

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



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 20, 2018

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



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

June 2018

Audit Control # 80180021

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 to provide overall accountability over public funds.

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, fees and self-generated revenue collections, payroll and personnel expenditures, other expenditures and interagency transfers, purchasing card expenditures, Controlled Billed Account expenditures, travel card expenditures, FuelTrac expenditures, and other procedures on the internal audit function.

Current-year Findings

Control Weaknesses over Movable Property and Facility Usage

OJJ has control weaknesses over movable property and facility usage related to the following:

- Louisiana Correctional Institute for Women (LCIW) is occupying Jetson Correctional Facility (Jetson) without a written agreement detailing the arrangement.

When LCIW became uninhabitable due to the August 2016 flood, OJJ was instructed by the Division of Administration to allow LCIW, under the Department of Corrections (DOC), to occupy Jetson and utilize all available property. Good internal controls require a written interagency agreement to specify the key terms and responsibilities of each party to protect OJJ and its assets.

Failure to execute a written agreement for the utilization of the Jetson facility and movable property increases the risk of unlocated property and reduces OJJ's ability to hold the occupying party responsible for damages and loss arising from theft or unauthorized use.

- Jetson reported \$68,431 out of a total \$485,403 of movable property that could not be located on its June 2017 Louisiana Property Assistance Agency (LPAA) annual property certification. Of the \$68,431 reported as unlocated, \$30,265 was unlocated during fiscal year 2017.
- OJJ's Central office incorrectly reported an asset as valued at \$2 billion on its November 2017 LPAA annual property certification when the actual cost was \$20,664.

OJJ's review of the annual property certification did not detect the typographical error that overstated the value of the Central office asset causing a material error. Annual property inventories should be thoroughly reviewed and certified for accuracy prior to submittal to LPAA.

Management should establish a written agreement to describe the terms and responsibilities of OJJ and DOC during the period LCIW is occupying the Jetson facility, and correct the asset value reported in error. Management concurred with the control weaknesses related to movable property and outlined corrective action. Management concurred in part with the control weakness related to facility usage noting that it would be inclined to receiving a detailed agreement from DOC (see Appendix A, pages 1-2).

Inadequate Controls over Time and Attendance

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 25 time and attendance records for the period July 2016 through January 2018, we noted eight records (32%) that included at least one of the following discrepancies:

- Hours worked per time sheet did not agree to the Time Entry Audit (ZT02) report.
- Leave taken per time sheet did not agree to the ZT02 report.
- Overtime earned at hour-for-hour and/or time and one-half rate per time sheet did not agree to the ZT02 report.
- Shift differential hours earned per time sheet did not agree to the ZT02 report.
- On-call hours were paid to employees without evidence of a Civil Service-approved policy.

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. In addition, time

administrators entered time and attendance changes and/or corrections into LaGov, but the time sheet was not revised by the employee or approved by the supervisor. Also, OJJ was unable to provide Civil Service approval of the On-Call Pay policy.

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. Per OJJ policy and Civil Service Rule 6.28(b), On-Call Pay policies must be submitted to the Department of State Civil Service – Compensation Division for review prior to implementation.

Failure to implement good internal controls over time and attendance increases the risk that payroll errors and/or fraud could occur and remain undetected.

Management should enforce and monitor its established policies and procedures related to time and attendance and provide additional training to employees. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 3-4).

Movable Property

We obtained and reviewed the Certifications of Annual Property Inventory, totaling approximately \$9 million for OJJ's multiple locations, to determine if there was an excessive amount of unlocated property. Based on the results of our procedures, except as noted in the Current-year Findings section, we determined that assets were properly safeguarded and complied with state property regulations related to property certifications.

Fees and Self-generated Revenue Collections

OJJ's fees and self-generated revenue collections consist of (1) payments from parents for partial reimbursement of the cost of supervising their children on probation and parole; (2) employee meal purchases, vending, and photo sales; (3) restitution and contraband seized from youth used to help defray cost of housing maintenance supplies; (4) rental fees on Cecil J. Picard Educational and Recreational Center; and (5) canteen sales and telephone commissions collected at Swanson and Bridge City Centers for Youth. We obtained an understanding of OJJ's controls over fees and self-generated revenues.

We selected transactions from July 2016 through January 2018, and examined supporting documentation for collections. Based on the results of our procedures, OJJ had adequate controls in place to ensure that self-generated revenues were properly assessed, billed, collected, and timely deposited.

Payroll and Personnel Expenditures

Salaries and related benefits comprised approximately 51% of OJJ's expenditures in fiscal years 2017 and 2018. 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, OJJ did not maintain adequate controls over time and attendance to ensure that accurate data was entered and processed into the payroll system (see Current-year Findings section).

Other Expenditures and Interagency Transfers

Other expenditures and interagency transfers (IATs) comprised approximately 44% of OJJ's expenditures in fiscal years 2017 and 2018. OJJ's other expenditures primarily included professional contract payments for room and board, medical, and other services provided to youths at residential facilities. The majority of OJJ's IATs included payments to the Office of Risk Management for liability insurance and the Office of Technology Services for information technology services. We obtained an understanding of OJJ's controls over these expenditures.

We selected expenditures from July 1, 2016, through January 31, 2018, and examined supporting documentation for transactions. Based on the results of our procedures, OJJ had adequate controls to ensure compliance with OJJ policies, procedures, laws, regulations, and terms of the contracts.

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, 2016, through January 31, 2018, 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.

Controlled Billed Account Expenditures

OJJ participates in the State of Louisiana's Controlled Billed Account (CBA) program for travel, airfare, and vehicle rental expenditures. We obtained an understanding of OJJ's controls over access to and use of this account.

We analyzed CBA transactions listings for the period of July 1, 2016, through January 31, 2018, and reviewed selected transactions. Based on the results of our procedures, OJJ had adequate controls to ensure that travel charges were approved and made for official state business and sufficient documentation was maintained to support charges.

Travel Card Expenditures

OJJ participates in the State of Louisiana's Travel Card program for specific higher cost travel expenditures, incurred during travel for official state business. We obtained an understanding of OJJ's procedures over access to and use of these cards. We analyzed travel card transaction listings for the period of July 1, 2016, through January 31, 2018, and obtained information on selected transactions. No exceptions were noted.

FuelTrac Card Expenditures

OJJ participates in the State of Louisiana's FuelTrac Card program for purchases of fuel and auto maintenance for its fleet of 193 vehicles. We obtained an understanding of OJJ's procedures relating to fuel card activities. We analyzed FuelTrac card transaction listings for the period of July 1, 2016, through January 31, 2018, and obtained support for selected transactions. No exceptions were noted.

Other Procedures - Internal Audit Function

In addition to the procedures noted above, 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 these procedures performed, we found no issues or weaknesses that were required to be reported.

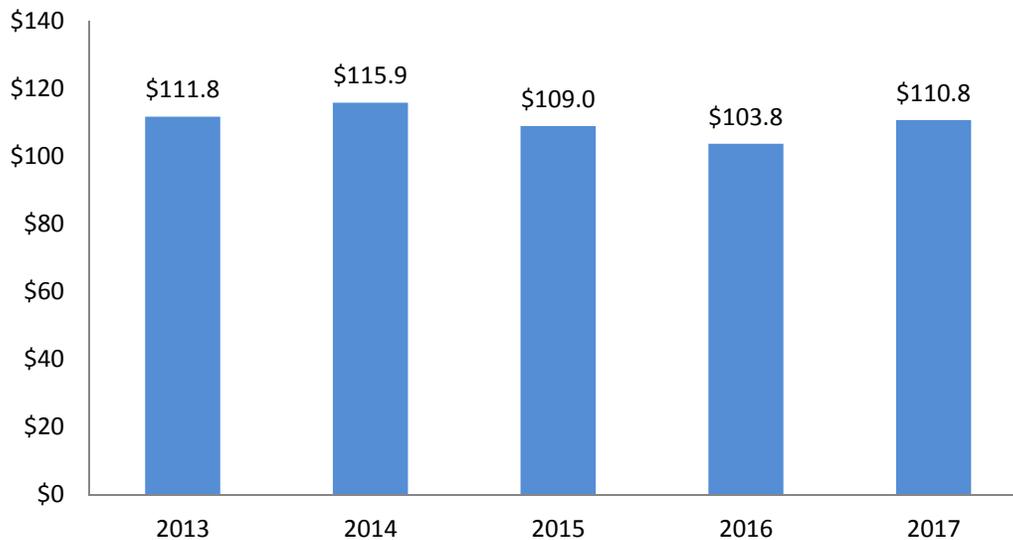
Trend Analysis

We compared the most current and prior-year financial activity using OJJ's Annual Fiscal Reports (AFR) 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 \$115.9 million in fiscal year 2014 and a low of \$103.8 million in fiscal year 2016. Per OJJ management, state budget cuts have caused a reduction in services such as its Contract Services section which has had approximately \$6 million in budget reductions over the five-year period. This has resulted in the elimination of certain prevention and diversion programs/contracts as well as the combining of its mentor and reintegration programs/contracts.

OJJ management also noted that total expenditures are impacted by the number of probation and parole officers employed by OJJ. In recent years OJJ has not been able to fill vacant probation and parole positions, which resulted in a reduction in expenditures and an increased caseload of current OJJ employees. Expenditures increased between fiscal years 2016 and 2017 mainly due to the payment of federal disallowed costs, increased payments to the Office of Risk Management, the purchase of vehicles, and the upgrading of security cameras.

Exhibit 1
Total Expenditures, by Fiscal Year



Source: Fiscal Year 2013-2017 OJJ AFRs

Other Reports

Louisiana Legislative Auditor – Performance Audit Services recently issued two separate reports based on procedures performed at OJJ. The first report, titled *Oversight of Safety in Secure Care Facilities*, evaluated OJJ’s efforts to ensure its four secure care facilities are safe for its youth and employees. Among the issues reported is the high turnover of OJJ staff who work directly with the youth which, according to OJJ management, is partially caused by the lack of funding to raise salaries for these positions. The second report, titled *Oversight of Rehabilitation and Treatment in Secure Care Facilities*, reports several issues including information on the newly-constructed Acadiana Center for Youth which is not operational due to a lack of funding. These reports can be viewed on our website at www.la.gov.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive, flowing style.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KJ:AD:RR:EFS:aa

OJJ2018

APPENDIX A: MANAGEMENT'S RESPONSES



May 18, 2018

Transmitted via email only:

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

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

Official Response: Control Weakness over Movable Property and Facility Usage

Dear Mr. Purpera:

Please accept this letter as the Office of Juvenile Justice (OJJ) official response to the reportable audit finding that noted control weakness over moveable property reporting and an agreement of facility usage related to the Department of Corrections/Louisiana Correctional Institute for Women's occupancy of the Jetson Center for Youth facility. OJJ management met with the LLA auditors, reviewed supporting documentation and concur in part with the findings.

Due to the unexpected and emergent need for the Department of Corrections / Louisiana Correctional Institute for Women (LCIW) to immediately relocate all incarcerated persons from the LCIW facility, due to the damage caused by The Great Flood of 2016 that rendered the site uninhabitable, OJJ management was directed to allow the utilization of the OJJ-Jetson secure care site and all available moveable and non-movable property on site. Due to the unsettled plan of usage for the Jetson site and the inquiries of various state agencies, OJJ management requested a meeting with the Division of Administration and all involved parties. On October 21, 2016, the OJJ management staff met with the Division of Administration, Department of Corrections, Office of State Lands, Facility Planning and Control, as well as several other parties of interest in reference to the property and supplies located at Jetson Center for Youth. During that meeting, we were advised that LCIW would need to continue occupying the Jetson Center for Youth campus for at least 18 to 24 months. It was also determined during that meeting that the Department of Corrections (DOC) would create an agreement with OJJ relative to the usage of the OJJ-Jetson site. OJJ did not receive a written agreement from any state entity. On April 27, 2018, via email, OJJ and DOC management documented the initial verbal agreement with acknowledgement of the October 2016 meeting.

OJJ management does concur, in part, with the finding of having a control weakness of facility usage. While OJJ did have adequate control without weakness of the OJJ-Jetson facility, the agency was directed to allow and eagerly assisted in the LCIW usage of the facility to a displaced state agency. OJJ would be inclined to receiving a detailed agreement from the Department of Corrections. During the audit process, notes from the October 2016 meeting were discussed with the auditors to prove that OJJ made an effort to gain clarity and further direction regarding the facility usage arrangement. The email dated April 27, 2018 was also provided to the auditors.

OJJ management concurs with the finding regarding the discrepancies noted relative to reporting of moveable property to the Louisiana Property Assistance Agency on the June 2017 Jetson Annual Certification Report and the November 2017 Central Office Annual Certification Report. OJJ staff will continue to make all efforts to locate the items deemed "Unlocated" at the OJJ-Jetson site. The typographical error that affected the November 2017 Central Office Annual Certification Report involving the asset value of an OJJ vehicle, state property tag number 98200-010016, was corrected on February 12, 2018 through OJJ's notification to LPAA. The supporting documentation will accompany this letter.

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

Respectfully,

George T. Willis on behalf of James Bueche

James Bueche, PHD, Deputy Secretary
Office of Juvenile Justice



May 18, 2018

Transmitted via email only:

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

Louisiana Legislative Audit
Single Audit of Louisiana
Attn: Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
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 eight out of twenty-five time records for the time period of July 2016, through January 2018. OJJ management staff met with the LLA auditors, reviewed supporting documentation and concur with the findings.

Before the end of Fiscal Year 2018, Cassandra Washington, OJJ Deputy Undersecretary, will work with the Human Resources section of the Department of Public Safety to coordinate a Time and Attendance refresher training course to include all OJJ primary and backup Timekeepers on topics that align with YS Policy A.2.55 Time and Attendance, and more specifically to emphasize the issues noted in the audit report and the corrective measures to include the importance of timesheet accuracy, as well as leave, overtime and shift differential usage.

Before the end of Calendar Year 2018, Cassandra Washington, OJJ Deputy Undersecretary, will conduct a refresher training with Unit Heads, during an OJJ Leadership Meeting on topics that align with YS Policy A.2.55 Time and Attendance, and more specifically to emphasize the issues noted in the audit report and the corrective measures to include the importance of timesheet accuracy and the role of the supervisor in the time and attendance process.

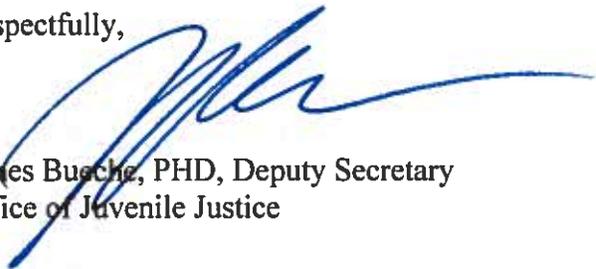
On June 20, 2012 former leadership of the Office of Juvenile Justice implemented an On-Call Pay procedure which would be allowable through Civil Service Rule 6.28(b) with the approval of the Civil Service Director. During the procedural engagement, OJJ management staff collaborated with the Department of Public Safety's Human Resources staff, the Office of Technology Services staff and State Civil Service staff to retrieve a copy of the approval documentation allowing OJJ to implement the On-Call Pay procedure that was included in YS

Policy A.2.2 Pay Administration and Management to no avail. OJJ management staff was able to locate an email dated May 25, 2012 to include communications between former OJJ management staff and the previous Civil Service Chief of Compensation relative to OJJ's request to add the On-Call Pay procedure to the agency's policy, but a documented approval was not located. All agencies involved do acknowledge that there have been staffing changes at all levels throughout each agency since 2012, and because the approval documentation could not be located, this does not assert that the approval documentation did not exist. OJJ's current Pay Administration and Management policy, to include the On-Call Pay procedure, was approved by Civil Service on April 10, 2018.

The Office of Juvenile Justice will continue to make every effort to enforce and monitor its established policies and procedures.

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

Respectfully,



James Bueche, PHD, Deputy Secretary
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, 2016, through May 30, 2018. Our objective was to evaluate certain controls OJJ 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 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, we performed procedures on selected controls and transactions relating to movable property, fees and self-generated revenue collections, payroll and personnel expenditures, other expenditures and interagency transfers, purchasing card expenditures, Controlled Billed Account expenditures, travel card expenditures, FuelTrac 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.