

CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED APRIL 12, 2006

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

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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.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$16.38. 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 Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3342 or Report ID No. 05100897 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 Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

March 20, 2006

**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, 2005, 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 Corrections Services is 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 opinions.

In our prior management letter on Corrections Services, for the year ended June 30, 2004, we reported a finding relating to the lack of internal audit function. That finding 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, 2005.

**Weakness in Control Over Subrecipient
Monitoring of the Temporary Assistance
for Needy Families Program**

Corrections Services did not have effective internal control to monitor subrecipients for compliance with program requirements of the Temporary Assistance for Needy Families initiative Post-Release Skills program (TANF, CFDA 93.558). The Memorandum of Understanding (MOU) between the Department of Social Services (DSS) and Corrections Services requires management to monitor subrecipients to ensure compliance with the contract. In addition, the MOU requires Corrections Services and subrecipients to

maintain adequate documentation to support invoices for services provided. Corrections Services did not place sufficient emphasis on monitoring subrecipients to ensure that documentation was being maintained and that claims were complete, accurate, and in compliance with program requirements.

During a test of participation, nine of the 12 clients tested (75%) did not have supporting documentation for participation in the program. In addition, during a test of eligibility, five of the 30 clients tested (17%) did not have documentation evidencing their parental status.

Failure to establish adequate internal control over subrecipient monitoring can result in payments to subrecipients for unallowable services and/or ineligible participants. As a result of the exceptions noted previously, known questioned cost totaled \$9,561.

Management should implement effective internal control procedures for monitoring subrecipients to facilitate compliance with the program requirements. In addition, management should contact the federal grantor to resolve any questioned cost. Management did not concur with the finding of a lack of effective internal control to monitor subrecipients for compliance with program requirements, indicating, in part, that a monitoring plan was developed, submitted, and approved by the TANF Office of Oversight and Evaluation, and that monitoring was done in accordance with the plan. The department does plan to remit the \$9,561 to DSS to resolve the questioned cost (see Appendix A, pages 1-2).

Additional Comments: While monitoring subrecipients may have been in compliance with the approved plan, the controls were not effective to ensure that proper documentation of eligibility and participation was retained by subrecipients, as evidenced by the questioned cost Corrections Services plans to remit to DSS.

Unlocated Movable Property

Corrections Services did not have adequate internal control over movable property. As required by state movable property regulations, the 14 correctional facilities and budget units under the control of the department conducted physical inventories and reported unlocated movable property items totaling \$852,275 for the four-year period from fiscal year 2002 to fiscal year 2005. Of that amount, items totaling \$108,992 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on the physical inventory certifications, the amount of unlocated computers and computer-related equipment totaled \$319,310, including two computer servers valued at \$38,733. Also included in the unlocated movable property were 11 weapons valued at \$2,729; 61 bullet-proof vests valued at \$23,097; six tractors valued at \$77,613; and one non-fleet vehicle valued at \$24,130. The certifications of property inventory disclosed \$59,823,514 in total movable property administered by the 14 units under the control of the department. The annual certifications of property inventory were submitted to the Louisiana Property Assistance Agency on dates ranging from July 9, 2004, to June 24, 2005.

Good internal control and the Louisiana Administrative Code prescribe that efforts should be made to locate all movable property items for which there are no explanations available for their disappearance. Assets should be adequately monitored to safeguard against loss or theft, and periodic counts of property inventory, as well as the search for missing items, should be thorough.

Failure to thoroughly secure, locate, and account for movable property increases the risk of loss arising from unauthorized use of the property and could subject the department to noncompliance with state laws and regulations. Also, the risk exists that sensitive information could be improperly retrieved from the missing computers and/or computer-related equipment, which could compromise the department's data integrity.

Management should strengthen its internal controls over movable property, including its procedures for securing its movable assets and conducting its physical inventory, and should devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 3-7).

**Weakness in Control Over Angola Rodeo
Funds and Inmate Banking Funds**

Corrections Services, Louisiana State Penitentiary (LSP), did not have effective internal control over Angola Rodeo funds and Inmate Banking funds. An effective system of internal control is needed to ensure that all transactions are received, processed, reconciled, and recorded in the appropriate amounts in the financial statements.

During our procedures at LSP, we noted the following weaknesses:

- LSP did not have proper segregation of duties for rodeo ticket sale receipts. The same employee sold tickets, prepared the deposit, delivered the deposit to the cashier's office, and reconciled the bank account.
- LSP did not have effective controls over the processing of credit card transactions for hobby craft sales at the rodeo to ensure that all transactions were being closed out and processed appropriately. During the October 2004 rodeo, three credit card machines were disconnected before all transactions were processed and cleared from the machine. Established controls did not detect the missing credit card transactions because the transactions were removed from the system so that the system totals would reconcile with the bank transactions.
- LSP did not have controls to ensure that receipts for inmate banking collections were issued in sequential order.

Failure to provide adequate internal controls over rodeo funds and inmate banking funds increases the risk that the funds could be misappropriated and/or misstated in the department's financial statements.

Management should design and implement internal controls over the LSP rodeo tickets sales to segregate the accountant's duties so that she does not have the ability to collect funds, prepare the deposit, maintain custody of the deposit, and reconcile the account. In addition, management should implement controls over processing and verifying credit card receipts to ensure that controls in the reconciliation process are functioning so that the account balances are complete and accurately reconciled to the bank balance. Furthermore, management should implement internal controls to ensure that the inmate banking receipts are in sequential order for a current day's batch and that the current day's beginning number is in sequence with the prior day's ending number. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 8-9).

Misuse of State Vehicle

Corrections Services did not report known fraud in writing to the Office of the Legislative Auditor (OLA) and District Attorney (DA) as required by state law. Corrections Services, Probation and Parole, found that an employee used his state assigned vehicle for personal use on several occasions and computed a value of \$5,245 for the mileage that could not be verified as work-related during a 3-year period. Although the department identified the misappropriation, took disciplinary action, and is collecting restitution, the fraud was not disclosed to the OLA and the DA as required by state law. Louisiana Revised Statute (R.S.) 24:523 requires that any misappropriation of public funds or assets of an agency shall immediately be reported in writing by the agency head to the OLA and the DA of the parish in which the agency is domiciled. Failure to disclose knowledge of misappropriations to the OLA and the DA is a violation of R.S. 24:523 and may result in those crimes not being fully prosecuted.

Management should implement procedures to ensure that the knowledge of any misappropriation of public funds or assets at the units is immediately disclosed to Headquarters and is disclosed in writing to the OLA and the DA. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 10).

Lack of Internal Audit Function

As reported in previous audits, Corrections Services does not have an effective internal audit function. The internal audit function should provide management with assurances that assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner. Considering the department's reported assets of approximately \$40 million and its revenues of approximately \$600 million, an effective internal audit function is needed to ensure the department's assets are safeguarded and management's policies and procedures are uniformly applied.

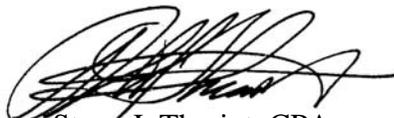
Although the department has administrative monitors who provide management with assurances on the field operations of the various prison facilities in accordance with departmental regulations, this function was not sufficient to constitute an effective internal audit function. Management has made efforts to develop an internal audit plan, but a plan has yet to be finalized or implemented.

Management should establish an effective internal audit function to provide assurance that assets are safeguarded, that internal controls are established and operating in accordance with laws and regulations, and that procedures are sufficient to prevent or detect errors and/or fraud in a timely manner. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 11).

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. Findings relating to compliance with state and federal laws and regulations should be addressed immediately by management.

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,



Steve J. Theriot, CPA
Legislative Auditor

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

DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS



KATHLEEN BABINEAUX BLANCO, GOVERNOR

RICHARD L. STALDER, SECRETARY

July 14, 2005

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

RE: Sub-recipient Monitoring

Dear Mr. Theriot:

In response to your letter dated May 31, 2005 to Secretary Richard L. Stalder concerning sub-recipient monitoring of the Temporary Assistance for Needy Families program (TANF), the following information is provided. The Department does not concur with the finding regarding the lack of effective internal control to monitor sub-recipients for compliance with program requirements.

The expenditures for the TANF Program were governed by the Memorandum of Understanding (MOU) between the Department of Social Services (DSS) and the Department of Public Safety and Corrections (DPS&C). It was entered into in September 2003 for the period 01/01/03-09/30/04 for post-release skills programs. Although the MOU was between the DPS & C and the DSS, all TANF activities were directed by the TANF Office of Oversight and Evaluation located in the Division of Administration.

In accordance with the MOU between the DSS and the DPS&C, a monitoring plan was developed, submitted to and approved by the TANF Office of Oversight and Evaluation. The plan included a site inspection, interviews with staff, interviews with program participants and a random review of records for proof of parental declaration documents and attendance documentation. Monitoring of contractors was conducted in accordance with the plan. When a random review of records revealed discrepancies, the contractor was held accountable. Retention of program documentation was also reinforced via electronic notices sent to contractors on several occasions, as a follow-up to site visits.

In addition to the monitoring plan approved by the TANF office, the DSS hired an independent consultant to review monitoring of TANF contracts. The consultant conducted a review of the monitoring process of all DPS&C TANF contracts. As a result, the DPS&C was found to be in compliance with all eight (8) components of the review.

Sub-recipient Monitoring

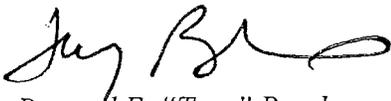
July 14, 2005

Page 2

Because of these actions taken by the Department in monitoring of the sub-recipients of the TANF program, the Department does not concur with the finding. However, the department plans to remit the \$9,561 to DSS in order to resolve the questioned costs noted in the finding.

Please advise if additional information is required.

Sincerely,



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

BEB:RLG:lor

*c: Richard L. Stalder, Secretary
Ron Granier, Chief Fiscal Officer*

DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS

KATHLEEN BABINEAUX BLANCO, GOVERNOR



RICHARD L. STALDER, SECRETARY

February 21, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Unlocated Moveable Property

Dear Mr. Theriot:

The Department agrees with your finding for the need to have adequate internal control over moveable property. The Department takes seriously its responsibility of accounting for the state's moveable property and has taken appropriate action in previous fiscal years to remedy shortcomings as they are brought to the attention of management. While the Department realizes that the goal is to have all equipment located, improvements have been made and the Department is doing a much better job in this area. For fiscal year '05, the Department had a total of \$189,918 in unlocated equipment at the 14 correctional facilities and budget units under the control of the Department out of a total inventory balance of \$59,823,514. This represents three-tenths of one percent. Only one unit, Avoyelles Correctional Center, had an unusually high balance of unlocated property of \$65,087. This was attributed to an inadequate job being performed by the previous property control manager who no longer works for Avoyelles Correctional Center. Improvements have been made by assigning responsibility to another staff member and devoting further attention to this area.

The Department would like to note that the four year total of \$852,275 reflects the acquisition costs of the assets that were not located. This is not reflective of the true value of this unlocated property. This is because much of the unlocated property has been fully depreciated and the true value may only be a small salvage value, perhaps 10% of the original cost.

When reviewing the data on a fiscal year basis, most units of the Department did a good job in accounting for their moveable property and the problems do not appear to be wide spread. The total value of unlocated items for fiscal year '03 and '04 was 85% higher than in fiscal year '02 and fiscal year '05, and involved mainly Louisiana State Penitentiary for fiscal year '03 and Probation and Parole for fiscal year '04. The Department recognized the shortcomings in these areas and both of these agencies now have new property control managers and have implemented new procedures to overcome the issues which were noted.

Mr. Steven J. Theriot, CPA
February 21, 2006
Page 2 of 5

Regarding the specific items noted in the finding, the following information is provided:

Computers and Computer Related Equipment total \$319,310

A majority of the unlocated computer equipment, including the two servers noted, belonged to the Division of Probation and Parole. This totaled \$132,358. Probation and Parole had previously employed a person to work on the computers and servers due to the large number of these items utilized by the division. This saved thousands of dollars because parts from the old computers and servers taken out of service were used to repair the other computers. Unfortunately, the proper procedure of processing BF-11's to obtain the appropriate approvals to scrap the computers and utilize the parts for repairs was not properly followed. The property manager for Probation and Parole has since been replaced and the proper procedures in this regard are now being followed. Another major area with unlocated computer equipment was Avoyelles Correctional Center with \$50,420. Several pieces of this property totaling \$15,228 have since been located. In many other cases, the appropriate BF-11 procedure was not followed when old computers were replaced. Further attention has been directed to this area. With additional efforts, the Department has been able to locate a total of \$25,836 worth of computer equipment previously reported as unlocated. Another large change occurred during this time period and added to the difficulties in this area. It involved the conversion of the property records at the state level from the old system to the new Protégé system. Delays in the processing of BF-11's during the conversion and the lack of identifying data on some of the older equipment added to the difficulties experienced in this area.

Weapons total \$2,729

All but one of the weapons listed as unlocated belonged to the Division of Probation and Parole. The vast majority of these weapons were stolen; however, for reporting purposes the property system lists them as lost. Because of the nature of their operations, the vehicles used by officers are unmarked. This is different from most law enforcement cars and because of this; perpetrators are less likely to realize they are stealing from a police car. All incidents of stolen and/or lost weapons are investigated, and if there was any neglect in any way, the officer is required to replace that weapon.

Bullet proof vests total \$23,097

The majority of the unlocated bullet proof vests belonged to Louisiana State Penitentiary and Probation and Parole. One problem noticed in the tracking of the bullet proof vests is that the vests were normally in two pieces, front and back. Officers often interchange parts of the vest in order to meet their special build. This coupled with the fact that the vests were not always assigned to individuals has caused problems with the tracking of them. These units have strengthened their controls in this area by assigning the bullet proof vests to individual officers and by segregating the physical control according to the individual assignments.

Six Tractors total \$77,613 and one non-fleet vehicle total \$24,130

The following information was provided by Louisiana State Penitentiary (LSP) relative to the six tractors and non-fleet vehicle after a thorough investigation. As you will note, two of the six tractors have been located and are at LSP.

1. Tractor Crawler Heavy Asset # 67600-011149

This equipment has been identified as a bulldozer, Case Model 1150B, acquired by LSP in 1974 at a cost of \$34,000. Our records indicate this equipment was received on an inter-agency transfer. This property became unusable in 1994 and BF-11 paperwork requesting to dismantle and use the asset for spare parts was submitted on May 16, 1994. Section II of the form indicates the DOA approved the request on May 23, 1994. Handwritten notes on the form indicate telephonic permission was obtained to dismantle the equipment on October 20, 1994. As the asset continued to appear on inventory sheets provided to LSP, it continued to be accounted for (it was parked for use as a parts source, but remained on the property). Eventually, enough parts were removed that the equipment was no longer useful and it was disposed of. As it could no longer be located, staff unaware of the history of the equipment placed it in unlocated status to "correct" the record.

2. Tractor Miscellaneous Asset # 67600-018837

This asset has been identified as a Kubota L-2250 tractor acquired by LSP in 1990 at a cost of \$7,887. Using the straight-line method of depreciation established and utilized by the State of Louisiana, this property reached a zero dollar value in 1996. The property was first reported as unlocated in 2003, when LSP changed property accounting staff and we prepared for conversion to the new Protégé system. In August, 2004, an employee reported that the item had been "BF-11'd" years ago and picked up by a scrap metal company. Paperwork was submitted to attempt to clear up the record on this piece of equipment. This appears to be a case where a piece of equipment had exceeded its useful life and an attempt to dispose of it through the BF-11 process was not properly accomplished, leaving the asset on inventory. It is unclear if the BF-11 process was fully completed as the transition to the new Protégé system from the old system and the subsequent loss of ability to research those old records makes it difficult to determine with any degree of certainty. The investigation into the disposition of this asset is ongoing.

3. Non Fleet Vehicle Asset # 67600-021784

This asset has been identified as a 1967 Kaiser M51 6x6 military vehicle used by Angola as a dump truck. Protégé lists this acquisition as an original purchase by LSP in 1995 for \$24,130; however, our records indicate that LSP purchased this vehicle in April, 1995, from Federal Surplus for \$7,500. Being from surplus, it would have been listed at its original acquisition cost of \$24,130, although the actual value of an 18 year-old surplus vehicle would be closer to that actually paid. Regardless, when this vehicle was reported as unlocated in 2003, an investigation was ordered and conducted. The investigation concluded that this unusable vehicle had been moved to the dump area for BF-11 processing, but was mistakenly picked up by Southern Scrap Metals prior to the conclusion of the process. LSP was able to extract approximately six years use out of this thirty year-old vehicle, but it eventually wore out and had to be scrapped. This is a case where the actual disposition of the asset is known but the procedure was not completed as necessary to properly remove the property from inventory records.

4. Mower Tractor Type Asset # 67600-019308

Pursuant to the request for this investigation, an exhaustive search of all areas of LSP has been conducted to locate any property listed in the request. This lawn tractor has been located. Proper documentation will be forwarded to reflect these results and correct the asset record. Confusion regarding this asset appears to stem from the utilization of spare parts to keep it operational over the years. This unit was one of four purchased by LSP. Over the years, as these units became inoperable and placed in a surplus status, parts were utilized to keep this unit operational. Over the period of years, this unit was mistakenly identified as one that was no longer on inventory. The paperwork error will be corrected.

5. Tractor Farm Asset # 67600-016181

This asset has been identified as a 1982 Ford 5610 tractor acquired in 1982 for \$12,969. According to the Protégé accounting system, this tractor reached a zero-dollar depreciated value in 1988. The tractor was last accurately accounted for in 2001; when it would have been in service at LSP for 19 years. Inventory Certification notes for 2002 state the asset was "BF-11'd", though at this writing, no BF-11 documentation to support this statement has been located. Subsequent inventories failed to list this property as unlocated, presumably because the reporting office had already reported the item as being removed from inventory in 2002. However, because the asset continued to be listed on inventory verification documents, it was finally listed as unlocated in 2005. It cannot be determined if this asset was properly removed from inventory or whether it was and remained on inventory during and since the conversion to the Protégé system. The investigation into the disposition of this asset is ongoing.

6. Tractor Miscellaneous Asset # 67600-018770

This asset has been identified as a Case 895 tractor acquired by LSP in 1990 at a cost of \$17,093. The asset reached a zero-dollar depreciated value in 1996 as reflected in the State's Protégé accounting system. It was verified in 2002, but the certification notes indicate its location was at the metal scrap area of the LSP dump. As noted earlier, a metal scrap company cleaned out this area in 2002. However, this asset was verified as being at the Compost Site in 2003 and at Road and Levee in 2004. In 2005, as part of the verification process, a property officer went to Road and Levee to verify the presence of this asset. The tractor she was shown was not this tractor. As the asset was no longer verifiably present, the property officer flagged this asset as unlocated. We will continue to search for this piece of equipment.

7. Tractor with Belly Mower Asset # 67600-022486

This asset has been identified as a small garden tractor, IH Farmall SD-6, although it has been listed since acquired as a Talbot SD-16. Talbot is the name of a tractor sales company. This tractor was received on a transfer from Earl K. Long Hospital in 1996. The tractor is at LSP, located at Road and Levee.

Mr. Steven J. Theriot
February 21, 2006
Page 5 of 5

As you can see from the above responses, changes have been made in personnel assigned to handle this responsibility and in the procedures used to track and secure movable property. The Department accepts the responsibility for ensuring that the rules and regulations regarding property control are followed and that a diligent effort is made to locate any and all equipment at each unit. Management will stress the importance of this to senior staff of the Department. This coupled with the noted changes already made will have a positive impact on this area. If you need any additional information, please feel free to give me a call.

Sincerely,



Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB:RLG:lor

c: Richard L. Stalder, Secretary
Johnny Creed, Chief of Operations
Ron Granier, Chief Fiscal Officer
Patsy Austin, Procurement Director



DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS

RICHARD L. STALDER, SECRETARY

February 7, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: *Control over Angola Rodeo funds and Inmate Banking funds*

Dear Mr. Theriot:

The Department agrees with your finding in that Louisiana State Penitentiary did not have effective internal controls over Angola Rodeo funds and Inmate Banking funds as it relates to the several issues outlined in your finding. Since the audit work was initially done, the staff at Louisiana State Penitentiary has taken several active measures to address the concerns. The actions to remedy these weaknesses are as follows:

- ***Segregation of duties for rodeo ticket sale receipts***

New procedures were implemented in November 2004 to provide for a more adequate segregation of duties. One employee prepares an end of the day report of all ticket sales by all employees and prepares the deposit. The report and the supporting documentation are then submitted to the supervisor for review and approval. Once the report is approved by the supervisor, she delivers the deposits to the cashier's office. At the end of each month, the supervisor is then responsible for performing the bank reconciliation.

- ***Controls over the processing of credit card transactions***

Prior to the October 2004 rodeo, only three leased credit card machines were utilized. These machines automatically transmitted data to the bank (no manual settlement was required). Due to the popularity of credit card sales, a need for additional credit card machines was identified. When checking with the bank regarding additional machines, they advised that they no longer provided this service. The decision was made to purchase (rather than lease) fourteen additional credit card machines for use in the ticket office, ticket booths, and cashier booths. These machines were programmed to automatically settle the account at a designated time in the evening. Prior to the April 2005 rodeo it was determined that some credit card machines were either disconnected after the October 24, 2004 rodeo or were not used for the October 31, 2004 rodeo.

Mr. Steven J. Theriot, CPA
February 7, 2006
Page 2 of 2

Since they had been disconnected, the credit card transactions were not settled and consequently the funds never deposited to the rodeo fund bank account. These credit card sales have since been settled. Effective April 16, 2005, new procedures were implemented requiring an employee to manually check the credit card machine and to ensure that the account has been settled. The following day all sales are tallied and verified by two employees, and then credit card deposits that post to the bank are reconciled to the individual credit card machines by another employee to ensure that all credit card deposits transmitted properly.

- ***Sequential numbering of receipts for inmate banking collections***

In the past, preprinted receipt books were used in the Business Office to post inmate banking collections. Louisiana State Penitentiary has since set up an automated Access database that automatically receipts the collections as they are posted and batches them with individually assigned batch numbers. The automated system prints a receipt for the inmate, a batch record for the bank, the cashier's office, and Inmate Banking. Additionally, the supervisor has been charged with verifying each day that the automated system is assigning the sequential numbers as required.

Through the implementation of these internal controls, the Department has taken the necessary action to alleviate the weaknesses noted in your finding. Please let me know if additional information is required.

Sincerely,



Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB:RLG:lor

c: Richard L. Stalder, Secretary
Johnny Creed, Chief of Operations
Burl Cain, Warden
Ron Granier, Chief Fiscal Officer



DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS

RICHARD L. STALDER, SECRETARY

February 21, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Misuse of State Vehicle

Dear Mr. Theriot:

The Department concurs with your finding that La. R. S. 24:523 requires any misappropriation of public funds or assets of an agency to be immediately reported in writing by the agency head to the Office of the Legislative Auditor and the District Attorney of the parish in which the agency is domiciled.

The Department has a policy regarding the reporting of such misappropriation of funds. Department Regulation No. C-01-003 "Crimes Committed on the Grounds of Correctional Facilities" governs the investigation, reporting, and prosecution of crimes that may be committed by persons in the Department's custody, employees, visitors on the grounds of correctional facilities, or at any building or at any property under the Department's control. The required reporting is outlined under Section 6. E.

As noted in your finding, Probation and Parole identified the misuse of the state vehicle, took disciplinary action, and is collecting restitution. However, they failed to complete the required reporting outlined in the departmental regulation. There was no intent to hide the incident, and the matter was discussed with the Legislative Auditor's office.

Management will stress to all senior staff the importance of the required reporting in order to ensure that the actions in the finding are not repeated.

Sincerely,

Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB:RLG:lor

c: Richard L. Stalder, Secretary
Johnny Creed, Chief of Operations
Genie Powers, Director of Probation and Parole

DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS

KATHLEEN BABINEAUX BLANCO, GOVERNOR



RICHARD L. STALDER, SECRETARY

February 7, 2006

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Internal Audit Division

Dear Mr. Theriot:

The Department agrees with your finding that an adequate internal audit function is needed. Some progress has been made in this area by drafting charters for an audit committee and internal auditing department, but these have not been finalized or implemented. The Department continues to request the resources in the budget to properly staff this function, but these have repeatedly been denied. Additionally, the Department continues to face budget and position reductions each year in its appropriations and has absorbed the cost of many unfunded items.

Even though the Department lacks an adequate internal audit function, it conducted operational audits in Fiscal Year '05 for state-run adult units and privately managed units in accordance with Department Regulation No. C-05-003. The audit teams include representatives from the Office of Adult Services and the Office of Management and Finance-Personnel, Payroll and Fiscal Services divisions. 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 units.

Over the past fiscal year, staff conducted many such audits at various correctional facilities. Scopes of these audits included cash handling and management, moveable property, inmate organization funds, accounting system reconciliations, budgeting, medical co-pay, indigent supplies and services and warehouse inventories. These audits were effective in providing assurance 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 No. C-05-001.

The Department will continue to seek additional resources and work towards formalizing and expanding its current services to more closely meet the internal auditing requirements.

Sincerely,

A handwritten signature in black ink, appearing to read "Trey Boudreaux, III".

Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB:RLG:lor

C: Richard L. Stalder, Secretary
Johnny Creed, Chief of Operations
Ron Granier, Chief Fiscal Officer