

**STATE OF LOUISIANA
LEGISLATIVE AUDITOR**

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Public Safety Services
Department of Public Safety
and Corrections
State of Louisiana
Baton Rouge, Louisiana

December 9, 1990



Financial and Compliance Audit Division

*Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor*

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LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CPA, CFE

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**PUBLIC SAFETY SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated November 13, 1998**

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.

December 9, 1998



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BANKS & PYLE, P.C., CPA'S
LEGISLATIVE AUDITORS

November 13, 1998

**PUBLIC SAFETY 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, 1998, we conducted certain procedures at Public Safety Services, a part of the Department of Public Safety and Corrections. Our procedures included (1) a review of Public Safety Services' internal controls; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with prior audit report recommendations.

The Annual Fiscal Report of the Department of Public Safety and Corrections, Public Safety Services, was not audited or reviewed by us, and, accordingly, we offer no opinion or any other form of assurance 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 an opinion.

Our procedures included interviews with management personnel and selected departmental personnel. We also 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 findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report on the Department of Public Safety and Corrections, Public Safety Services, for the year ended June 30, 1997, we reported findings relating to the internal audit function, electronic data processing controls, payroll controls, controls over returned checks, and assessment of interest and fines. The findings relating to the internal audit function, electronic data processing controls, controls over returned checks, and assessment of interest and fines have been resolved by management. The finding relating to payroll controls is addressed again in this report.

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

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

Management Letter, Dated November 13, 1998

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Inadequate Payroll Controls

The Department of Public Safety and Corrections, Public Safety Services (DPS), does not have adequate controls over payroll and workers' compensation. The following weaknesses were noted during a review of payroll controls:

- Departmental procedures requiring that timekeepers maintain time entry documentation were not consistently followed. In a review of 10 payroll transactions, a written report of the employee's time was not present for 2 employees.
- The department does not have adequate segregation of duties to ensure that all checks received by the Workers' Compensation Clerk are forwarded to the Payroll Department for deposit into the Office of Statewide Uniform Payrolls clearing account.

An effective system of internal control should (1) provide for an adequate segregation of duties among employees processing payroll transactions and (2) ensure that supporting documentation for issues worked and leaves taken by employees is maintained. DPS Timekeepers Manual sections I.B. and I.D. require payroll units to maintain a daily employee sign-in sheet from which timekeepers post hours to the payroll system.

Management has not placed sufficient emphasis on internal control over payroll and has not adequately communicated to DPS personnel the importance of compliance with the control procedures outlined in the DPS Timekeepers Manual. Failure to provide an effective system of internal control increases the risk that inaccurate, unsupported or fraudulent payroll data could be entered and processed. In addition, workers' compensation checks could be received and never submitted to the Payroll Department for deposit.

DPS should implement procedures that provide for the proper segregation of duties and ensure that DPS personnel comply with the DPS Timekeeper Manual. Management of the department concurred with the finding and recommitment and outlined a plan of corrective action (see Appendix A, pages 1 and 2).

Noncompliance With Movable Property Regulations

DPS did not comply with state movable property regulations. Louisiana Administrative Code (LAC) 34:419.307 requires that all movable property acquisitions be tagged and all pertinent information forwarded to the Louisiana Property Assistance Agency within 48 days after receipt of the property. Of 7,126 movable property items, totaling

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DEPARTMENT OF PUBLIC SAFETY
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\$25,023,195, acquired during the fiscal year ending June 30, 1999, 688 items (3.8%), totaling \$532,778, were not tagged until 47 to 163 days after receipt of the items.

Management has not placed sufficient emphasis on compliance with the 45-day requirement. Failure to timely update the movable property records and tag the items increases the risk of loss arising from unauthorized use and subjects the department to non-compliance with state laws and regulations.

Management of the department should ensure that all qualified movable property items are tagged and recorded within 45 days of receipt of the items. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 3).

Claims Edit Listing Not Verified

DPS does not send the Claims Edit Listings to the employees responsible for processing and tracking claims and litigation for them to review for accuracy and completeness. Each quarter, the Office of Risk Management distributes to all state agencies a Claims Edit Listing that contains all claims submitted by each agency. The Office of Risk Management uses the listings for computation of experience ratings and premiums. The Office of Risk Management requests that the agencies review the listings for accuracy and report any errors or omissions.

Because the department does not submit the listings to the appropriate employees for review, any errors or omissions would not be detected. In addition, experience ratings and premiums assessed by the Office of Risk Management could be incorrect since any possible errors or omissions are not reported to the Office of Risk Management.

DPS should ensure that the quarterly Claims Edit Listings are reviewed by the appropriate personnel for accuracy and completeness of the claims reported. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 4).

Untimely Deposits

DPS does not have adequate controls in place to ensure that all cash receipts are deposited immediately upon receipt as required by state law and that all cash receipts are properly safeguarded. Louisiana Revised Statute 49:306 requires that all money received by the department be deposited immediately upon receipt in the state treasury. Good internal controls require that assets be physically safeguarded against theft and abuse.

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PUBLIC SAFETY SERVICES DEPARTMENT OF PUBLIC SAFETY AND CONNECTIONS STATE OF LOUISIANA

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Each day, the department's field offices collect and submit various fees to the department's Cash Receipts Unit for classification and deposit into the state depository. Of 335 field office receipts totaling \$40,376,627 processed by the Cash Receipts Unit on August 28, 1997, January 20, 1998, and May 20, 1998, 333 (99%) receipts totaling \$19,344,566 were deposited from 2 to 41 days after collection by the field office. Of those 333 receipts, 151 (45%) totaling \$3,272,008 were deposited more than 10 days after collection.

In addition, on four separate occasions in fiscal year 1998, the Cash Receipts Unit received an Incident Report Form from DPS police stating that fire doors in the building were found to be unlocked after hours.

Over the years, additional programs that require the collection of fees have been added to the overall responsibilities of the Cash Receipts Unit. The department did not modify its procedures for securing and depositing receipts, and as the volume of receipts increased, unsecured conditions and delays in deposits resulted. Ultimate deposit of receipts increases the risk of loss or abuse of those funds, deprives the state of interest earnings, and subjects the department to noncompliance with state law. Inadequate physical safeguards over receipts also increase the risk of loss or abuse of those funds.

Management of the department should implement procedures to deposit all receipts in accordance with state law. In addition, management should take steps to ensure that the building housing the Cash Receipts Unit is adequately secured. Management concurred with the finding and recommendation and outlined a plan of corrective action (See Appendix A, page 6).

The recommendations in this report 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. The findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

Legislative Auditor

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DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA
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This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

RLT:THC:RCL:dl

11/16/99

Appendix A

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



Department of Public Safety and Corrections
Public Safety Services

M. J. "BOB" FOSTER, JR.
GOVERNOR

W. P. "PAT" SPITTELLER, GOVERNOR
DEPUTY GOVERNOR

September 3, 1988
DPS-82-0596

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department concurs with the finding that the timekeepers are not consistently following the instructions regarding manual time sheets.

Mr. Ray Dufrenoy, a supervisor of the payroll section advises that the Department of Public Safety updated the Timekeeper Manual and trained all of the State Police Timekeepers (Headquarters and Field) on October 8, 1987. At that time the importance of proper record keeping was stressed. To facilitate the training of the remainder of DPS Timekeepers, the Payroll Unit will begin holding monthly training sessions on October 13, 1988. All timekeepers will be notified that training will be mandatory once every two years. The revised manual will be sent out to all Department heads with a review of mandatory record keeping requirements.

If any further information is needed please contact me at (225) 927-6822.

Sincerely,

LA Colonel Ronnie B. Jones
Acting Undersecretary

RHJ:SL/S



Department of Public Safety and Corrections
Public Safety Service

LA 0001-00019, 01
00000001

P. O. BOX 90814, BATON ROUGE, LOUISIANA
70808-0014

September 3, 1998
DPS-02-595

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94197
Baton Rouge, LA 70804-0197

Dear Dr. Kyle:

In regards to the Workers' Compensation checks the department concurs with the finding that there is not sufficient procedures to ensure that all checks are received by payroll. David Vassallo, Director of Finance, has initiated new procedures to correct this finding.

When checks are received by the finance receptionist, a log will be created listing the check number, recipient name, and date of check. This log will be forwarded to payroll and a copy of it will be given to the Workers' Compensation person along with the checks. This log will give payroll notice that checks or disposition of the checks will be forthcoming. This new procedure was initiated on July 24, 1998.

If any further information is needed please contact me at (225) 924-8032.

Sincerely,

Lt. Colonel Ronnie B. Jones
Acting Undersecretary

RBJ/SSS



Department of Public Safety and Corrections
Public Safety Services

W. J. "MAC" FOSTER, JR.
Governor

October 16, 1998
DPS-03-0589

W. B. "PAT" BASTIENNE, COLONEL
Lieutenant Governor

Dr. Daniel A. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-0397

Dear Dr. Kyle:

The Department concurs with your findings on movable property regulations.

The Department will have Ms. Denise Banfield, Internal Audit Supervisor, contact the Property Managers to resolve this problem. She will make them familiar with the procedures and help them establish department policy regarding the tagging and reporting to Louisiana Property Assistance Agency.

If you have any questions please contact me at (225) 935-4032.

Sincerely,

Lt. Col. Ramon H. Jones
Acting Undersecretary

RH:ls

CC: Denise Banfield



Department of Public Safety and Corrections
Public Safety Services

M. J. WHITE, CHIEF OF POLICE,
Baton Rouge

W. D. TAYLOR, CHIEF OF POLICE,
Baton Rouge

October 29, 1998
(225) 821-6001

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94077
Baton Rouge, LA 70804-8977

Dear Dr. Kyle:

The Department concurs with the finding concerning the claims edit listing. Ms. Denise Barefield of the Internal Audit staff will meet with Finance, Personnel, and Fleet sections in providing recommendations in establishing procedures for the review of the claims edit listing. This procedure will be established by January 31, 1999.

If you need any further information, please contact me at (225)821-6002.

Sincerely,

Lt. Col. Ronnie B. Jones

RBJ:dab

CC: Denise Barefield



Department of Public Safety and Corrections
Public Safety Services

U.S. GOVERNMENT PRINTING OFFICE: 1975 O 300-000

October 28, 1998
DPS-02-0800

NO. 11-1617 BAPTISTE (22) COLONNE
BATON ROUGE, LA 70801-2200

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94387
Baton Rouge, LA 70804-0387

Dear Dr. Kyle:

The Department concurs with the finding concerning untimely deposits. Mr. David Viocella, Finance Manager for the Department has been working with the Treasurer's Office and the State Bank to resolve this problem. In November, the State Bank will formally become Bank One. Discussions with the bank and the Treasurer's Office will resume in the first quarter of 1999.

The Internal Audit Section will monitor current internal control processes in place and will make recommendations based on the procedure changes necessary in establishing new cash management procedures and ensuring that adequate internal control processes are maintained. In addition, the development of a cash management plan has already begun, and it will include further development of cash management directives relative to the implementation of new procedures. These new procedures should be in place by the second quarter of 1999.

The locks were changed on the Cash Receipts building in September of 1998. The building is now adequately secured.

If you need any further information, please contact me at (225) 753-6032.

Sincerely,

Lt. Col. Ronnie B. Jones

RH:slb

CC: Denise Bradford