

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Corrections Services  
Department of Public Safety  
and Corrections  
State of Louisiana  
Baton Rouge, Louisiana

December 20, 2000



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE***  
***Legislative Auditor***

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**Daniel G. Kyle, Ph.D., CPA, CFE**

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**CORRECTIONS SERVICES  
DEPARTMENT OF PUBLIC SAFETY  
AND CORRECTIONS  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

**Management Letter  
Dated November 20, 2000**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

December 20, 2000



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

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November 20, 2000

**CORRECTIONS SERVICES  
DEPARTMENT OF PUBLIC SAFETY  
AND CORRECTIONS  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2000, we considered the Department of Public Safety and Corrections, Corrections Services' internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Report of the Department of Public Safety and Corrections, Corrections Services was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

In our prior management letter on the Department of Public Safety and Corrections, Corrections Services for the year ended June 30, 1999, we reported findings relating to wardens of Louisiana State Penitentiary and Dixon Correctional Institute not living on prison grounds and ineffective use of the internal audit division. The finding relating to wardens of Louisiana State Penitentiary and Dixon Correctional Institute not living on prison grounds was not repeated in the current report since department policy no longer requires a warden to live at his respective institution. The finding relating to the ineffective use of the internal audit division has not been resolved and is addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2000.

**Lack of Internal Audit Function**

For the eleventh consecutive year, the Department of Public Safety and Corrections, Corrections Services, did not have an internal audit function to examine, evaluate, and report on its internal control and to evaluate its compliance with the policies and

## LEGISLATIVE AUDITOR

### **CORRECTIONS SERVICES DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS STATE OF LOUISIANA**

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procedures of the control system. Act 10 of the 1999 Regular Session of the Louisiana Legislature requires agencies with budgets in excess of \$30 million to use existing program resources and the table of organization to establish an internal auditor position. Considering the size of the department's reported assets of \$73,223,391 and revenues of \$601,022,127, an effective internal audit function is needed to ensure that assets are safeguarded and that management's policies and procedures are uniformly applied.

Although the department has administrative monitors who provide management with assurances on the field operations of the various prison facilities in accordance with departmental regulations, this function did not address material internal control policies and procedures covering significant self-generated revenues, non-payroll expenditures, various inmate accounts, or data processing controls and is not a substitute for an internal audit function.

Corrections Services should establish the internal audit function to provide assurance that assets are safeguarded and to ensure that management's policies and procedures are applied in accordance with management's intentions. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

#### **Noncompliance With Payroll Regulations**

Certain institutions within the Department of Public Safety and Corrections, Corrections Services, did not consistently follow its internal control procedures relating to the payroll function. The internal control procedures are designed to ensure that the department has complied with Civil Service rules and regulations and that time and attendance records supporting over \$256 million of expenditures for personal services are complete and accurate. A test of eight timekeeping units with a total of 120 employees for two pay periods was conducted. The following exceptions, which primarily occurred at Elayn Hunt Correctional Institute and Louisiana Correctional Institute for Women, were noted:

- Not all employees and supervisors are certifying the hours of work recorded on the Fixed Time Entry Sign-in Sheets. Thirteen employees did not certify their time and attendance, and the supervisor did not certify the time and attendance of these and one other employee. Department of State Civil Service Rule 15.2 requires the employee and supervisor to certify the actual number of hours of attendance and absence from duty on the time and attendance record.

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- When requesting leave, Application for Leave forms are not consistently submitted to the appropriate supervisor and timekeeper. Five employees were paid while on leave, but an Application for Leave form was not submitted. Department of State Civil Service Rule 11.7(a) requires employees to apply for leave and obtain approval by the appointing authority or his designated representative.
- There were 20 instances where the supervisor did not review and certify the time entered into the payroll system. Without certification, there is no evidence that the Fixed Time Entry Listing was reviewed. The *Payroll Services Unit Procedure Manual* requires the supervisor to review and certify the accuracy of the entry of the Fixed Time Entry Listing.
- Overtime reports were missing for four employees, and one overtime report was incomplete. This report is used to substantiate overtime paid to the employee and is required by Departmental Regulation No. A-02-002 section 7-K.

Although the department has policies and procedures that contain many elements of a good internal control system, these procedures are not uniformly followed. This could result in increased risk that inaccurate, unsupported, or fraudulent data could be entered and processed, and such errors may not be detected within a reasonable time.

Management should re-emphasize the need for all employees to follow its internal control policies and procedures relating to the payroll function. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. The finding relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

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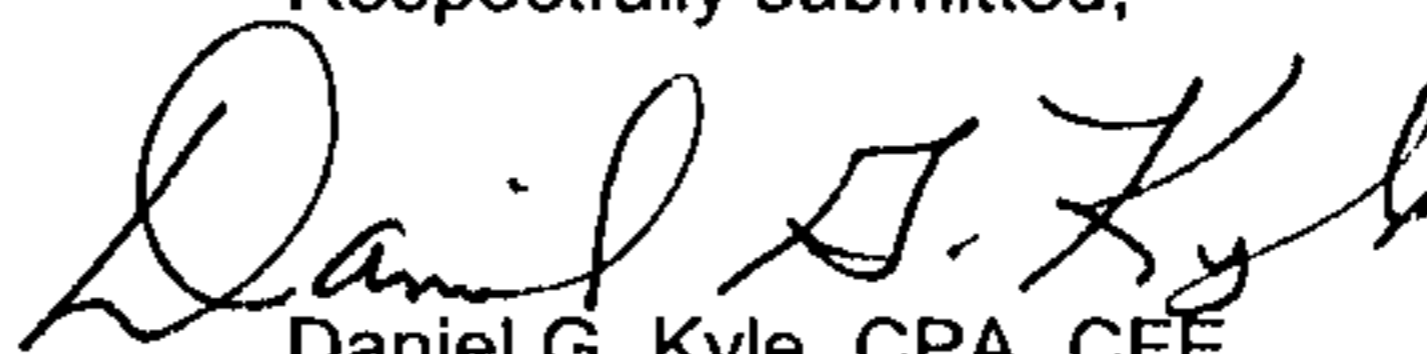
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This letter is intended for the information and use of the department and its management and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DJL:JR:RCL:dl

[DPS-CS]

## Appendix A

# Management's Corrective Action Plans and Responses to the Findings and Recommendations





DEPARTMENT OF  
**PUBLIC SAFETY AND CORRECTIONS**

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RICHARD L. STALDER, SECRETARY

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November 21, 2000

Dr. Daniel G. Kyle, CPA, CFE  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Re: Internal Audit Division

Dear Dr. Kyle:

*The department agrees with your finding in that an adequate internal audit function is needed for the department. As indicated each year, the department lacks sufficient resources to adequately staff and provide for the needed services in this area. The department has repeatedly requested the resources in the budget to properly staff this function and have repeatedly been denied. Furthermore, the department's workload continues to increase as does statutory reporting requirements. The department is continually asked to provide additional information and services while facing budget and position reductions each year in its administrative appropriation as well as having to absorb expenditure items which are necessary but unfunded.*

*In spite of this, the department continues to strive to have exemplary performance in all facets of operations. To this end, all institutions have been accredited by the American Correctional Association. The standards that are required to meet ACA accreditation set strict operating requirements on all field units, several of which involve internal controls dealing with the financial aspects of the operations. In order to remain accredited, the department must continue to meet these high standards.*

*The department continues to conduct operational audits annually for state-run adult units, twice annually for all juvenile units, and quarterly for privately managed units in accordance with Department Regulation C-05-003. The audit teams include representatives from both the Office of Youth Development and Adult Services, and the Office of Management and Finance Personnel and Payroll and Fiscal Services division (see attached). The purpose of this regulation is to provide ongoing audits of institutional programs to insure compliance with Department Regulations and Policies. It includes review of policy, procedures, and relevant documentation (normally in the ACA file) and such inspection/verification as may be needed to determine compliance status with key ACA standards, several of which deal directly with internal controls on several of the key financial areas in the institutions.*

Dr. Daniel G. Kyle, CPA, CFE

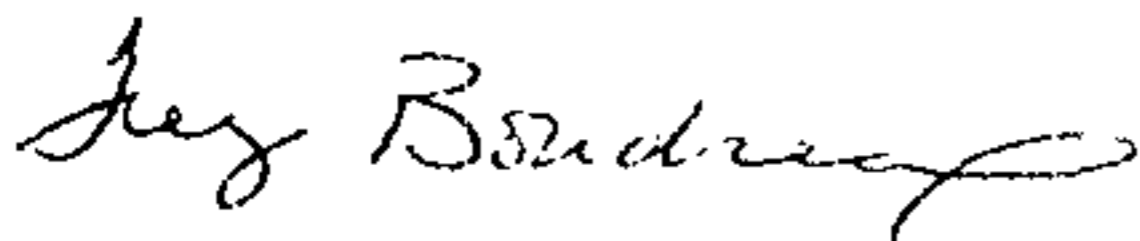
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*Over the past fiscal year, staff conducted 61 such audits at various correctional facilities. Scopes of these audits included cash handling and management, movable property, inmate offender welfare and organization funds, accounting system reconciliations, canteen operations, budgeting, medical co-pay, indigent supplies and services and warehouse inventories. These audits were effective in providing assurances to management that assets are properly safeguarded, internal control structures are established and operating in accordance with applicable laws and Department Regulations and Procedures are sufficient to prevent or detect errors and irregularities in a timely manner. The department also requires all operating units to report monthly operating data to top management of the department through Department Regulation C-05-001, a copy of which is attached.*

*The department will continue to seek additional resources to have an effective internal audit division. Whatever assistance your office could provide in informing the legislature and other decision makers as to the pressing need to have these functions funded for the executive departments would certainly be appreciated.*

*Sincerely,*



*Bernard E. "Trey" Boudreaux, III  
Undersecretary*

*BEB/cw*

*cc: Richard Stalder, Secretary  
Ron Granier, Chief Fiscal Officer  
Internal Audit*

DEPARTMENT OF  
PUBLIC SAFETY AND CORRECTIONS

RICHARD L. STALDER, SECRETARY



M. J. "MIKE" FOSTER, JR., GOVERNOR

November 21, 2000

Mr. Dan Kyle, PH.D., CPA, CFE, Legislative Auditor  
Office of the Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Noncompliance with Payroll Regulations

Dear Mr. Kyle:

In reference to the audit finding regarding noncompliance with payroll regulations, the department agrees in part with the finding as it relates to employee/supervisor certification, leave slips, and overtime reports. The third item listed in the finding regarding the twenty instances where supervisors did not review and certify time entered into the payroll system by timekeepers is a true statement. However, it is somewhat misleading due to the omission of other information. Most of these instances occurred at one institution. Rather than have the supervisor review and certify the time entered into the payroll system, their payroll office was responsible for reviewing hand written time sheets against the Fixed Time Entry Listing. This deviates from the procedures but does satisfy the oversight review of timekeepers necessary to provide the proper checks and balances over timekeeper entries. When this is taken into account, the instances of noncompliance are reduced by 33%. The majority of the remaining instances occurred primarily at one unit. The exceptions were noted by the unit and specific steps have been implemented to insure compliance.

In addressing the concerns, Secretary Stalder reemphasized the need for all employees to follow the internal control policies and procedures relating to payroll at the wardens meeting on October 19, 2000. In an effort to further minimize the instances of noncompliance, Headquarters will redouble its efforts to audit time and attendance records at least twice a year system-wide with special emphasis on the cited entities. A directive will be issued from the Secretary's Office to unit heads reemphasizing the importance of maintaining proper controls over the payroll and timekeeping process.

If you have any questions in reference to any of these findings, please contact Zbigniew S. Cypel at 342-2211. It is the department's intention to guarantee an error free payroll without any possibility of fraud.

Sincerely,

Bernard E. "Trey" Boudreaux, III  
Undersecretary

BEB/cw

c: Richard L. Stalder, Secretary  
Ronald L. Granier, Chief Fiscal Officer  
Zbigniew S. Cypel, Human Resource Director