, OJJ had adequate controls in place to ensure that contracts were properly approved and expenditures were in accordance with the terms of the contracts, were properly recorded, and had adequate supporting documentation.

Independent Living Expenditures

Independent living expenditures include contract payments to providers of transitional placement and family support services designed to prepare youth for independent living, reduce recidivism, and transition incarcerated youth back into the community. Expenditures totaled approximately \$2.6 million and \$1.4 million for fiscal years 2019 and 2020 at December 31, 2019, respectively.

We obtained an understanding of OJJ's controls over the awarding and payment of these contracts.

We selected independent living expenditures from July 1, 2018, through December 31, 2019, and examined supporting documentation for transactions. Based on the results of our procedures, OJJ had adequate controls in place to ensure that contracts were properly approved and expenditures were in accordance with the terms of the contracts, were properly recorded, and had adequate supporting documentation.

Internal Audit Function

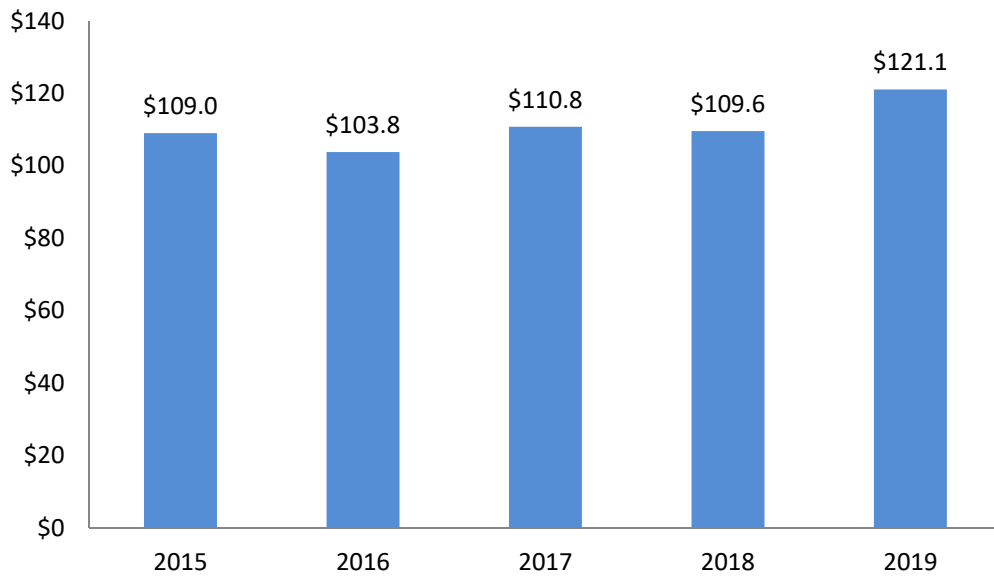
We performed certain procedures that included obtaining, documenting, and reviewing internal controls and compliance with related laws and regulations over the internal audit function. Based on the results of our procedures performed, we found no issues or weaknesses that were required to be reported.

Trend Analysis

We compared the most current and prior-year financial activity using OJJ's Annual Fiscal Reports and/or system-generated reports and obtained explanations from OJJ's management for any significant variances. We also prepared an analysis of total expenditures over the last five fiscal years.

In analyzing financial trends of OJJ over the past five fiscal years, total expenditures have fluctuated with a high of \$121.1 million in fiscal year 2019 and a low of \$103.8 million in fiscal year 2016. Per OJJ management, the decrease between fiscal years 2015 and 2016 was a result of savings due to an adjustment in the probation and parole officer caseloads and the relocation of youth from Jetson. The increase between fiscal years 2016 and 2017 resulted from the payment of federal disallowed costs and additional expenditures due to the Swanson and Bridge City facilities being fully funded. The increase between fiscal years 2018 and 2019 was mainly due to salary and related benefit increases, increases in various contracts in the contract services program, and increases related to the March 2019 opening of the Acadiana Youth facility.

Exhibit 1
Total Expenditures, by Fiscal Year (in millions)



Source: Fiscal Year 2015-2019 ISIS Reports

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

BP:AD:RR:EFS:aa

OJJ2020

APPENDIX A: MANAGEMENT'S RESPONSES



August 31, 2020

Transmitted via e-mail only:

Daryl.Purpera@la.gov; Alanna.Davis@la.gov

Louisiana Legislative Audit
Single Audit of Louisiana
Attn: Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Official Response: Inadequate Controls over Time and Attendance

Dear Mr. Purpera:

Please accept this letter as the Office of Juvenile Justice (OJJ) Official Response to the reportable audit finding that noted discrepancies in six (6) time and attendance records (20%), out of the 30 reviewed, for the time period July 2018 through January 2020. OJJ concurs with the findings.

The agency has experienced high staff turnover in positions associated with Timekeeping as well as the supervisory ranks over the last two years. We will continue to work with the Human Resources section of the Department of Public Safety to coordinate Time and Attendance trainings and refreshers for all OJJ primary and backup Timekeepers as well as supervisors. The issues outlined in the audit report will be reviewed with both Timekeepers and Supervisors, to ensure timesheets / entries are reviewed often and properly. The agency will emphasize the importance of timesheet accuracy and the role of the supervisor in the time and attendance process. We will continue to make every effort to enforce and monitor established procedures as outlined in Policy A.2.2 Pay Administration and Management.

Thank you for the information shared as a result of the Legislative Audit.

Respectfully,

A handwritten signature in blue ink, appearing to read "Geary T. Williams".

Geary T. Williams, Undersecretary
La. Office of Juvenile Justice



August 31, 2020

Transmitted via e-mail only:

Daryl.Purpera@la.gov; Alanna.Davis@la.gov

Louisiana Legislative Audit
Single Audit of Louisiana
Attn: Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Official Response: Weakness in Controls over Professional Services Medical Expenditures

Dear Mr. Purpera:

Please accept this letter as the Office of Juvenile Justice (OJJ) Official Response to the reportable audit finding that noted a deficiency in having adequate controls in place to ensure invoices submitted, by the agency's health care services contractor, accurately calculated the required fee schedule adjustments, for the average daily youth population (ADP) fluctuations. In a review of invoices, from July 1, 2018 through November 30, 2019, totaling \$11 million, it was noted that there were \$4,764 in underpayments and \$17,409 in overpayments, for the period under review. OJJ concurs with the finding.

The OJJ Director of Health Services is the Contract Monitor and Designee responsible for reviewing the monthly invoices for accuracy, prior to submissions to the Department of Public Safety - Accounting Section for payment. I've met with the Director of Health Services and, in order to ensure accuracy, the ADP will be reviewed bi-weekly and at the end of each month. It will then be compared to the ADP outlined on the monthly invoice received from the contracted health care contractor.

WellPath, the contracted health care provider, has agreed with the amount requested for reimbursements, based upon the proper ADP, and has since reimbursed the agency.

Thank you for the information shared as a result of the Legislative Audit.

Respectfully,

A handwritten signature in blue ink, appearing to read "Geary T. Williams".

Geary T. Williams, Undersecretary
La. Office of Juvenile Justice

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Safety and Corrections – Youth Services – Office of Juvenile Justice (OJJ) for the period from July 1, 2018, through June 30, 2020. Our objective was to evaluate certain controls OJJ 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 OJJ’s Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. OJJ’s accounts are an integral part of the state of Louisiana’s financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated OJJ’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 OJJ.
- Based on the documentation of OJJ’s controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to movable property, purchasing card expenditures, payroll and personnel expenditures, placement services expenditures, professional services medical expenditures, independent living expenditures, and other procedures on the internal audit function.
- We compared the most current and prior-year financial activity using OJJ’s Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from OJJ’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 OJJ and not to provide an opinion on the effectiveness of OJJ’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.