

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA

MANAGEMENT LETTER
ISSUED DECEMBER 8, 2004

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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.

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STEVE J. THERIOT, CPA
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November 23, 2004

**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, 2004, 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 the Department of Public Safety and Corrections, 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 the Department of Public Safety and Corrections, Corrections Services, for the year ended June 30, 2003, 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, 2004.

Lack of Internal Audit Function

For the fifteenth consecutive year, the Department of Public Safety and Corrections, 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 (\$68,259,256) and revenues (\$698,995,536), an effective internal audit function is needed

LEGISLATIVE AUDITOR

**CORRECTIONS SERVICES
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Management Letter, Dated November 23, 2004

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to ensure that the department's assets are safeguarded and management's policies and procedures are uniformly applied.

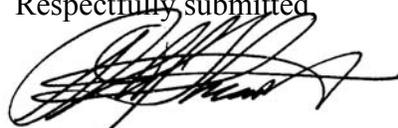
Although the department has administrative monitors who provide management with assurances on the field operations of the various prison facilities in accordance with departmental regulations, this function was not sufficient to constitute an effective internal audit function.

Management should take the necessary steps to ensure that an effective internal audit function is established to provide assurance that assets are safeguarded and ensure 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 of the department concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the department. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action.

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

BH:ES:PEP:ss

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation

DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS

KATHLEEN BABINEAUX BLANCO, GOVERNOR



RICHARD L. STALDER, SECRETARY

November 17, 2004

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

RE: Internal Audit Division

Dear Mr. Theriot:

The department agrees with your finding that an adequate internal audit function is needed for the department. As indicated each year, the department lacks sufficient resources to adequately staff and provide for the needed services in this area. The department has repeatedly requested the resources in the budget to properly staff this function and has repeatedly been denied. Furthermore, the department's workload continues to increase as has statutory reporting requirements in recent years. The department is continually asked to provide additional information and services while facing budget and position reductions each year in its appropriations as well as having to absorb expenditure items which are necessary but unfunded.

In spite of this, the department continues to strive to have exemplary performance in all facets of operations. To this end, all units have been accredited by the American Correctional Association. The standards that are required to meet ACA accreditation set strict operating requirements on all field units, several of which involve internal controls dealing with the financial aspects of the operations. In order to remain accredited, the department must continue to meet these high standards.

The department continues to conduct operational audits annually for state-run adult units, and quarterly for privately managed units in accordance with Department Regulation C-05-003. The audit teams include representatives from Adult Services and the Office of Management and Finance Personnel, Payroll, and Fiscal Services division. 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.

Mr. Steve J. Theriot, CPA

November 17, 2004

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Over the past fiscal year, staff conducted over 50 such audits at various correctional facilities. Scopes of these audits included cash handling and management, movable property, inmate organization funds, accounting system reconciliations, budgeting, medical co-pay, indigent supplies and services and warehouse inventories. These audits were effective in providing assurances 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 C-05-001.

The department will continue to seek additional resources to have an effective internal audit division. Whatever assistance your office could provide in informing the legislature and other decision makers as to the pressing need to have these functions funded for the executive departments would certainly be appreciated.

Sincerely,



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

BEB/lor

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