

DEPARTMENT OF STATE CIVIL SERVICE  
STATE OF LOUISIANA



PROCEDURAL REPORT  
ISSUED AUGUST 26, 2009

**LEGISLATIVE AUDITOR  
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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

August 4, 2009

**DEPARTMENT OF STATE CIVIL SERVICE  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of State Civil Service for the period from July 1, 2007, through June 30, 2009. Our procedures included (1) a review of the department's internal controls; (2) tests of financial transactions; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected departmental personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Department of State Civil Service were not audited or reviewed by us, 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.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Inadequate Preparation of the Ethics Administration's Annual Fiscal Report**

The Department of State Civil Service, Ethics Administration (EA) did not submit an accurate and complete Annual Fiscal Report (AFR) to the Division of Administration (DOA) for the fiscal year ended June 30, 2008. As authorized by Louisiana Revised Statute 39:79, the commissioner of administration, through DOA's Office of Statewide Reporting and Accounting Policy (OSRAP), prescribes the content and format for the preparation of the AFR, which is used to obtain financial information for the compilation

of the state's Comprehensive Annual Financial Report (CAFR). Good internal control over financial reporting includes establishing a process to ensure that the AFR is accurately prepared and reviewed.

The EA's fiscal year 2008 AFR included the following errors:

- The agency reported activity on the Schedule of Revenues, Expenditures, and Changes in Fund Balance (Schedule 6-1) in error. As a result, beginning fund balance was overstated by \$13,200; revenues were overstated by \$67,582; expenditures were overstated by \$58,182; and ending fund balance was overstated by \$22,600.
- The agency did not prepare the Schedule of GASB 34 Revenue Accruals (Schedule 14). As a result, campaign finance disclosure receivables were understated by \$1,037,134; lobbyist disclosure receivables were understated by \$16,900; and ethics violation receivables were understated by \$44,430.
- The operating lease note disclosure, which discloses future minimum lease payments for office space under operating lease, was overstated by \$105,909. Although the lease term expired before the end of the fiscal year, the agency incorrectly disclosed an entire year of lease payments.

Management has not established adequate internal controls over the financial reporting process to ensure that the AFR is properly prepared and reviewed for errors and omissions. Failure to submit an accurate and complete AFR to OSRAP can delay the compilation and issuance of the state's CAFR by the statutorily required date. Furthermore, misstatements from errors or fraud may occur and remain undetected in the CAFR.

Management should ensure that the AFR is properly prepared and should review the schedules in the AFR to identify and correct errors before submission to OSRAP. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that which is most likely to bring about beneficial improvements to the operations of the department. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action. Compliance issues should be addressed immediately by management.

This report is intended solely 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

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Management's Corrective Action  
Plan and Response to the  
Finding and Recommendation







Shannon S. Templet  
Director

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**DEPARTMENT OF STATE CIVIL SERVICE**  
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July 31, 2009

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Please accept this official response relating to the reportable audit finding for the Department of State Civil Service, Louisiana Board of Ethics:

Legislative Auditor Comment

The agency reported the Schedule of Revenues, Expenditures and Changes in Fund Balance (Schedule 6-1) in error.

Agency Response

The agency concurs. Measures are being taken to provide the staff with the necessary resources and support to ensure accurate reporting in the future, the Fiscal Section will house a current Codification of Governmental Accounting and Financial Reporting Standards and participate in accounting related training opportunities annually. Also, the Fiscal Staff along with management will meet with the assigned contact person from OSRAP to review the AFRs for accuracy prior to submission.

Legislative Auditor Comment

The Agency did not prepare the Schedule of GASB 34 Revenue Accruals (Schedule 14 Campaign Finance Disclosure, Lobbyist Disclosure, and Ethics Violations).

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#### Agency Response

The agency concurs. During the audit that was conducted in FY 2006-07 the Ethics Administration agreed to report revenues generated from Campaign Finance Disclosures in the Annual Financial Report. However, due to staff shortages, unplanned employee turnover and loss of institutional knowledge, the information was unintentionally omitted. In reference to understated revenues for Lobbyist Disclosure Fees and Ethics Violations, the agency was never advised that this information should be reported on Schedule 14 of the Annual Financial Report. Since receiving notification that Lobbyist Disclosure Fees and Ethics Violations should be reported, the Ethics Administration is tracking the data and will report it on the Annual Financial Report for June 30, 2009 and each year thereafter.

#### Legislative Auditor Comment

Future lease payments of office space under operating lease were overstated.

#### Agency Response

The agency concurs. The instructions for the AFRs (Note M-1) are not clear. In that DSCS knew that the Ethics Administration was appropriated adequate funds for office space and that it would continue in its current lease until other accommodations were secured, projected payment for office space was reported. The instructions for (Note M-1) do not explicitly state that only exculpatory funds should be reported, it merely mentions that lease agreements have such a clause. Upon discussions with the Legislative Auditors Office as to their interpretation of the instructions (per GASB), the staff now understands the acceptable standard for reporting this information. Measures are being taken to provide the staff with the necessary resources and support to ensure accurate reporting in the future. The Fiscal Section will house a current Codification of Governmental Accounting and Financial Reporting Standards and participate in accounting related training opportunities annually. Also, the Fiscal Staff along with management will meet with the assigned contact person from OSRAP to review for accuracy prior to submission.

It should be noted that a CPA was hired to oversee projects such as the preparation of the June 30, 2008 Annual Financial Reports. Management discussed its development and completion and was assured that the reports were accurate, that employee is no longer with the agency. Effective immediately, the Administrative Officer will be more involved in training and reviewing of the reports.

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Since the submission of the Annual Financial Report for FY 07-08, DSCS has employed two academically trained accountants with extensive work experience in governmental accounting. In addition to the aforementioned measures, our employees are charged with the task of auditing our current procedures, recommending updates / changes and documenting current and revised procedures for the Fiscal Section.

Sincerely,



Shannon S. Temple

Director

EX:ST:KS:mcm