

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



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED APRIL 10, 2019

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

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 -
Public Safety Services, Louisiana Highway
Safety Commission

April 2019

Audit Control # 80180162

Introduction

As a part of the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2018, we performed procedures at the Louisiana Highway Safety Commission (LHSC) to evaluate the effectiveness of LHSC's internal controls over the Highway Safety Cluster of federal programs and to determine whether LHSC complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the Department of Public Safety and Corrections - Public Safety Services Procedural Report dated December 10, 2018. The prior-year finding related to the Lack of Controls over Federal Cash Management has been partially resolved and is addressed again in this letter in the finding titled Weakness in Controls over Federal Vouchering.

Current-year Findings

Noncompliance with Subrecipient Monitoring Requirements

LHSC did not adequately monitor subrecipients of the federal Highway Safety Cluster programs as required by 2 CFR Part 200.331. Audit procedures disclosed the following:

- LHSC did not ensure that required audits were completed within nine months of the subrecipient's fiscal year-end. Although LHSC requested subrecipients to provide the required audits, there was no documentation that such audit reports were obtained and reviewed, or that management determination letters were issued for any findings to ensure timely and appropriate corrective action by subrecipients.
- In a sample of 15 subrecipient awards, two (13.3%) of the agreements did not contain a valid unique entity identifier (or DUNS number) of the subrecipient. In

addition, the DUNS number provided for a third subrecipient revealed that the subrecipient's registration in the System for Award Management (SAM) had expired in April 2013. 2 CFR Part 25.205 states that an agency may not make an award to an entity until the entity has complied with the requirements described in 2 CFR Part 25.200 to provide a valid unique entity identifier and maintain an active SAM registration with current information.

- LHSC did not adequately evaluate subrecipients' risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the award per 2 CFR Part 200.331(b). In a sample of 15 subrecipient awards, five (33%) did not have documentation that an evaluation was performed.

Based on discussions with management, high employee turnover of LHSC management and staff in recent years has resulted in a lack of resources and familiarity with subrecipient monitoring requirements. Failure to properly monitor subrecipients results in noncompliance with federal regulations and increases the likelihood of disallowed costs, which may have to be returned to the federal grantor.

LHSC management should ensure that subrecipient audit reports are obtained and reviewed timely; management decision letters are issued on applicable audit findings; and risk evaluations are performed for all subrecipients to determine the appropriate monitoring. LHSC should also ensure that subawards include all required information, including a valid unique entity identifier. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Weakness in Controls over Federal Vouchering

LHSC failed to ensure that federal funds were vouchered timely and in accordance with federal regulations for the Highway Safety Cluster (CFDA 20.600, 20.610, 20.616), Alcohol Open Container Requirements (CFDA 20.607), and Minimum Penalties for Repeat Offenders for Driving While Intoxicated (CFDA 20.608) federal programs.

Our test of 120 voucher transactions requesting reimbursement of federal program expenditures at LHSC disclosed the following:

- For 40 (33%) of the transactions tested, LHSC delayed drawing federal funds for times ranging from 62 to 580 days after the expenditure was made and posted in the accounting system.
- For four (3%) of the transactions tested, LHSC requested and received reimbursement for the same program expenditures twice, resulting in \$9,204 in questioned costs.

Federal regulations require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal statutes, regulations, and the terms and conditions of the federal award. Additionally, federal regulations require federal program agencies to limit funds transfers to the state to the minimum amounts

needed by the state and must time the disbursement to be in accord with the actual, immediate cash requirements of the state in carrying out a federal assistance program or project.

LHSC did not ensure that controls were in place to timely and accurately voucher federal funds. Not requesting reimbursement for federal program expenditures timely increases the risk of errors and may result in noncompliance with cash management requirements. Furthermore, requesting federal funds in excess of actual expenditures places LHSC in noncompliance with federal cash management requirements. Overdrawn grants put the state at risk of federal disallowances for which the state may be liable, while underdrawn grants indicate that the state funded program expenditures using state general funds when federal funds could have been used instead.

LHSC management should strengthen controls over vouchering of federal funds to ensure grants are not over or underdrawn, and maximize the use of federal funds to avoid using state funds unnecessarily. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 2-3).

Deficiencies in Controls over Payroll

LHSC did not adhere to internal policies and procedures designed to ensure compliance with federal documentation requirements for compensation of personnel services. LHSC utilizes the Cross Application Time Sheet, a computer-based application accessed through the Louisiana Employee Online system, for certification and approval of employee time sheets. However, LHSC did not place sufficient emphasis on adherence with federal and state regulations over personnel expenses charged to federal awards. Consequently, time and attendance records were not properly certified, approved, and monitored, as required by federal and state regulations, which increases the risks of payroll error or fraud and may result in disallowed costs.

A review of 33 payroll-related transactions funded through the Highway Safety Cluster identified exceptions in the Highway Community Safety (CFDA 20.600) program as follows:

- Six (18%) time sheets were not approved by the supervisor
- Five (15%) time sheets were neither certified by the employee or approved by the supervisor

Louisiana Civil Service Rules require each classified employee and appointing authority or his agency to certify on each payroll that the actual service was rendered, the actual number of hours of attendance on duty, and the number of hours absent from duty. Department policy requires time sheet approvers to review time sheets for accuracy and immediately approve or reject the certified time statement. Furthermore, federal regulations require that records be supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

LHSC management should enforce the policies established by Civil Service Rules and department policy to ensure compliance with federal and state personnel documentation

requirements. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, page 4).

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2018, 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 LHSC's major federal program, the Highway Safety Cluster (CFDA 20.600 *State and Community Highway Safety*, 20.610 *State Traffic Safety Information System Improvements Grants*, and 20.616 *National Priority Safety Programs*).

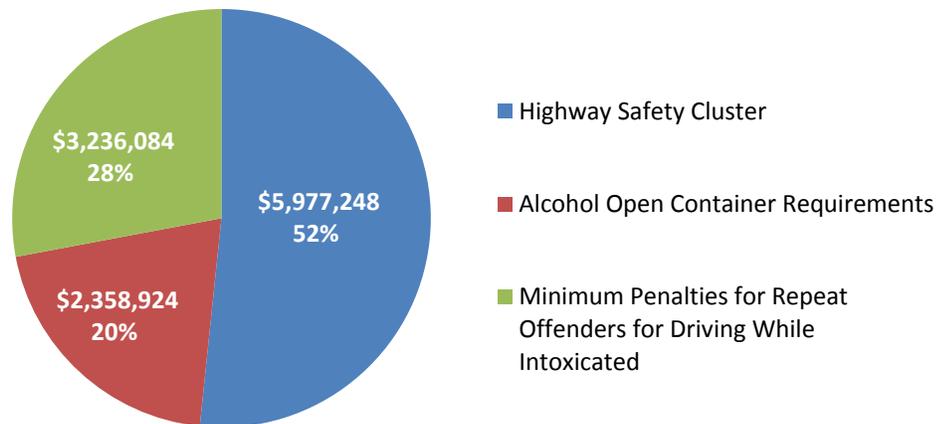
Those tests included evaluating the effectiveness of LHSC's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LHSC complied with applicable program requirements. In addition, we performed procedures on information submitted by LHSC to the Division of Administration's Office of Statewide Reporting and Accounting Policy on the status of the prior-year finding for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Noncompliance with Subrecipient Monitoring Requirements, Weakness in Controls over Federal Vouchering, and Deficiencies in Controls over Payroll. These findings were included in the Single Audit for the year ended June 30, 2018. In addition, LHSC's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings is materially correct.

Revenue and Expenditure Analysis

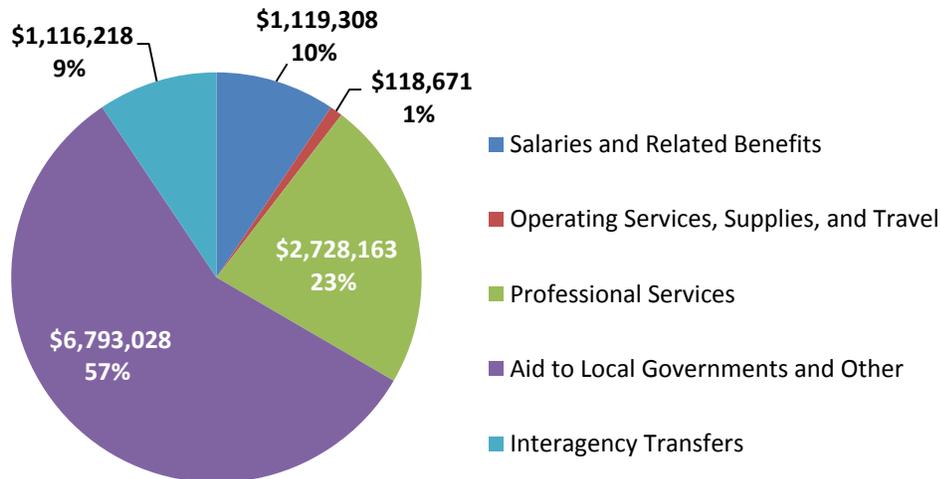
We compared the most current and prior-year financial activity using LHSC's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LHSC's management for any significant variances. We also prepared an analysis of LHSC's funding sources for fiscal year 2018. As shown in Exhibit 2, LHSC reported \$11,875,388 of expenditures during state fiscal year 2018 for costs associated with aid to local governments, professional services, salaries and related benefits, interagency transfers, and operating services, supplies, and travel. Of this amount, \$11,572,256, or 97%, of expenditures were funded with federal revenue sources, as shown in Exhibit 1.

Exhibit 1
FY 2018 Federal Revenues, by Program
Total: \$11,572,256



Source: Fiscal Year 2018 LHSC ISIS Data

Exhibit 2
FY 2018 Expenditures
Total: \$11,875,388



Source: Fiscal Year 2018 LHSC ISIS Data

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LHSC. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LHSC should be considered in reaching decisions on courses of action. The findings related to LHSC'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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AB:NM:RR:EFS:ch

LHSC2018

APPENDIX A: MANAGEMENT'S RESPONSES



State of Louisiana

Department of Public Safety and Corrections
Louisiana Highway Safety Commission

March 15, 2019

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

Re: Noncompliance with Subrecipient Monitoring Requirements

Dear Mr. Purpera,

On behalf of the Louisiana Highway Safety Commission (LHSC), I am responding to the request for response to findings of the Louisiana Legislative Auditor relative to Noncompliance with Subrecipient Monitoring Requirements, as follows:

LHSC concurs with the auditor's finding and recommendation and is taking and will take the following actions: LHSC requests audit information from all subrecipients in the pre-award risk assessment and in the contract execution process, and the status of these audits is documented in a spread sheet. LHSC will now begin a review process which includes requiring program coordinators to timely review audit reports for findings and to bring any applicable audit findings to management for a management decision letter and/or corrective action. LHSC will ensure that risk assessments are conducted on all potential subrecipients which will be used to determine appropriate monitoring. LHSC has assigned contract review staff to verify DUNS numbers on all potential subrecipients prior to contract execution and has requested program coordinators to alert all potential and current subrecipients to verify the active status and accuracy of their DUNS number. The above corrective action is ongoing and will continue. Corrective action will be monitored by LHSC Deputy Director and LHSC Accountant.

Respectfully submitted,

Lisa Freeman
Executive Director
LF/hs

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State of Louisiana

Department of Public Safety and Corrections
Louisiana Highway Safety Commission

March 15, 2019

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

Re: Weakness in Controls over Federal Vouchering

Dear Mr. Purpera,

On behalf of the Louisiana Highway Safety Commission (LHSC), I am responding to the request for response to findings of the Louisiana Legislative Auditor relative to Weakness in Controls over Federal Vouchering as follows:

LHSC concurs with the auditor's finding and recommendation and LHSC is taking and will take the following actions: As part of the LHSC office reorganization, the current LHSC administration has mandated vouchering of federal reimbursement funds and is currently monitoring the Grants Tracking System (GTS) to assure that this is being done. Vouchers must be submitted according to the preferred bi-monthly timeframe or the minimum monthly timeframe. With the exception of technical problems with GTS which are outside the control of the LHSC, and which must be reported to management in writing, this practice will allow LHSC to avoid significant delays in vouchering for reimbursable expenditures.

LHSC Accountant is not preparing vouchers only from the detailed expenditures report downloaded by period from the Business Objects Reporting System (BOXI) in LaGov. LHSC Accountant is clearly identifying exceptions to the BOXI report on each voucher and is reviewing previous voucher exceptions before the preparation of the current voucher. Exceptions may occur due to corrections that are needed to move expenditures to the correct fund source before they can be vouchered. LHSC Accountant is clearly labelling backup documentation for the period of expenditure reimbursement and is maintaining a file copy. LHSC Accountant sends all backup documentation to the National Highway Traffic Safety Administration (NHTSA) Regional Program Manager and DPS Management and Finance fiscal staff and LHSC Deputy Director. This process will also aid in avoiding the duplication of costs being requested in vouchering.

Mr. Purpera
March 15, 2019
Page Two

LHSC Accountant will review the DPS Management and Finance Cash On Hand Report by Reporting Category each month to verify balances are correct.

LHSC management is monitoring the work load for the current fiscal staff of one Accountant IV and a WAE. Based on need, LHSC will hire an additional fiscal employee to the extent constraints on planning and administration costs and associated matching requirements allow.

The above corrective action is ongoing and will continue. Corrective action will be monitored by LHSC Deputy Director.

Respectfully submitted,



Lisa Freeman
Executive Director
LF/hs



State of Louisiana

Department of Public Safety and Corrections
Louisiana Highway Safety Commission

March 15, 2019

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

Re: Deficiencies in Controls over Payroll

Dear Mr. Purpera,

On behalf of the Louisiana Highway Safety Commission (LHSC), I am responding to the request for response to findings of the Louisiana Legislative Auditor relative to Deficiencies in Controls over Payroll as follows:

LHSC concurs in part relative to this finding, however, LHSC submits that the majority of the auditor's payroll sampling was compliant with Civil Service Rules and department policy. LHSC concurs with the auditor's recommendation and LHSC maintains that LHSC emphasizes accuracy of time and attendance reporting, including certification, approval and monitoring of same. LHSC began and is continuing corrective action relative to timely and accurate payroll issues, which has been reinforced in regular communications to staff, both in writing and in bi-weekly staff meetings and in employee planning and evaluation documents. LHSC management has been using Human Resources' "Payroll Activity Checklist" to ensure that all payroll guidelines are satisfied and all supporting documentation is maintained on file for each pay period.

The above corrective action is ongoing and will continue. Corrective action will be monitored by LHSC Director and LHSC Deputy Director.

Respectfully submitted,

Lisa Freeman
Executive Director
LF/hs

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APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Highway Safety Commission (LHSC) for the period from July 1, 2017, through June 30, 2018, to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2018.

- We evaluated LHSC'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 LHSC.
- We performed procedures on the Highway Safety Cluster (CFDA 20.600 *State and Community Highway Safety*, 20.610 *State Traffic Safety Information System Improvements Grants*, and 20.616 *National Priority Safety Programs*) of federal programs for the year ended June 30, 2018, as a part of the 2018 Single Audit.
- We performed procedures on the status of the prior-year finding for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2018, as a part of the 2018 Single Audit.
- We compared the most current and prior-year financial activity using LHSC's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LHSC's management for significant variances.

The purpose of this report is solely to describe the scope of our work at LHSC, and not to provide an opinion on the effectiveness of LHSC'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 LHSC's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. LHSC's accounts are an integral part of the State of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.