

OFFICE OF STATE PRINTING  
DIVISION OF ADMINISTRATION



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COMPLIANCE AUDIT

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ISSUED APRIL 26, 2006

**LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
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BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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April 26, 2006

**MR. JERRY LUKE LEBLANC, COMMISSIONER**  
**DIVISION OF ADMINISTRATION**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

We have conducted a limited review of the Office of State Printing (State Printing) in accordance with Title 24 of the Louisiana Revised Statutes. Our review was performed to determine the propriety of certain allegations regarding the misappropriation of public property.

Our review consisted primarily of inquiries and the examination of selected financial records and other documentation. The scope of our review was significantly less than that required by *Government Auditing Standards*; therefore, we are not offering an opinion on State Printing's financial statements or system of internal control nor assurance as to compliance with laws and regulations.

The accompanying report presents our findings and recommendations as well as management's response. Copies of this report have been delivered to the District Attorney for the Nineteenth Judicial District and others as required by state law.

Respectfully submitted,

Steve J. Theriot, CPA  
Legislative Auditor

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Mr. Kenny Floyd, former State Printing Administrative Manager, removed property from State Printing and took it to his home for his personal use. On July 16, 2005, Mr. Floyd returned 14 pieces of property valued at \$985 to State Printing. Twenty-three pieces of property acquired from the Louisiana Purchasing Assistance Agency (LPAA) by State Printing were not recorded in State Printing's property listing and cannot be located. In addition, on July 27, 2005, LPAA conducted a compliance audit of property at State Printing and noted several violations of state property regulations.

### Background

Louisiana Administrative Code (LAC) Title 34 contains the regulations for control of Louisiana state property. According to LAC 34:321, property no longer needed by state agencies is deemed surplus property and is submitted to LPAA. LPAA first offers the surplus property to state agencies, then once a month, LPAA conducts public auctions to dispose of the remaining surplus property.

### **Purchases by Mr. Floyd**

During the period October 2001 through June 2004, State Printing acquired 591 pieces of property from LPAA. In his capacity as State Printing Administrative Manager, Mr. Floyd was authorized to procure supplies and equipment. In the spring of 2002, Mr. Campbell King, Assistant Director of Forms Management and State Printing, questioned Mr. Floyd about the need for numerous pieces of property acquired from LPAA. Mr. King stated he received unreasonable explanations for the acquisitions and frequently could not locate the property. In hopes of correcting the problem, Mr. King instituted a policy whereby all acquisitions required his approval. According to Mr. King, because Mr. Floyd did not comply with this policy, in June 2004, Mr. King suspended Mr. Floyd's authority to acquire property from LPAA.

During our review, we discussed the questionable acquisitions of LPAA property with Mr. Floyd. Mr. Floyd stated that he acquired some property items from LPAA and later removed the items from State Printing and took them to his home for his personal use. On July 16, 2005, Mr. Floyd returned 14 pieces of property he took from State Printing. The property Mr. Floyd returned to State Printing included generators, pumps, pressure washers, a gasoline engine, and various tools. Mr. Floyd stated he took the property to his residence approximately six months to a year ago. LPAA assigned an estimated salvage value of \$985 to this property.

Mr. Floyd further stated that these items were the only property he remembered taking from State Printing. According to Mr. Floyd, for the past 15 years, he personally purchased property from LPAA auctions and cannot remember what property he purchased for himself and what property he took from State Printing. He acknowledged that it was wrong to have taken public property. On July 19, 2005, Mr. Floyd retired from State Printing.

### **Missing Property**

Twenty-three items acquired from LPAA did not appear on State Printing's property inventory listing and cannot be located. This property includes aircraft equipment, medical equipment, and numerous computers. Each of the 23 items was identified as having original costs of over \$1,000. State policy (LAC 34:307) requires that any property valued at greater than \$1,000 receive a state property tag and be recorded as inventory. Mr. King could not explain State Printing's necessity for some of this property. After the completion of this review, State Printing staff located the aircraft equipment.

LPAA conducted a compliance audit at State Printing on July 27, 2005. The audit was to ensure that State Printing was in compliance with property control regulations contained in Title 34 of the LAC. LPAA compliance auditors conducted a complete physical inventory of State Printing's property that should appear on the inventory listing. The audit concluded that State Printing was not in compliance with various property control regulations and included findings on missing property, improperly tagged property, and property not recorded on the inventory listing. The LPAA compliance audit outlined recommendations to State Printing to correct these findings.

### **Poor Controls Over High Risk Property**

According to LAC Title 34 Section 307 A., only property with a value of greater than \$1,000 must be included on the property inventory listing. However, this does not negate State Printing's responsibility to have property accountability procedures in place to account for movable property, such as computers, cordless phones, and power tools that are valued at less than \$1,000 but have a high risk of fraud or abuse. Currently, State Printing does not record nor track these items in a manner ensuring proper accountability.

State law requires property with an original cost greater than \$1,000 to be tagged and placed on a property inventory listing. We recommend that State Printing establish and implement a system of internal controls for property management that will safeguard state property, which should:

- (1) segregate the duties of purchasing and property management;
- (2) develop and implement procedures to identify new property purchases and ensure they are added to the inventory listing;
- (3) utilize assignment of property to employees using the property, if applicable;
- (4) develop and implement a computerized property tracking system, which should include, but is not limited to, the property description, date purchased, serial or other identifying number, tag number, original cost, and physical location of the property;
- (5) develop and implement procedures to move property from one permanent location to another;
- (6) perform an interim property inventory to ensure listed property is in its designated location; and
- (7) develop and implement procedures to retire or dispose of property no longer needed.

Though state law requires only property with an original cost greater than \$1,000 to be tagged, each individual agency can choose to tag property costing less than \$1,000. We recommend that State Printing implement policies and procedures to provide accountability for high risk property which should include:

- (1) determining high risk property;
- (2) assigning high risk property items to the employees who use them;
- (3) securing high risk property items used by multiple employees and require the use of sign out sheets for these items; and
- (4) informing employees of their responsibility for high risk property and the consequences of noncompliance.

Finally, having written policies and procedures for property management to include high risk property will provide a framework that provides State Printing's administration with the tools necessary to safeguard property and help prevent fraud.

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The Office of State Printing is an agency of the Division of Administration (DOA) within Administrative Services under the Office of General Services. The Administrative Services group is composed of the Office of State Printing, (State Printing), the Office of Forms Management, and the Office of State Mail. The Louisiana Property Assistance Agency (LPAA) and the Louisiana Federal Property Assistance Agency are also components of General Services. State Printing is a full service self-supporting print shop whose mission is to provide cost effective and user beneficial products and services in the area of printing. State Printing's goal is to provide the very best service and products to its agency customers, enabling them to better serve the residents of Louisiana.

The procedures performed during this audit consisted of:

- (1) interviewing members of management and employees of State Printing and LPAA;
- (2) examining selected records of State Printing and LPAA;
- (3) performing observations and analytical tests; and
- (4) reviewing applicable Louisiana laws.

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## Management's Response

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**Kathleen Babineaux Blanco**  
GOVERNOR

**State of Louisiana**  
DIVISION OF ADMINISTRATION  
**OFFICE OF THE COMMISSIONER**

**Jerry Luke LeBlanc**  
COMMISSIONER OF ADMINISTRATION

March 23, 2006

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

Dear Mr. Theriot:

This letter is the response to your correspondence dated March 21, 2006, concerning the compliance audit report on the Department of Administration, Office of State Printing. We concur with your findings and offer our response to your report below.

The following changes to our procedures have already been put in place and should address all of the recommendations contained in the audit:

- The duties of the property manager and procurement agent have been split. The property management function is now handled by an offsite administrative employee of LPAA.
- The procedures to identify new property purchases have been put in place and new purchases are tagged and added to the asset system by the offsite property manager. All paperwork flows directly to this individual for follow up and tracking.
- All tools, testing equipment and other small assets are assigned to individuals by listing each item and placing the items in a locked tool box. The individual signs for receipt of the items in the tool box and is held accountable for them.
- A manual property tracking system has been implemented for non-tagged items to record identifying and purchasing information. This procedure includes items considered to be high risk as described in the compliance finding.
- All tagged property is identified by serial number, room number and person responsible and if any item is moved within the building, the new location information is recorded.
- Interim spot audits are conducted by the property manager to assure compliance with the procedures and to satisfy the requirements of LPAA property management.
- Items identified for disposal are listed and disposed of based on regulations developed and utilized by LPAA.
- Group meetings have been held with all employees of the agency to advise them of their responsibility in handling and accounting for property assigned to them or that belongs to the State of Louisiana.

Mr. Steve J. Theriot, CPA  
March 23, 2006  
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In summation, we feel that the procedures put in place will ensure accountability and compliance by State Printing.

I would like to take this opportunity to thank you and your staff, specifically Lisa Tucker, for the professionalism displayed during the compliance process, her audit/investigative ability and her tenacity in obtaining all the facts. Ms Tucker's ability to understand the processes utilized by the department led to a thorough and objective review of the operation and her efforts were greatly appreciated.

Sincerely,



Edgar C. Jordan III  
Assistant Commissioner for Procurement

cc: Ms. Susie Barthel  
Mr. Campbell King