

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS –
CORRECTIONS SERVICES
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED OCTOBER 23, 2019

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor and online at www.lla.la.gov.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.45. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov. When contacting the office, you may refer to Agency ID No. 3342 or Report ID No. 80190019 for additional information.

In compliance with the Americans with Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Public Safety and Corrections – Corrections Services

October 2019

Audit Control # 80190019

Introduction

The primary purpose of our procedures at the Department of Public Safety and Corrections – Corrections Services (Department) was to evaluate certain controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide 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 the Department’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 Department’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 inmate sentence computations, movable property, payroll expenditures, inventory, cash, sheriff housing payments, and Prison Enterprise non-payroll expenditures.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in the Department’s procedural report dated September 19, 2018. We determined that management has resolved the prior-report finding related to Inadequate Controls over Payroll at the Louisiana Correctional Institute for Women (LCIW). The prior-report finding related to Inadequate Controls over Inventory at the Elayn Hunt Correctional Center (EHCC) and Allen Correctional Center (ALCC) has not been resolved and is addressed again in this report.

Current-report Findings

No Required Supervisory Review of Sentence Computations

The Department does not require a supervisory review of sentence computations to ensure compliance with department policies related to application of credits and forfeitures and to

ensure complete and accurate information is maintained in the Department's system (CAJUN). In a test of sentence computations worked between July 1, 2018, and April 16, 2019, we compared the sentence computation to supporting documentation provided by the Department and noted the following:

- Five (12.5%) of 40 computations tested had inaccurate information, based on the supporting documentation, entered in CAJUN resulting in inaccurate release dates or parole eligibility classifications.
 - Three errors occurred when applying credits and forfeitures to the inmate's sentence term. When brought to management's attention, the errors were immediately corrected resulting in adjusted release dates of 15, 90, and 248 days later than those originally calculated.
 - Two errors were identified in the parole eligibility field in CAJUN. When brought to management's attention, management immediately updated one of the records by flagging the individual as potentially eligible for parole. The other individual was flagged as parole eligible; however, management determined that no change was needed because the person had already been released under other criteria.
- Twenty-one (52.5%) of 40 computations tested, including three of the five computations with errors above, did not have reviewer initials or other support to indicate the sentence computation was reviewed by someone other than the preparer.

The Department does not have a formal policy that requires a review of the sentence computation by a supervisor or other experienced staff. Due to the complexity of the sentence computation process, management should establish policies to require a secondary review of initial sentence computations and changes to sentence computations when applying credits and forfeitures. Management concurred with the finding and outlined a corrective action plan (see Appendix A, pages 1-2).

Inadequate Controls over Inventory

The Department does not have adequate controls in place to ensure that complete and accurate inventory records are maintained for the pharmacy inventory at EHCC and the automotive fuel inventory at David Wade Correctional Center (DWCC), Raymond Laborde Correctional Center (RLCC) and ALCC, increasing the risk of theft and waste and preventing management from properly monitoring inventory levels. Good internal control includes maintaining complete and accurate inventory records, including a method for accurately accounting for items as they are purchased and used, and reconciling physical inventory counts to inventory records. During our procedures, the following were noted:

- Fifteen (58%) of 26 EHCC non-controlled substance items tested could not be reconciled between the physical inventory count conducted on March 21, 2019, and the inventory records because donations from nursing homes and returned

medications are stored and maintained separately from purchased medications but are not logged. Also, there is not an identifying factor in the system to distinguish whether disbursements were from donated or purchased items. In addition, inaccurate counts were reported on the quarterly inventory report dated December 31, 2018, and manual stock order forms did not sufficiently describe the items issued and were not pre-numbered or otherwise labeled to ensure that missing forms could be identified. This is the second consecutive engagement that this control weakness has been reported.

- One (33%) of three RLCC fuel tanks tested could not be reconciled between the meter readings observed on February 18, 2019, and the quarterly inventory report dated January 14, 2019. Management represented that the pump was old and no longer providing accurate readings. The observed meter reading was 73 gallons lower than the inventory records.
- Two (67%) of three ALCC fuel tanks tested could not be reconciled between the meter readings observed on March 20, 2019, and the quarterly inventory report dated January 3, 2019, because it appears that not all of the usage was recorded in the vehicle logs. The observed meter readings were lower than the inventory records with differences ranging from 34 gallons to 93 gallons. This is the second consecutive engagement that this control weakness has been reported.
- All three DWCC fuel tanks tested could not be reconciled between the meter readings observed on February 19, 2019, and the quarterly inventory report dated December 18, 2018, because logs were not maintained for one of the tanks and management did not have a process for reconciling the logs to inventory records for the remaining tanks. The observed meter readings for the two tanks with vehicle logs were lower than the inventory records with differences ranging from 234 gallons to 312 gallons.

Management should ensure that inventory is adequately safeguarded and purchases, issuances and spoilage, where applicable, are properly tracked and documented so that inventories can be reconciled to the inventory records at any time. Management should also implement procedures to reconcile physical inventory counts to inventory records to ensure that quarterly inventory counts are accurate. EHCC management should implement a tracking method for donations and returns. In addition, EHCC management should update the stock order forms and the quarterly inventory worksheets to reflect the quantities that are available in inventory and consider pre-numbering the stock order forms. DWCC, RLCC, and ALCC management should ensure that vehicle logs are maintained for all fuel tanks and reconcile the vehicle logs to the meter readings to ensure that all activity is recorded and meter readings are appropriate. RLCC management should also consider the feasibility of replacing or repairing tanks that are no longer providing accurate readings. Management concurred with the finding and outlined a corrective action plan (see Appendix A, pages 3-4).

Additional Comments: In its response, management indicated the department was in compliance with Louisiana Board of Pharmacy (Board) requirements and due to the lack of

personnel to log in the extremely large volume of donated medicine and returned medicine decided to discontinue the receipt of donated medications.

In the finding, we are not reporting on noncompliance with Board requirements but rather the lack of proper control over the department's inventory. Although not a specific requirement of the Board, our recommendations are to track and maintain records which would allow the department to know how much inventory is on-hand at any time. Such practices are essential to proper stewardship over and safeguarding of state assets within the correctional facility environment.

Therefore, rather than management discontinuing a program, that "saves tax payers thousands of dollars each year," management should implement a process to properly account for and safeguard against theft and error of donated and returned medications, some of which are prescription medications.

Lack of Adherence to Payroll Policy

The Department did not follow department policy HQ-A-026 that requires electronic time sheets to be certified on payroll Monday and approved by the supervisor on Wednesday after the pay period end. Untimely certification and approval of attendance by employees and supervisors increases the risk that retroactive adjustments will be needed by the timekeeper causing inefficiencies in the timekeeping process and increasing the risk of fraud or error related to leave balances, overtime payments, and terminated employee payments.

In a test of Headquarters' time sheet certifications for the pay periods ending July 15, 2018, through March 24, 2019, we noted 558 (12.6%) of 4,431 time sheets tested were not approved by the supervisor before the payroll disbursement. During this same time period, we noted 202 (4.6%) of 4,431 time sheets tested were not certified by the employee before the payroll disbursement.

Management did not ensure that time administrators, supervisors and/or employees adequately followed up or ensured required actions were taken per department policy when untimely certifications and approvals were identified in payroll system monitoring reports. Management should ensure that time sheets are certified and approved according to department policy. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 5-6).

Inmate Sentence Computations

The Department is responsible for calculating inmate release dates using the laws in effect on each inmate's sentence and by applying any credits the inmate is eligible to receive or applying any number of days the inmate may be required to forfeit. During the period July 1, 2018, through February 28, 2019, the Department processed more than 30,000 inmate sentence computations. We obtained an understanding of the Department's policies and controls over inmate sentence computations and reviewed training rosters and manuals provided to staff. We

also recomputed 40 sentence computations worked during the period July 1, 2018, through April 16, 2019, to determine that controls were in place to ensure the sentence computation was calculated in accordance with Department policy and properly updated in CAJUN. Based on the results of our procedures, the Department did not have an adequate review process in place (see Current-report Findings).

Movable Property

The Department maintains approximately \$70 million of movable property at various locations across the state. We reviewed all 15 Certifications of Annual Property Inventory submitted to the Louisiana Property Assistance Agency between June 2018 and February 2019, to determine whether inventory was performed timely and did not result in an excessive amount of unlocated property. We also obtained an understanding of internal control, performed an observation of the Department's livestock inventory count at Louisiana State Penitentiary, and tested selected items and transactions from the period July 1, 2018, through January 31, 2019, at Headquarters, RLCC, DWCC, and Prison Enterprises. Based on the results of our procedures, the Department had adequate controls in place to safeguard movable property, accurately and timely record property in the asset management system, and comply with state movable property regulations.

Payroll Expenditures

Salaries and related benefits comprised approximately 55% of the Department's expenditures in fiscal year 2019. We obtained an understanding of internal control over the time and attendance function and reviewed 42 employee time and leave records from the period January 2019 through February 2019 for Headquarters, RLCC, DWCC, LCIW, and Prison Enterprises. We also reviewed electronic time sheet approvals in the payroll system from the period July 15, 2018, through March 29, 2019, for Headquarters. Based on the results of our procedures, RLCC, DWCC, LCIW, and Prison Enterprises had adequate controls in place to ensure timely review and approval of employee time and leave records and to ensure that leave taken was properly accounted for, but Headquarters was not complying with Department policy to certify time sheets prior to payroll disbursement (see Current-report Findings).

Inventory

As of June 30, 2019, the Department reported approximately \$21 million in inventory for supplies, commodities, and canteen items. We obtained an understanding of controls over the EHCC pharmaceutical inventory and the ALCC, RLCC, and DWCC canteen and automotive inventories. We selected items from the quarterly inventory reports as of December 31, 2018, for testing, observed physical counts of the inventory at each facility during the period February 2019 through March 2019, and performed procedures to reconcile the observed physical count to the quarterly inventory report. Based on the results of our procedures, we determined that the Department had adequate controls in place for the canteen inventory at these locations but did

not have adequate controls in place for the pharmaceutical and automotive inventory at these locations (see Current-report Findings).

Cash

The Department is authorized to maintain various bank accounts for managing imprest funds, offender banking and organization accounts, and other authorized purposes. We obtained an understanding of the Department's controls over the DWCC and RLCC offender banking and organization accounts, reviewed all bank reconciliations for the period July 2018 through January 2019, and tested selected transactions from the October 2018 bank statements. Based on the results of our procedures, the Department had adequate controls in place for these accounts to ensure timely preparation, review, and approval of bank reconciliations and to ensure that transactions in and out of DWCC and RLCC offender banking and organization accounts are authorized and adequately supported.

Sheriff Housing Payments

In fiscal year 2019, the Department expended approximately \$155 million for local housing, transitional work programs, and local re-entry programs for state adult offenders. We obtained an understanding of the Department's controls over local housing payments, reviewed management's schedule of local housing audits performed during the period July 1, 2018, through December 31, 2018, and selected payments from the period July 1, 2018, through December 31, 2018, for testing. Based on the results of our procedures, the Department has adequate controls in place to ensure that payments were authorized, not duplicated, supported by offender records in CAJUN and/or at the local facility, and properly recorded in the general ledger.

Prison Enterprises Non-Payroll Expenditures

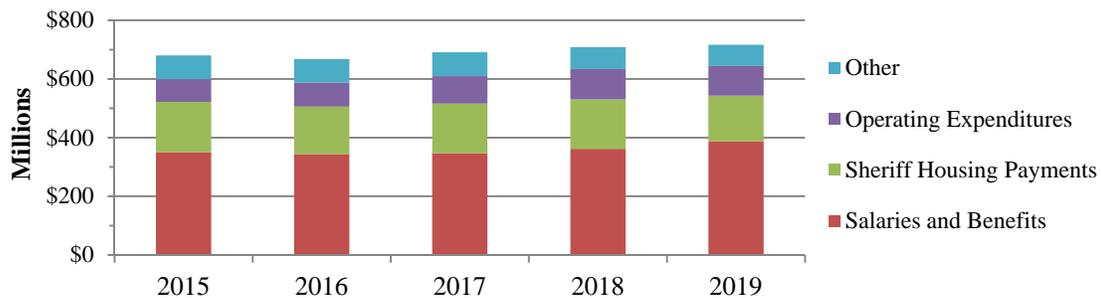
For the period ending June 30, 2019, Prison Enterprises reported approximately \$10 million in administrative expenditures consisting mainly of salaries, benefits, operating services, and operating supplies. We obtained an understanding of the Department's controls over operating services and supplies during fiscal year 2019, and selected transactions from the period July 1, 2018, through December 31, 2018, for testing. Based on the results of our procedures, the Department has adequate controls in place to ensure that payments are approved, in compliance with Department policies and the Louisiana Procurement Code, adequately supported, and for a legitimate business need.

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 expenditures by type (Exhibit 1) and Prison Enterprises’ operating revenues and expenditures (Exhibit 2).

Exhibit 1 presents the Department’s expenditures, by type, for the nine correctional facilities, Corrections’ Administration, Sheriff Housing, and Adult Probation and Parole. As shown in Exhibit 1, overall expenditures have remained relatively steady over the past five fiscal years, with fluctuations due to reductions in state funding in fiscal year 2016, which were subsequently increased in fiscal years 2017 and 2018. Salaries and benefits increased in recent years due to market adjustments that went into effect the latter part of fiscal year 2018 and the transition of ALCC from a private facility to a facility operated by the Department. These increases were offset by decreases in sheriff housing payments in fiscal year 2019 as a result of criminal justice reinvestment initiatives.

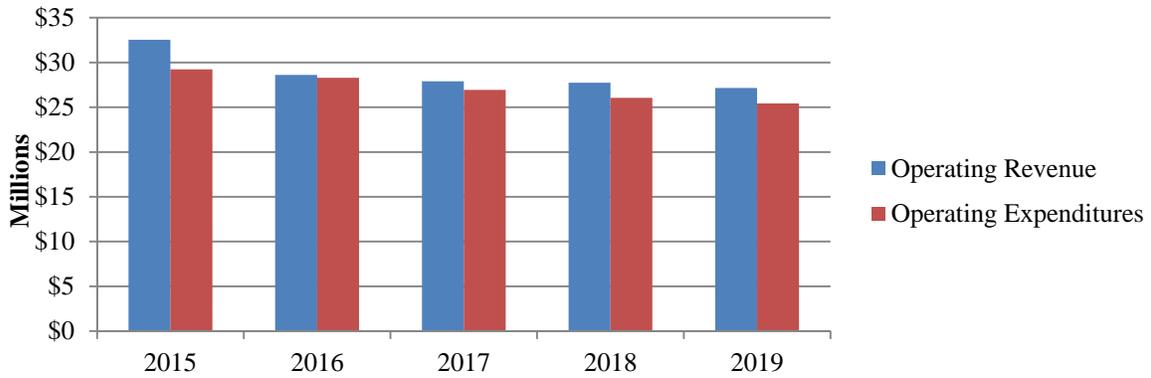
**Exhibit 1
Expenditures, by Fiscal Year**



Source: Fiscal year 2015-2019 Annual Fiscal Reports

Exhibit 2 presents the operating revenues and expenditures of the Prison Enterprise fund. As shown in Exhibit 2, operating revenue remains steady averaging \$28 million each year, except for fiscal year 2015, when it increased by approximately \$4.4 million due to increased sales of the soybean crop and the increased sales and timing of cattle sales. The operating expenditures of Prison Enterprises have decreased from \$29 million in fiscal year 2015 to \$25 million in fiscal year 2019 mainly due to decreases in costs of sales between fiscal years 2016 and 2017.

**Exhibit 2
Prison Enterprises
Operating Revenue and Expenditures, by Fiscal Year**



Source: Fiscal year 2015-2019 Annual Fiscal 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

JO:DM:BH:EFS:ch

DOC 2019

APPENDIX A: MANAGEMENT'S RESPONSES

Department of Public Safety & Corrections

State of Louisiana
Office of Management and Finance

JOHN BEL EDWARDS
Governor



JAMES M. LE BLANC
Secretary

September 27, 2019

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

Dear Mr. Purpera:

Please accept this as the Department of Public Safety and Corrections – Corrections Services' (DPS&C-CS) response to the recent financial compliance audit conducted at the Department with regards to sentence computation reviews.

The Department concurs with the following audit findings and are taking corrective actions to ensure the time computations are reviewed by an experienced employee.

- The Department does not have a supervisor secondary review of every time computation. Resources are not available to require all time computations to be reviewed by supervisors. Supervisors review all time computations done by newer employees. In 2018 a procedure was put into place in which supervisors review twenty-five time computation cases per month.
- Five of forty time computations tested had inaccurate information. The five time computations have been reviewed and corrected. Of the five time calculation inaccuracies, two involved the loss of good time and/or restoration of good time, two involved the calculation of Parole Eligibility and one involved the calculation of Certified Treatment Rehabilitation Program (CTRP) credits. Calculating offender release dates is a complex process. Each legislation session that results in a change to laws that impact time computation requires the Department to develop a method to implement the change and clarify the impacts of the change to existing laws and adjust training accordingly. In addition, when the legislation is perspective only, it means that we continue to have cases that must be worked and tracked following the old laws and new laws. As such, time computation staff are expected to know (or learn if they are new staff) all time computation laws, old and new, and the dates they are in effect. Each staff member works under the guidance of a supervisor that is available to answer questions and train them through unique cases. Each employee has been through time computation training and works with time computation guides to help with calculations.

- The Department does not have a formal policy that requires a review of the sentence computation by a supervisor or other experienced staff. The Department is finalizing a procedure to have a second review by an experienced staff member on initial sentence computations and changes to sentence computation when applying credits and forfeitures.

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

Sincerely,

A handwritten signature in blue ink that reads "Thomas Buchanan". The signature is written in a cursive style with a large, looping initial 'T'.A small, stylized handwritten mark in blue ink, possibly a signature or initials, located to the left of the typed name.

James M. LeBlanc
Secretary

Department of Public Safety & Corrections

State of Louisiana
Office of Management and Finance

JOHN BEL EDWARDS
Governor



JAMES M. LE BLANC
Secretary

September 27, 2019

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

Dear Mr. Purpera:

Please accept this as the Department of Public Safety and Corrections – Corrections Services' (DPS&C-CS) response to the recent financial compliance audit conducted at the Department with regards to controls over inventory.

Although no fraudulent intent or activity was discovered during the audit of inventory, the Department concurs with the audit finding that controls over inventory could be stronger, and in an overabundance of caution is taking the following actions to ensure that inventory is accurately tracked and properly safeguarded:

- In regards to Elayn Hunt Correctional Center's pharmacy inventory, even though the Department is in compliance with Louisiana Board of Pharmacy requirements for inventory of non-controlled substances and the program in place of accepting unused medications donated from nursing homes saves tax payers thousands of dollars each year, we have discontinued the receipt of donated medications. The volume of donated medicine and returned medicine is extremely large and it would be impossible to log all of it in its entirety, as recommended by your staff, without additional personnel. Also, the current pharmacy inventory tracking system does not have the capability to log returned medicine, as this is not a requirement of the Louisiana Board of Pharmacy. We are, however, implementing a new pharmacy inventory tracking system, expected to be completed next year, which will allow us to scan 90% of our inventory. This new system will reduce the risk of human error and provide a more accurate inventory count. We will, as recommended, update our stock order form and quarterly inventory worksheets to more sufficiently describe inventory movements as well as implement a numbering system to better track stock order forms and retrieve data when requested.
- In regards to automotive fuel inventory at Raymond LaBorde Correctional Center, Allen Correctional Center and David Wade Correctional Center, FuelTrac's tank automation and fuel card system is being implemented at these sites this year. This system eliminates fuel inventories as well as the need to maintain and manage manual fuel logs.

The Department strives to ensure that inventory is safeguarded and purchases, issuances and spoilage, where applicable, are properly tracked and documented so that inventories can be reconciled to inventory records at any time. Management makes every effort to ensure proper procedures are in place in order to reconcile physical inventory counts to inventory records and ensure that quarterly inventory counts are accurate. Management's objective is always to minimize the risk of theft and waste allowing for inventory levels to be monitored appropriately.

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

Sincerely,


James M. LeBlanc
Secretary

Department of Public Safety & Corrections

State of Louisiana
Office of Management and Finance

JOHN BEL EDWARDS
Governor



JAMES M. LE BLANC
Secretary

September 10, 2019

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

Dear Mr. Purpera:

Please accept this as the Department of Public Safety and Corrections – Corrections Services' (DPS&C-CS) response to the recent financial compliance audit conducted at the Department with regards to adherence to Department payroll policy.

The Department concurs with the finding that payroll policy HQ-A-26 requiring electronic timesheets to be certified on payroll Monday and approved by the supervisor on Wednesday after the pay period end was not adhered to in all instances.

First, and foremost, it is important to note that while the finding states that untimely certification of timesheets increases the risk of fraud or errors related to leave balances or payments, that no overpayments or fraudulent activity was found during the audit.

The Department has already taken the following corrective actions to ensure that timesheets are certified and approved according to Department policy:

- Human Resources has revised department policy HQ-A-026 to make certification required by payday Friday rather than the Wednesday after the pay period ends.
- Human Resources Director, Tanisha Matthews, will ensure that notifications are emailed from Human Resources to Time Administrators advising them of certifications that have not been completed by the Thursday morning following the close of the pay period. Also, on Thursday afternoon, division heads will be notified if certifications and approvals are still incomplete. While 100% adherence is always the desired outcome, there are reasons why certifications may not be timely including but not limited to: resignations or transfers by employees or supervisors within the pay period; vacations or extended leave taken by employees or supervisors such as FMLA or Worker's Compensation Leave; multiple holidays, office closures, or other time off by employees or supervisors during the week after pay period close.

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

Sincerely,

A handwritten signature in blue ink that reads "James M. LeBlanc". The signature is written in a cursive, flowing style.

James M. LeBlanc
Secretary

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Safety and Corrections – Corrections Services (Department) for the period from July 1, 2018, through June 30, 2019. Our objective was to evaluate certain controls the Department 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 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 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 financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- 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.
- Based on the documentation of the Department’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 inmate sentence computations, movable property, payroll expenditures, inventory, cash, sheriff housing payments, and Prison Enterprise non-payroll expenditures.
- 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 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 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 purpose.