

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



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Public Safety and Corrections – Corrections Services

September 2016

Audit Control # 80160013

Introduction

The primary purpose of our procedures at the Department of Public Safety and Corrections, Corrections Services (Department) was to evaluate certain internal controls the Department uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

The Department is a component of the state of Louisiana created within the executive branch of state government. The Department is responsible for the custody and care of adult offenders across Louisiana with a mission to enhance public safety through the safe and secure incarceration of offenders, effective probation/parole supervision, and rehabilitative strategies that reintegrate offenders into society, as well as to assist individuals and communities victimized by crime.

Results of Our Procedures

We evaluated the Department's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the Department's internal controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to movable property, inventory, payroll expenditures, and sheriff's housing payments. In addition, we performed procedures to determine that the Department has complied with certain state laws, reviewed the Department's internal audit work on the LAWS Rodeo account, and obtained information relating to the new Offender Management System.

Our procedures were limited due to ongoing investigations by the Louisiana Legislative Auditor's (LLA) Investigative Audit Services section and the Louisiana Inspector General's Office, as well as ongoing engagements performed by LLA's Performance Audit Services section.

Movable Property

Based on prior-year findings and identified risks relating to movable property, we performed procedures to determine that controls over movable property were adequate for the Department's

multiple locations. We performed procedures to ensure that property of the Department's Administration, Avoyelles Correctional Center, David Wade Correctional Center, and Prison Enterprises was properly located and safeguarded on site, timely tagged, accurately recorded, and disposals were approved prior to removal. We also obtained and reviewed the Certifications of Annual Property Inventory, totaling approximately \$70 million for the Department's various locations, to determine if there was an excessive amount of unlocated property. Our procedures determined that assets were properly safeguarded and recorded and complied with state property regulations.

Inventory

The Department maintains inventory for supplies, commodities, and canteen items at the seven state-run correctional facilities. Prison Enterprises maintains inventory for various items used in its manufacturing facilities. We performed procedures to ensure that physical inventory counts were complete and accurate and that inventory was stored in secured locations at Avoyelles Correctional Center and David Wade Correctional Center. We also compared inventory counts by year for Prison Enterprise's livestock and obtained explanations from management for any large or unusual variances between years. Our procedures determined that adequate controls were in place to ensure inventory was properly safeguarded and recorded.

Payroll Expenditures

Salaries and benefits for fiscal year 2016 totaled approximately \$348 million, which accounts for more than half of the Department's expenditures. Based on the significance of payroll expenditures at the Department, we performed procedures at the Department's Administration, Avoyelles Correctional Center, David Wade Correctional Center, Prison Enterprises, and Probation and Parole to determine that employees are paid at their authorized rates and that time sheets are accurately recorded, signed, and approved. Based on our procedures, the Department had adequate controls to ensure that payroll transactions are properly recorded based on certified and approved time sheets and are in accordance with applicable laws and regulations.

Sheriff's Housing Expenditures

During fiscal year 2016, the Department expended more than \$156 million for local housing, transitional work programs, and local re-entry programs for state offenders. Sheriff's housing payments are made under Louisiana Revised Statute (R.S.) 15:824(B)(1)(a), which authorizes the Department to pay a per diem rate of \$24.39 to each parish sheriff, or to the governing authority of those parishes in which the governing authority operates the parish jail, for the housing and feeding of state adult offenders. The Department is also authorized to pay a per diem rate of \$11.25 per offender for contract transitional work programs and \$15.39 per offender for non-contract transitional work programs. We performed procedures to determine that invoices for sheriff's housing expenditures are certified, mathematically correct, and agree to amounts

recorded in the Department's accounting system. We also determined that the per diem rates, custody locations, and custody dates per the invoices agree to the information in the Department's offender records system. We determined that the Department has adequate controls to ensure the correct per diem amounts were paid and properly recorded.

Compliance with Certain State Laws

We reviewed R.S. 36:8.2, which requires certain state departments to establish an effective internal audit function that adheres to the Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing. We also reviewed R.S. 47:1676(G) regarding the procedures state agencies are required to follow for referring delinquent debt to the Office of Debt Recovery for collection. We interviewed agency personnel and reviewed supporting documentation to obtain an understanding of the requirements and the procedures implemented by the Department to ensure compliance with these laws. We determined that the Department has complied with these state laws and regulations.

LAWS Rodeo Account

In January 2016, the Department's Internal Auditor staff performed an audit on the LAWS Rodeo Account. LAWS refers to the Louisiana Association of Wardens and Superintendents (LAWS), which is a nonprofit charitable organization whose members consist of wardens and assistant wardens from the various Louisiana correctional centers. Monies in the LAWS rodeo account were generated from sales at the LAWS rodeo booths and were to be used to cover registration and travel expenses of employees that attend certain conferences. The internal audit found that for the period of July 2014 through November 2015 the expenditures of the account were reasonable and in accordance with the LAWS mission; however, it was recommended that the bank account be closed immediately and all funds remitted to the LAWS organization. The report also recommended that, in the future, Louisiana State Penitentiary staff should not be responsible for any bank accounts not designated as state funds and that fall outside the parameters of their specific job responsibilities. The LAWS Rodeo account was subsequently closed. We reviewed the bank statements and reconciliations and reviewed the check written from the LAWS Rodeo account and the deposit into the regular LAWS account to verify that the account was closed and funds were remitted to the LAWS organization.

Other Procedures - Offender Management System

The Department paid \$3.6 million over three years to a vendor and did not obtain a functioning integrated offender management system. In July 2012, the Department entered into a contract with the vendor to develop a new Offender Management System (OMS), which would integrate the Department's multiple systems to include all aspects of offender management from intake to release. The Department has paid the vendor \$3,643,033 as of June 30, 2016, to develop the

system, which went live on June 15, 2015, but was taken off-line on July 31, 2015, due to system failures.

Background

The Department's current system was built in the 1980s and is no longer supported. Its case management system has outgrown the software's limited capabilities. As a result, the Department made the decision to set aside \$2.3 million for a new offender management system. Due to the costs involved with purchasing and modifying an existing system, the Department chose to develop and customize its own system.

The Department submitted a Request for Proposal and had one responsive bidder, who the Department contracted with in July 2012 to develop and implement the OMS. The original contract was a fixed cost contract, totaling \$2.5 million from July 2012 through June 2013, and identified milestones and deliverables. Over the next three years, additional purchase orders increased the value of the contract to \$3,281,751 and extended the terms of the contract through June 30, 2015. In addition, the Department also paid the vendor \$361,282 for the license to IBM software. In July 2015, another contract was signed to provide support for the OMS as needed through July 12, 2016, for an additional \$49,000.

Implementation

The OMS went live on June 15, 2015. The system was unsuccessful and was taken off-line on July 31, 2015. The new system would not allow users to complete processes, possibly due to inadequate memory, resulting in users having to log in numerous times throughout the day. On July 31, 2015, the decision was made to stop using the new offender management system and return to the Department's legacy systems.

Management provided possible reasons for the system failure, including key employees leaving the Department and software issues. The consolidation with DOA-OTS caused key employees to retire or transfer from the Department months before the system was implemented. In addition, software issues delayed development, causing the process to lose momentum.

Current Status of OMS

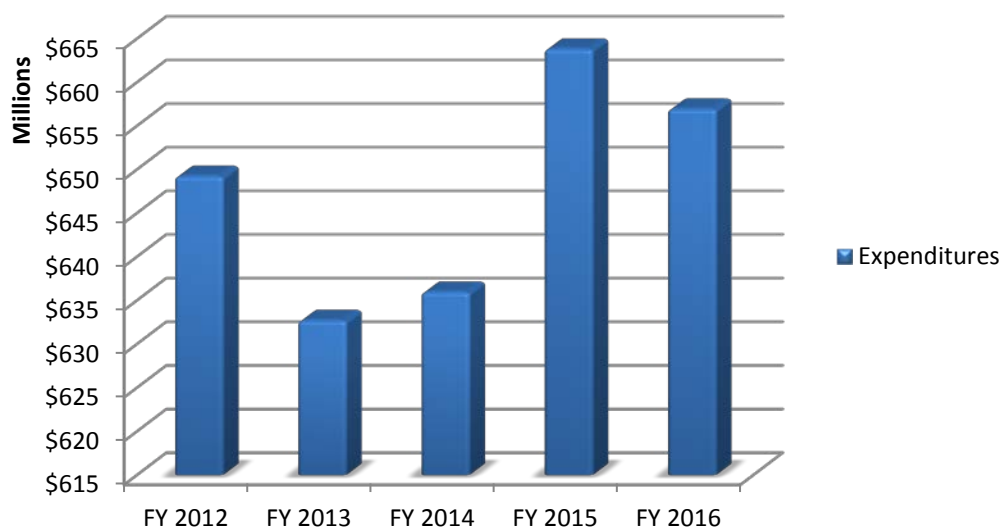
As a result of the problems encountered, the state's Office of Technology Services (OTS) was asked to help resolve the issues. OTS began working with the Department to identify issues and problems within the new system. Once all issues were identified, recommendations and timelines would be established. Any additional costs and the anticipated date of implementation would, therefore, depend on the recommendations to correct those issues identified. During state fiscal year 2016, the project was suspended due to funding issues and limited resources. However, the Department has received funding in fiscal year 2017 for OTS services and will re-evaluate the status of the project. We will review and monitor the continued implementation of the new system in the upcoming calendar year.

Trend Analysis

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 management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

As shown in Exhibit 1, expenditures of the Department have fluctuated over the past five years. In 2013, total expenditures decreased due to the closure of three correctional facilities. Expenditures increased again in fiscal years 2014 and 2015 due to the transfer of offender healthcare expenditures from the public hospitals to the Department and increased salaries and related benefits. For fiscal year 2016, expenditures have been reduced as a result of budget cuts to state funding.

Exhibit 1
Five-Year Expenditures Trend, by Fiscal Year (FY)



Source: Fiscal Year 2012-2016 ISIS Data

Other Reports

A report on Avoyelles Correctional Facility (AVC) was issued on August 10, 2016, by LLA's Investigative Audit Services staff. The investigative audit found that concession sales from August 9, 2014, through February 21, 2016, exceeded amounts deposited by \$31,170. The report also stated that an employee of AVC may have violated state law by directing others to alter or destroy public records to conceal discrepancies between recorded concession sales and concession deposits.

A report titled *Oversight and Benefits of the Transitional Work Program* was issued on April 13, 2016, by LLA's Performance Audit Services staff. The objectives of the audit were to evaluate

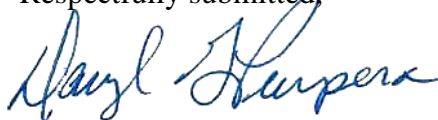
the Department's oversight of the Transitional Work Program (TWP) and identify the benefits of the program for the state, offenders, providers, and businesses. The report concluded that the Department needs to strengthen its oversight of the TWP in several areas, including supervision of offenders, ensuring providers deduct required court-ordered restitution and other financial obligations from offender's wages, and program monitoring.

In addition, a report titled *Evaluation of Strategies to Reduce Louisiana's Incarceration Rate and Costs for Nonviolent Offenders* was issued on August 31, 2016, by LLA's Performance Audit Services staff. The report identifies several strategies to reduce Louisiana's incarceration rates, particularly for nonviolent offenders.

As previously mentioned, due to other investigations currently being conducted, additional reports may be issued at a later date to communicate the results of those engagements. Such reports, if issued, are expected to be available on the applicable agency's website.

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

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DPS-CS 2016

APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the Department of Public Safety and Corrections, Corrections Services (Department) for the period from July 1, 2015, through June 30, 2016. Our objective was to evaluate certain internal controls the Department uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall accountability over public funds. The scope of our procedures, as summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures were limited due to ongoing investigations by the Louisiana Legislative Auditor's (LLA) Investigative Audit Services and the Louisiana Inspector General's Office as well as ongoing engagements performed by LLA's Performance Audit Services. 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 controls 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, we performed limited procedures on selected controls and transactions relating to movable property, inventory, payroll expenditures, and sheriff's housing payments. In addition, we performed procedures to determine that the Department has complied with certain state laws, reviewed the Department's internal audit work on the LAWS Rodeo account, and obtained information relating to the new Offender Management System.
- 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.