

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS –  
CORRECTIONS SERVICES

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED JUNE 30, 2021

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
MICHAEL J. "MIKE" WAGUESPACK, CPA

**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
ERNEST F. SUMMERVILLE, JR., CPA

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# Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Department of Public Safety and Corrections –  
Corrections Services



June 2021

*Audit Control # 80200121*

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## Introduction

As a part of our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2020, we performed procedures at the Louisiana State Penitentiary (LSP), Elayn Hunt Correctional Center (EHCC), and Adult Probation and Parole (P&P) facilities within the Department of Public Safety and Corrections – Corrections Services (Department) to evaluate the effectiveness of the Department’s internal control over compliance and determine whether the Department complied with applicable laws and regulations.

## Results of Our Procedures

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### Current-year Finding

#### Noncompliance with Coronavirus Relief Fund Requirements

The Department received reimbursement from the Coronavirus Relief Fund (CRF) for expenditures at LSP, EHCC, and P&P facilities that did not comply with program requirements or were inadequately supported resulting in \$1,648,025 total questioned costs. A review of vendor payments selected from LSP, EHCC, and P&P reimbursements for non-payroll expenditures in fiscal year 2020 disclosed the following:

- 99% of the total payments tested, including payments for Hepatitis C medication, upkeep for weed eaters, lawn mowers, and tractors, various auto repairs, horse feed, chairs re-upholstered, and shredders, did not have documentation to support that the expenditure was incurred due to public health emergency with respect to COVID-19 and not accounted for in the state budget most recently approved as of March 27, 2020, as required by CRF and Division of Administration guidelines, resulting in questioned costs totaling \$1,648,025, as noted in the table below.

Sample Description / Facility	Large Items Tested	Sample Tested	Total Tested	Total	
				Reimbursed to LSP, EHCC, and P&P*	Questioned Costs
<b>Pharmaceutical Vendor</b>					
LSP	\$698,106	\$61,136	\$759,242	\$1,355,284	\$758,735
EHCC	\$191,784	\$47,108	\$238,892	\$726,364	\$238,775
<b>Other Vendors</b>					
LSP	n/a	\$234,684	\$234,684	\$1,769,840	\$234,684
EHCC	n/a	\$258,741	\$258,741	\$896,114	\$255,092
P&P	n/a	\$161,985	\$161,985	\$695,881	\$160,739
Totals	\$889,890	\$763,654	\$1,653,544	\$5,443,483	\$1,648,025

\*Total non-payroll expenditures reimbursed to the Department was \$7,761,339.

U.S. Department of Treasury (Treasury) guidance dated April 22, 2020, included the following as an example of an allowable use of CRF: “COVID-19 related expenses of maintaining state prisons and county jails, including as it relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions”. Additionally, the Office of the Commissioner, Division of Administration memorandum to state agencies, dated March 10, 2020, requires agencies to track all expenditures relating to COVID-19, clearly mark invoices ‘Related to the Coronavirus COVID-19’ and, if necessary, have a brief explanation of why it was necessary to incur the expenditure. These exceptions occurred because management did not have an adequate process in place to review the expenditures to determine they met the federal guidelines, and to maintain the required documentation, prior to submitting them for reimbursement.

- 6% of the total payments tested relate to expenditures incurred prior to the CRF period of performance that began March 1, 2020. Management included payments in the reimbursement request based on the date of the payment and not the date the expenditure was incurred, resulting in non-compliance with the federal requirements and questioned costs totaling \$92,031, including \$39,898 for LSP, \$50,182 for EHCC, and \$1,951 for P&P.
- There was no evidence of review or approval, of the reimbursement request, by someone other than the employee preparing and submitting the request to the Division of Administration.

Management should ensure that sufficient supporting documentation is available to indicate that each reimbursed expenditure is COVID-19 related, reimbursements requests only include expenditures incurred within the period of performance, and reimbursement requests are reviewed and approved by someone other than the preparer. Management did not concur with the finding and provided that the non-payroll expenditures were COVID-related because the costs relate to maintaining state prisons and that additional eligible expenditures have not yet been reimbursed by CRF that could “serve to replace any questionable costs” including expenditures determined to

be purchased prior to March 1, 2020. Management also noted that it has strictly adhered to any and all guidance provided by DOA (see Appendix A).

**Additional comments:** Management’s response states that the Department has additional eligible expenditures that have not been reimbursed and could “serve to replace any questionable costs”. These expenditures are not relevant to the scope of our audit work and should instead be presented to the federal oversight agency during audit resolution.

In addition, management’s response refers to the Treasury guidance that provided an administrative allowance for states to presume that public health and public safety employees were substantially dedicated to mitigating or responding to the COVID-19 public health emergency and therefore, the payroll costs for those employees would be eligible uses of CRF funds. The Treasury guidance, however, does not afford that same administrative allowance to other types of expenditures. Therefore, we disagree with management’s rationale that “given the presumption that public safety and public health employees’ daily work activities are substantially dedicated to mitigating and responding to COVID-19, it was reasonable... for DOA to conclude that the costs of maintaining and operating prisons and youth facilities are eligible for CRF reimbursement.”

As explained above, the Department did not have documentation to support that the non-payroll expenditures tested were COVID-19 related.

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## **Federal Compliance - Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2020, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on the Department’s major federal program, Coronavirus Relief Fund (CFDA 21.019)

Those tests included evaluating the effectiveness of the Department’s internal control designed to prevent or detect material noncompliance with program requirements and tests to determine whether the Department complied with applicable program requirements.

Based on the results of these Single Audit procedures, we reported a finding related to Noncompliance with Coronavirus Relief Fund Requirements. This finding will also be included in the Single Audit for the year ended June 30, 2020.

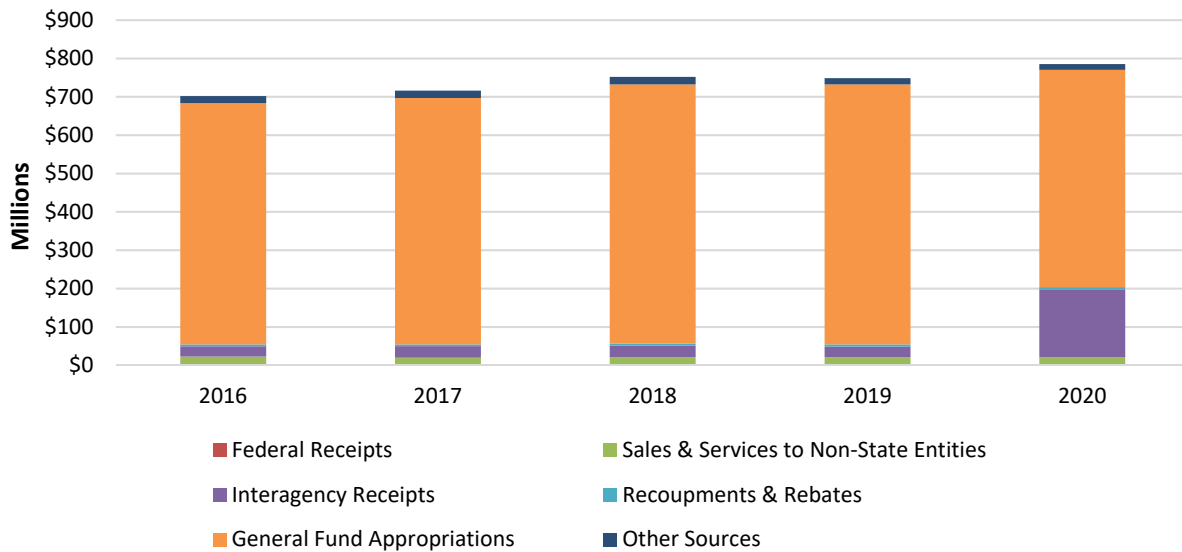
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## **Trend Analysis**

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 the Department’s management for any significant variances. We also prepared an analysis of the Department’s revenues by type (Exhibit 1) and CRF program funds received by facility (Exhibit 2).

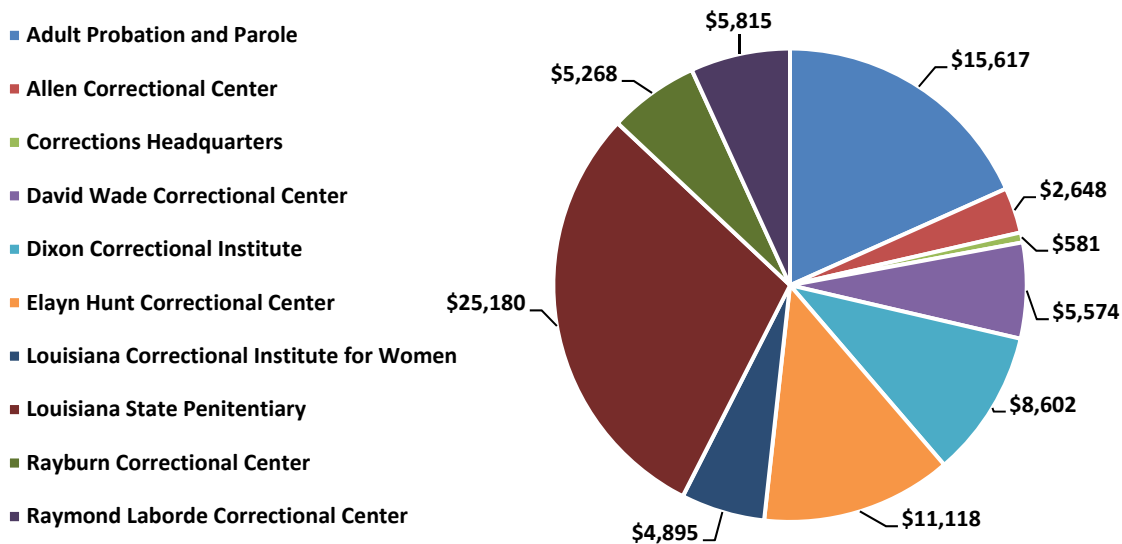
In analyzing revenue trends over the past five fiscal years, we noted that revenue was fairly consistent from fiscal year 2016 to 2019, but interagency receipts increased by \$149 million, or 544%, in fiscal year 2020, as shown in Exhibit 1, mainly due to CARES Act Funds received through the Governor’s Office of Homeland Security and Emergency Preparedness, for multiple facilities within the Department. A portion of these funds, totaling \$85 million, were submitted to the Division of Administration as federal program expenditures for the period ending June 30, 2020, as shown in Exhibit 2.

**Exhibit 1**  
**Revenues, by Fiscal Year**



**Source:** System generated Business Objects reports

**Exhibit 2**  
**Total FY 2020 Reimbursement by Facility (in thousands)**



**Source:** Department federal reimbursement reports submitted to the DOA

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of the Department. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the Department should be considered in reaching decisions on courses of action. The finding related to the Department’s compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA  
 Legislative Auditor

MT:DM:BH:EFS:aa





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



# Department of Public Safety & Corrections

State of Louisiana

Office of Management and Finance

**JOHN BEL EDWARDS**  
Governor



**JAMES M. LE BLANC**  
Secretary

June 18, 2021

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

Dear Mr. Waguespack:

Please accept this as the Department of Public Safety and Corrections – Corrections Services' (DPS&C-CS) response to the recent Single Audit of Louisiana conducted at the Department with regards to noncompliance with Coronavirus Relief Fund requirements.

The Department does not concur with the audit finding stating we received reimbursement from the Coronavirus Relief Fund for expenditures that did not comply with program requirements or were inadequately supported for the reasons stated below:

First it is important to note that in the event that a certain expenditure is later determined to be ineligible, either due to additional guidance or as a result of an audit, the DPS&C-CS agencies included in this report have in excess of \$29.5 million in eligible expenditures over the Department's allocation that have not yet been reimbursed by the Coronavirus Relief Fund that could serve to replace any questionable costs. This would definitely cover any minimal expenditures determined to be purchased prior to March 1, 2020.

Secondly in regards to submitting sufficient supporting documentation as well as requiring proper review and approval, DPS&C has strictly adhered to any and all guidance provided by DOA including but not limited to supplemental guidance issued by the U.S. Treasury in the form of Frequently Asked Questions<sup>[1]</sup> (FAQs). These FAQs gave broad discretion to states by providing that **"governments are responsible for making determinations as to what expenditures are necessary due to the public health emergency with respect to COVID-19 and do not need to submit any proposed expenditures to Treasury."** DOA acted pursuant to this express grant of authority in evaluating the expenditures submitted by DPS&C-CS for reimbursement, including those of concern to LLA in this proposed finding. Upon determining eligibility, DOA separately identified the nature of the documentation needed to support the expenditure requests.

The immediate impacts of the pandemic on prisons nationwide were expansive and significant. New challenges and public health guidelines significantly changed the day-to-day operations required to protect the health of both those in custody and those employed by the state, and to support public safety. Prison populations were deemed high risk due to the inability to socially distance, as well as the vulnerability of the population to COVID-19. On March 23, 2020, the US Centers for Disease Control and Prevention (CDC)

<sup>[1]</sup> Attachment 1 – Coronavirus Relief Fund – Frequently Asked Questions, Updated as of May 4, 2020

issued *Interim Guidance on Management of COVID-19 in Correctional and Detention Facilities*<sup>[2]</sup>. The CDC stated that the guidance was issued “to ensure the continuation of essential public services and protection of the health and safety of incarcerated and detained persons, staff, and visitors.” In this interim guidance, the CDC outlined recommendations for correctional facilities in 3 categories – Operational Preparedness, Prevention, and Management of COVID-19.

Also, the U.S. Treasury’s initial guidance and FAQs identify Public Safety and Public Health employees in a number of instances as categorically being COVID-19 related due to the essential function of these two groups in response to the public health emergency. In supplemental guidance included in the updated CRF guidance on September 2, 2020<sup>[3]</sup>, Treasury announced that, “as an administrative accommodation”, states may “presume that public health and public safety employees” are “substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” Therefore, Treasury declared that the “entire payroll costs” of any public health employee or public safety employee (terms which Treasury broadly defines) can be reimbursed with CRF funds. The guidance further authorized for reimbursement “COVID-19 related expenses of maintaining state prisons and county jails, including as it relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions.” Given the presumption that public safety and public health employees’ daily work activities are substantially dedicated to mitigating and responding to COVID-19, it was reasonable and well within its discretionary grant of authority for DOA to conclude that the costs of maintaining and operating prisons and youth facilities are eligible for CRF reimbursement.

DOA utilized the discretionary authority to make determinations and the presumption afforded by Treasury, along with the COVID-19 related challenges discussed above, to determine eligibility and the documentation required for each reimbursement. In order to maintain sufficient documentation and complete records of disbursements of CRF funds to DPS&C, DOA, with the assistance of the Office of Technology Services (OTS), created an online application portal at [LouisianaCARES.la.gov](https://LouisianaCARES.la.gov). DPS&C-CS was required to submit documentation supporting the eligibility of the expenditures included in their applications for reimbursement submitted through the portal. It was the policy of DOA to approve funds for transfer only after a complete review of the application and supporting documentation. DOC submitted documentation as required and responded to requests for explanation and additional support as needed.

Based upon DOA’s determination that the costs necessary to operate and maintain their facilities were reimbursable, DOC submitted substantial documentation, including system reports from the statewide accounting system, which DOA has access to, as support for these required expenses. These reports provide the type of expenditure, vendor, amount and date of each transaction, as well as the transaction number necessary to obtain additional documentation, if necessary.

DOA made the determination before the first application was received that those entities that utilize the statewide accounting system would not be required to submit information that would unnecessarily duplicate the details that are held in the accounting system. When operating expenses are deemed eligible, for instance, summary level system reports for payroll and operating expenditures are sufficient, such that detailed receipts and invoices need not be submitted to DOA for review. DPS&C-CS maintained supporting documentation for transactions processed through the statewide accounting system and were informed that DOA at any time could request additional documentation, such as individual invoices, to further support the eligibility of an expenditure. Policies and procedures related to the reimbursement of eligible expenditures were created to allow for the rapid but compliant distribution of funds for critical needs due to the pandemic. As part of the review, DOA discussed the expenditures with agency management, even prior to application, and reviewed

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<sup>[2]</sup> Attachment 2 - CDC Interim Guidance on Management of COVID-19 in Correctional and Detention Facilities

<sup>[3]</sup> Attachment 3 – Coronavirus Relief Fund – Guidance for State, Territorial, Local, and Tribal Governments, Updated September 2, 2020

the amounts, vendors, and payment dates on the reports. Reviewers were able to discuss any unusual expenditures to verify that payments were indeed for necessary operational activities.

Accordingly, it is DPS&C's position that DOA's application process, including the resulting archived and available documentation, for all recipients of CRF funds are sufficient to comply with the requirements of the CARES Act and supports the existing eligibility determinations. DOA has maintained a dynamic approach to the administration of the CRF funds and has appropriately adjusted related procedures and eligibility determinations as new guidance was released throughout the pandemic, and DPS&C has strictly adhered to any and all guidance provided.

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

Sincerely,

The image shows a handwritten signature in blue ink that reads "James M. LeBlanc". To the left of the signature is a small, stylized blue mark that looks like the letters "JM".

James M. LeBlanc  
Secretary

Attachments referenced in management's response can be found by clicking [HERE](#).



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Safety and Corrections – Corrections Service (Department) for the period from July 1, 2019, through June 30, 2020, to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2020.

- 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.
- We performed procedures on the Coronavirus Relief Fund (CFDA 21.019) for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- 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 significant variances.

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 purposes.

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 Comprehensive Annual Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.