

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



PROCEDURAL REPORT  
ISSUED MAY 6, 2009

**LEGISLATIVE AUDITOR  
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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

April 7, 2009

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

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of Public Safety and Corrections, Public Safety Services for the period from July 1, 2007, through June 30, 2008. Our procedures included (1) a review of the department's 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 year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected departmental personnel and 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.

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 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 report on the Department of Public Safety and Corrections, Public Safety Services, issued January 9, 2008, we reported findings relating to a deficiency in the disaster recovery plan, an ineffective internal audit function, insufficient control over payroll, inadequate controls over movable property, failure to document payroll costs, inadequate subrecipient monitoring, and lack of control over the claims loss listing. The findings relating to failure to document payroll costs, inadequate subrecipient monitoring, and lack of control over the claims loss listing have been resolved by management. Although the findings relating to deficiency in the disaster recovery plan and insufficient control over payroll have not been fully resolved by management, the remaining issues are not significant enough to warrant inclusion in this report. The findings relating to an ineffective internal audit function and inadequate controls over movable property are addressed again in this letter.

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

### **Ineffective Internal Audit Function**

For the eighth consecutive year, the Audit Services Section of the Department of Public Safety and Corrections, Public Safety Services did 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.

The Audit Services Section was not staffed until April 2008 when a director was assigned to the position. Although the Audit Services Section conducted limited audits within the department, the number and scope of audits were not sufficient to constitute an effective internal audit function. Considering that the department's revenues exceed \$1.3 billion, an effective internal audit function is needed to ensure that the department's assets are safeguarded and that management's policies and procedures are uniformly applied.

The department should take the necessary steps to ensure that the Audit Services Section is operating as an effective internal audit function. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

### **Inadequate Controls Over Movable Property**

For the fourth consecutive year, the Department of Public Safety and Corrections, Public Safety Services did not have adequate internal controls to ensure compliance with the state's movable property regulations related to verifying the location of property. In addition, the department did not have adequate internal controls to ensure the timely reporting of qualified acquisitions to the Louisiana Property Assistance Agency (LPAA). Louisiana Revised Statute (R.S.) 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to LPAA. Louisiana Administrative Code (LAC) 34:VII.313 states, in part, that efforts must be made to locate all movable property items for which there are no explanations available for their disappearance. R.S. 39:323 and LAC 34:VII.307 require that all acquisitions of qualified assets be reported to LPAA within 60 days of receipt of the property. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted.

A review of the department's accounting records disclosed the following:

1. The Department of Public Safety and Corrections, Public Safety Services identified unlocated movable property items totaling \$1,078,362 as a result of its annual property inventory certification procedures. Of that amount, items totaling \$79,327 were removed from the property records because they had not been located for three consecutive years. Of the

unlocated property reported on the department's property inventory certification, the amount of unlocated computers and computer-related equipment totaled \$623,539.

The department's certifications of annual property inventory, submitted to LPAA between January and June 2008, disclosed \$180,861,588 in total movable property administered by the department. The breakdown of unlocated property by functional property area is as follows:

- Office of State Police - \$516,982
- Information Services - \$507,281
- Office of Management and Finance - \$34,080
- State Police Training Academy - \$12,499
- Office of Motor Vehicles - \$3,294
- Louisiana Gaming Control Board - \$3,181
- Fire Marshal - \$1,045

2. A review of the acquisitions for the department disclosed that 103 assets totaling \$1,515,155 were not reported to LPAA within 60 days. The number of days late ranged from one to 403 days.

The department is not properly accounting for and safeguarding its movable property. Failure to establish adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects the department to noncompliance with state laws and regulations. Because of the nature of the services provided by the department, the risk also exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

Management should strengthen its procedures for conducting the physical inventory of movable property and devote additional efforts to locating movable property reported as unlocated in previous years. Management should ensure that the acquisition of qualified assets is reported timely to LPAA. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 3-4).

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 finding relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended solely for the information and use of the department, its management, others within the entity, and the Louisiana Legislature 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

RLW:WDG:EFS:PEP:sr

DPS08

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





State of Louisiana  
Department of Public Safety and Corrections  
Public Safety Services

February 9, 2009  
DPS-02-1099

Mr. Steve J. Theriot, CPA,  
Louisiana Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9397

Re: Audit Finding: Ineffective Internal Audit Function

Dear Mr. Theriot:

This letter is the department's official response to the Legislative Auditor's finding regarding internal audit as stated in Mr. Wesley D. Gooch's February 3, 2009 letter.

Ineffective Internal Audit Function

The department concurs with the Legislative Auditor's finding that it had an ineffective internal function. The department also concurs with the recommendation that the department should take the necessary steps to ensure it has an audit section that operates as an effective internal audit function.

In 2008, the department developed a corrective action plan and initiated corrective action to ensure that the internal audit function will provide Management with the assurances that department assets are properly safeguarded, internal controls are established and are operating in accordance with applicable laws and regulations, and that procedures are sufficient to detect errors and/or fraud.

Below is the status of the action the department has action taken to correct the internal control weakness and/or finding of non-compliance.

The department created and staffed the Internal Audit Division (IAD) in April 2008 by assigning an audit director, a supervisor, and an auditor 3. Moving forward, the department increased the IAD staff to encompass a manager, another

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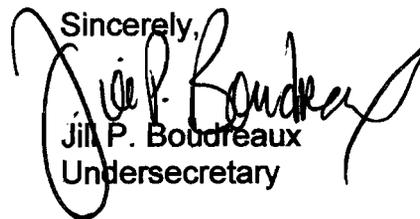
supervisor, three additional auditors, and a Human Resources Specialist. On October 9, Colonel Michael D. Edmonson, Deputy Secretary, signed the Internal Audit Division's Charter 2008 giving IAD the authority for full, free, and unrestricted access to all Department records, physical properties, and personnel relevant to any function under review.

Corrective actions taken include the following:

- Developed a Risk Assessment Questionnaire and had each agencies complete one to assist IAD staff in determining audit priority.
- Developed an Annual Audit Plan for Fiscal Year 2008/2009 based on completed Risk Assessments.
- Developed an Annual Audit Plan Time Budget for Fiscal Year 2008/2009.
- Developed a program to track time spent on each audit performed.
- Developed standardized audit programs for payroll, travel expenses, LaCarte, and grant contracts.
- Conducted two Office of Motor Vehicles audits, one Financial Services audit, one Louisiana Highway Safety Commission audit, and currently performing a major audit on the LSP Crime Lab.
- Developed a system for reviewing and tracking the progress of audits performed.
- Developing an IAD Policy and Procedure Manual.

The department anticipates completing all corrective action to realize an effective internal audit function no later than July 1, 2009.

If you have any questions, feel free to call me at 225-925-6032.

Sincerely,  
  
Jill P. Boudreaux  
Undersecretary

Cc: Colonel Michael D. Edmonson, Deputy Secretary



State of Louisiana  
Department of Public Safety and Corrections  
Public Safety Services

February 19, 2009  
DPS-02-1103

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

RE: Inadequate Control Over Moveable Property

The Department of Public Safety **concurs** with the audit findings. The Department recognizes the significance of maintaining all property within our area of responsibility. In order to streamline and create efficiency within the Department, the Property Control Division has been segregated to provide clarity and enhance our capability to monitor all purchasing activities. The following action plans are being established and implemented to diminish the number of unlocated moveable property items:

- The property policies and procedures manual has been updated and is near completion. To improve our processes and encourage accountability in regard to moveable property, the revised guidelines reflect decentralization of property reporting.
- The Department will utilize barcode scanners which will be directly linked to LPAA's Protégé system or will be ERP compatible.
- The revised policy and procedure manual will assure proper filing of paperwork.
- The internal on-line transfer system for tracking movement of assets is currently in the developmental stage.

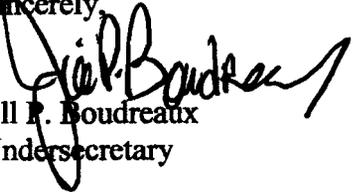
In addition, the Department has included guidelines in the revised procedures to address inadequate control of late entry acquisitions. A contributing factor to the late entry acquisitions noted in the current audit finding was the pending retirement of a key employee. In order to ensure future compliance, the Property Control Section has developed a tickler system of all purchase orders initiated by the Department to track all deliveries to field offices and to make timely asset entries a priority.

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The Department of Public Safety continues to improve processes and procedures with regard to protecting the state's property. Mr. Kerry LeBlanc, Administrative Director, is the responsible party for the corrective action. Please feel free to contact me or Kerry LeBlanc for any additional information.

Sincerely,



Jill P. Boudreaux  
Undersecretary

cc: Colonel Michael D. Edmonson, Deputy Secretary  
Kerry LeBlanc, Administrative Director