

DEPARTMENT OF STATE CIVIL SERVICE

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED SEPTEMBER 16, 2015

**LOUISIANA LEGISLATIVE AUDITOR  
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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

September 16, 2015

The Honorable John A. Alario, Jr.,  
President of the Senate  
The Honorable Charles E. "Chuck" Kleckley,  
Speaker of the House of Representatives  
Ms. Shannon Templet, Director  
Department of State Civil Service

Dear Senator Alario, Representative Kleckley, and Ms. Templet:

This report includes the results of our procedures at the Department of State Civil Service (department) for the period from July 1, 2013, through June 30, 2015. Our objective was to evaluate certain controls that the department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and provide overall accountability over public funds. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of the department for their assistance during our work.

Sincerely,

Thomas H. Cole, CPA  
First Assistant Legislative Auditor

AT:AD:WG:EFS:aa

DSCS2015



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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of State Civil Service



September 2015

Audit Control # 80150053

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## Introduction

The primary purpose of our procedures at the Department of State Civil Service (department) was to evaluate certain controls that the department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and provide overall accountability over public funds.

The agencies included within the department are State Civil Service, Ethics Administration Program, Division of Administrative Law, and Municipal Fire and Police Civil Service. See Appendix C for the department's organizational structure.

The mission of the department is to provide human resource services and programs that enable state government to attract, develop, and retain a productive and diverse workforce that excels in delivering quality services to the citizens of Louisiana.

## 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 laws and regulations applicable to the department. 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 the State Civil Service Human Resources Program Evaluations and the Ethics Administration Program's fees, fines, and accounts receivable. We also reviewed the statistical information in the *Department of State Civil Service 2013-2014 Annual Report*.

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 obtain explanations from the department's management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. We also looked at the annual report prepared by the department, which includes information on Louisiana's state government workforce as of June 30, 2014.

**Accountability Division Human Resource (HR) Program Evaluations**

The Accountability Division of State Civil Service performs HR program evaluations on all state agencies with 20 or more full-time classified employees. Program evaluations are performed in cycles lasting about two years with each state agency reviewed every cycle. Evaluations primarily focus on compliance of the agency's HR actions with state civil service laws and regulations, which includes hiring, promotions, appointments, and pay adjustments.

We obtained a basic understanding of the HR program evaluation process. We performed procedures on selected HR evaluations to ensure that the controls were in place for the documentation, review, monitoring, and follow-up of corrective action for HR violations. Based on the results of these procedures, we determined that the division properly implemented controls over HR program evaluations. See Exhibit 1 for the number of evaluations performed by fiscal year.

Exhibit 1 - HR Program Evaluations Performed, by Fiscal Year	
Fiscal Year	Number of evaluations completed
FY14	70
FY15	108
Source: FY14 State Civil Service Annual Report and the Department of State Civil Service	

**Ethics Administration Program Fees, Fines, and Accounts Receivables**

The Ethics Administration Program (EAP) issues fines for ethics violations and fees for late filing of reports. Penalties for ethics violations are determined by the Board of Ethics primarily based on the nature and circumstances of the violation. Late fees are assessed for untimely reporting of the following:

- Campaign finance reports
- Lobbying expenditure reports
- Personal financial disclosure statements

Amounts for fines are regulated by Louisiana Revised Statute 42:1157. Fines and fees are collected by the EAP and also by the Attorney General’s Office. The balances that remain unpaid at the end of each fiscal year are considered accounts receivable.

We obtained a basic understanding of the department’s policies and controls over ethics violation fees, late report filing fines, and the write-off of accounts receivable within the EAP database.

We performed procedures on selected transactions to ensure the controls were in place for the input and management of fees and fines and quarterly reporting of accounts receivable. Based on the results of these procedures, we determined that the department properly implemented controls over the recording of fees and fines and the reporting of accounts receivable.

Exhibit 2 lists the amount and types of fees and fines that were assessed in fiscal year (FY)14 and FY15. According to the EAP, the increase in campaign and disclosure late fees is a result of the Board of Ethics and its staff being given the authority to issue late fees when the reports are not filed timely. Increases are also due to the Fall 2014 election cycle, which was one of the largest and resulted in more reports required to be filed with the EAP.

<b>Exhibit 2 - Fees and Fine Assessments, by Fiscal Year</b>			
<b>Fee and Fine Assessments</b>	<b>FY14</b>	<b>FY15</b>	<b>Variance</b>
Campaign Finance Late Fees	\$262,940	\$735,740	\$472,800
Lobbying Late Fees	57,900	35,750	(\$22,150)
Disclosure Late Fees	490,750	821,350	\$330,600
Ethics Fines	35,500	7,500	(\$28,000)
<b>Total</b>	<b>\$847,090</b>	<b>\$1,600,340</b>	<b>\$753,250</b>
<b>Source:</b> Department of State Civil Service			

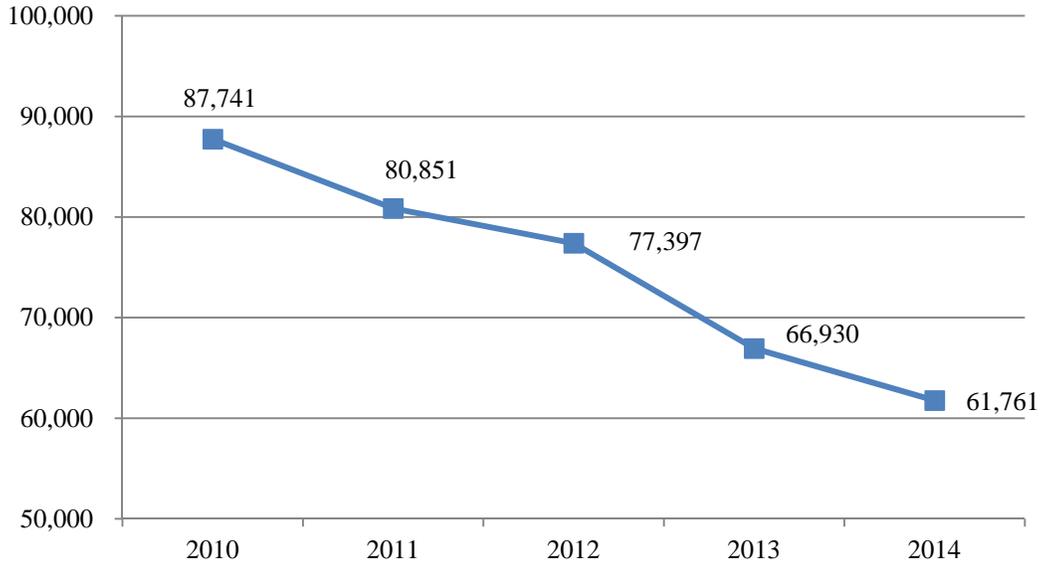
## **Department of State Civil Service 2013-2014 Annual Report**

We examined the annual report prepared by the department, which includes information on Louisiana's state government workforce as of June 30, 2014. The report includes a number of workforce demographics, trends, and statistical analysis.

The level of state employees<sup>1</sup> from fiscal year 2010 to 2014 is presented in Exhibit 3. Total state employment has fallen in recent years, with an overall decline of 29% over the past five years. Based on our knowledge obtained from other state audits performed, the decline in state employees is due largely to the privatizations, consolidations, and budget cuts occurring in the state over this five-year period. Exhibit 4 presents the average pay rates for fiscal years 2010 to 2014, which has remained fairly consistent.

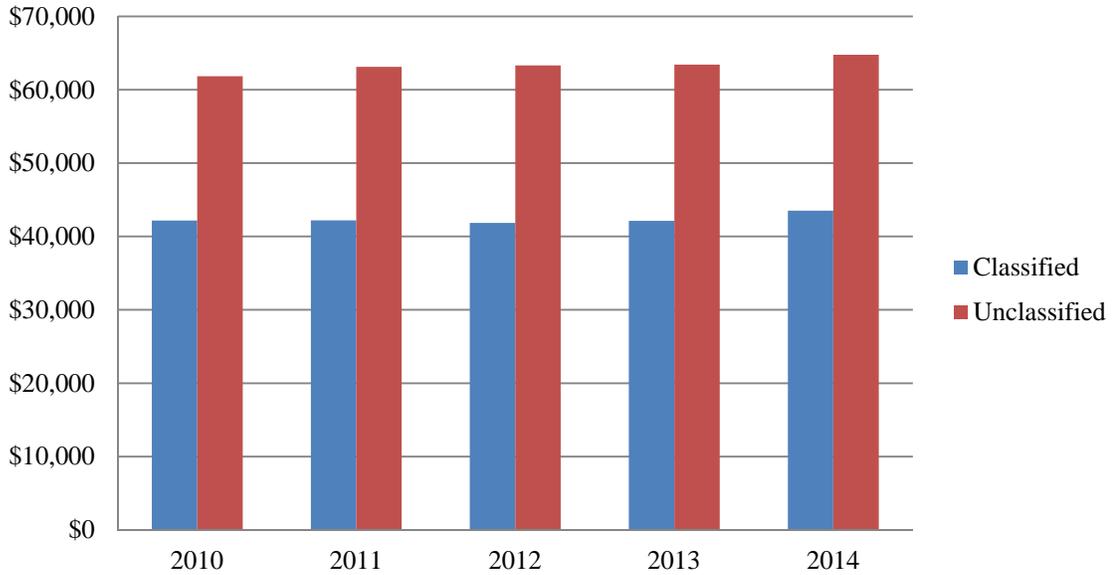
<sup>1</sup> Classified and unclassified full-time equivalents

**Exhibit 3 - State Employment Levels, by Fiscal Year  
(Classified and Unclassified Full-Time Equivalent)**



Source: FY14 Department of State Civil Service Annual Report

**Exhibit 4 - Average Pay Rates, by Fiscal Year**



Source: FY14 Department of State Civil Service Annual Report

## **APPENDIX A: MANAGEMENT'S RESPONSE**





Louisiana  
**SCS**  
State Civil Service

**SHANNON S. TEMPLET, DIRECTOR**

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September 4, 2015

Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
P.O. Box 94397  
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Re: SCS Financial Audit Services Procedural Report

The Department of State Civil Service is in receipt of the draft Financial Audit Services Procedural Report. On behalf of SCS, Ethics Administration, Division of Administrative Law and the Office of State Examiner-Municipal Fire and Police, we would like to commend Anthony Truong and the staff of the LLA for their professionalism and assistance during this audit.

Sincerely,

  
Shannon S. Templet  
Director

EX:ST:BD:mcm



## APPENDIX B: SCOPE AND METHODOLOGY

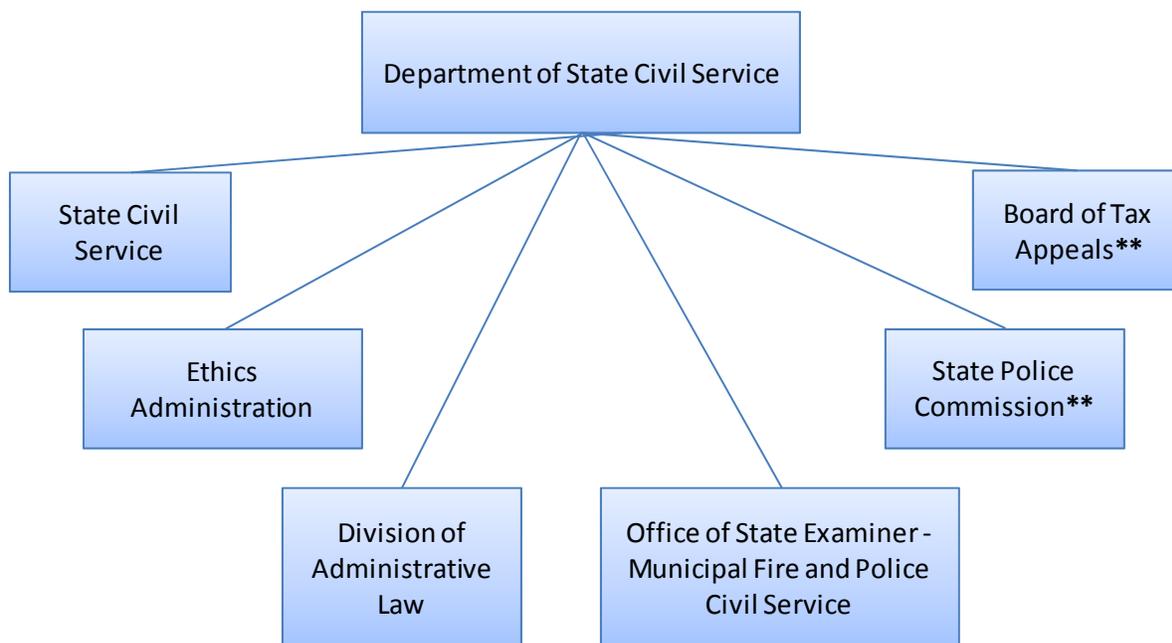
We performed certain procedures at the Department of State Civil Service (department) for the period from July 1, 2013, through June 30, 2015. Our objective was to evaluate certain controls that the department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and provide overall accountability over public funds. The scope of our procedures, which are 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 report, 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 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, we performed procedures on selected controls and transactions relating to State Civil Service Human Resources Program Evaluations and the Ethics Administration Program's fees, fines, and accounts receivables.
- 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 significant variances. We also examined the annual report prepared by the department, which includes information on Louisiana's state government workforce as of June 30, 2014.

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 purposes.



## APPENDIX C: DEPARTMENT OF STATE CIVIL SERVICE ORGANIZATIONAL STRUCTURE



There are six agencies within the Department of State Civil Service: State Civil Service, Ethics Administration Program, Division of Administrative Law, Office of State Examiner - Municipal Fire and Police, the Board of Tax Appeals, and the State Police Commission.

\*\*Per Louisiana Revised Statute (R.S.) 36:801.1, the Board of Tax Appeals and the State Police Commission are independent and are not subject to administrative oversight from the Department of State Civil Service although they were placed within the department by R.S. 36:53.