

DEPARTMENT OF STATE CIVIL SERVICE

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED AUGUST 4, 2021

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA



Department of State Civil Service

August 2021

Audit Control # 80210037

Introduction

The primary purpose of our procedures at the Department of State Civil Service (Department) was to evaluate certain controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

The agencies included within the Department are State Civil Service, Ethics Administration Program, Division of Administrative Law, and Municipal Fire and Police Civil Service.

Results of Our Procedures

We evaluated the Department’s operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the Department’s controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to the processing of late fees by the Board of Ethics, purchasing card expenditures, revenue collections from state agencies, and payroll and personnel.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in the Department’s procedural report dated June 19, 2019. The prior-report finding related to the Louisiana Board of Ethics - Weakness over Submitting Delinquent Debt for Collection has not been resolved and is addressed again in this report.

Current-report Finding

Louisiana Board of Ethics

Weakness over Submitting Delinquent Debt for Collection

For the third consecutive engagement, the Louisiana Board of Ethics (BOE) is not timely submitting delinquent debts to the Attorney General (AG) for collection. As of March 18, 2021, the BOE website noted 2,129 outstanding late fees totaling \$2.7 million from campaign finance disclosure reports, lobbying expenditure reports, and personal financial disclosure statements. Per Louisiana Revised Statute 47:1676, BOE is required to submit all debts to the AG for collection when the debt has been delinquent for 60 days.

In a test of 30 late fees dated from July 1, 2019, to March 18, 2021, the following was identified:

- For 18 (60%) late fees, the demand letter for collection was not sent, which prevented the debt from being established as delinquent and caused the debt not to be sent to AG for collection.
- For six (20%) late fees, the demand letter for collection was sent late, which delayed the debt from being established as delinquent. Three of the six late fees have been sent to AG.
- One (3%) late fee established as delinquent had not been sent to AG for collection.
- One (3%) late fee had the certified letter returned as undeliverable, which prevented the debt from being established as delinquent and being sent to AG for collection.

BOE's process includes: [1] send a certified mail notice/order that the entity failed to file and advise of late fees and wait for the return receipt; [2] after verified receipt, wait 20 days (which is the due date) to receive payment or allow for requests for waivers or appeals to expire; [3] if after 30 days past the due date payment or request for waivers/appeals is not received, send demand letter and wait 30 days until debt is considered delinquent by BOE; and [4] wait an additional 30 days and then send delinquent debt to the AG for collection. Failure to follow BOE policy in sending required correspondence at designated times caused delinquent debts to be sent untimely for collection.

BOE management should improve its efforts to minimize delays in transmitting delinquent debts to the AG to comply with agency policy and state law. In addition, management should consider modifying its process to reduce the number of letters mailed and implement effective procedures related to undeliverable letters, in order to facilitate compliance with state law. Management concurred that all efforts should be taken to minimize any delays to transmit the debts to the AG, asserted it complies with Louisiana Revised Statute 47:1676, and provided that BOE continues to improve its policy (see Appendix A, pages 1-2).

Board of Ethics Processing of Late Fees

We obtained a basic understanding of the BOE's process and controls over the assessment and collection of late fees, and the submission of delinquent debts related to the late fees to the AG for collection. We performed procedures on selected transactions to determine if controls were operating effectively to process late fees and ensure delinquent debts were submitted timely to the AG. Based on the results of these procedures, we determined that the Board of Ethics should improve its efforts to minimize delays in sending delinquent debts to the AG (see Current-report Finding section).

Purchasing Card Expenditures

The Department participates in the State of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenditures. We obtained an understanding of the Department's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2019, through March 4, 2021, and reviewed selected transactions from the Department's four agencies. Based on the results of our procedures, the Department had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Revenue Collections from State Agencies

All of State Civil Service's (SCS) revenue collections are interagency transfers (IAT) from state agencies. Over 99% of the Division of Administrative Law's (DAL) collections consist of IAT.

During fiscal years 2020 and 2021, SCS determined the amount billed to state agencies each fiscal year based on Louisiana Revised Statutes (R.S.) 42:1383 and 42:1262. These statutes allow SCS to bill each state agency an amount not to exceed seven-tenths of one percent and two-tenths of one percent, respectively, of total annual gross salaries of state classified employees within each agency. Effective January 1, 2021, Act 33 of the 2020 Second Extraordinary Legislative Session repealed R.S. 42:1262 and changed the percentage in R.S. 42:1383 to no more than nine-tenths of one percent, which will be applicable to the SCS calculation for fiscal year 2022. The IAT revenues are used by SCS for the Comprehensive Public Training Program and Human Resource Services.

The IAT revenues for DAL are for services rendered to state agencies and are based on an estimated cost of services to be rendered to state agencies.

We obtained an understanding of SCS's and DAL's internal controls over interagency revenues. We compared amounts billed to amounts paid for fiscal years 2020 and 2021. Based on the results of our procedures, SCS and DAL had adequate controls in place to ensure that revenue collections

were assessed, billed, and collected properly and that SCS' billing complied with revised statute requirements.

Payroll and Personnel

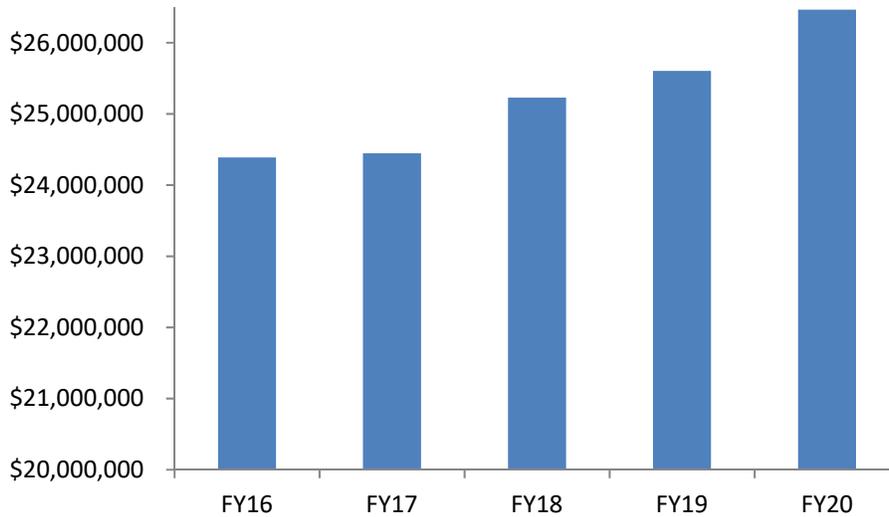
Salaries and related benefits comprise approximately 87% of the Department's expenditures in fiscal years 2020 and 2021. We obtained an understanding of the Department's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results of our procedures, the Department had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was accounted for properly.

Trend Analysis

We compared the most current and prior-year financial activity using the Department's Annual Fiscal Reports and/or system-generated reports and obtained explanations from the Department's management for any significant variances. We also prepared an analysis of the Department's expenditures over the last five fiscal years ending June 30, 2020.

As shown in Exhibit 1, the Department's expenditures have increased by approximately \$859,000 from fiscal year 2019 to fiscal year 2020, primarily in State Civil Service and Division of Administrative Law agencies. The increase in expenditures is mainly due to market rate adjustments, which increased salaries and related benefits, and an increase in the retirement contribution rate.

**Exhibit 1
Five-Year Expenditures Trend, by Fiscal Year (FY)**



Source: Fiscal Year 2016-2020 ISIS Data

Other Reports

In January 2021, two reports were issued by Louisiana Legislative Auditor’s (LLA) Performance Audit Services. One report titled *Trends in Staffing, Annual Rates of Pay, and Personnel Expenditures in Executive Branch Agencies*, issued January 13, 2021, (Control #40190031) provides the results of the evaluation of staffing, annual rates of pay, and personnel expenditures in the state’s executive branch agencies between fiscal years 2013 and 2020. The second report titled *Challenges with Telework During the COVID-19 Public Health Emergency*, issued January 28, 2021, (Control #40200016) provides the results of the evaluation of the use of telework among the state’s executive branch agencies during the COVID-19 public health emergency and includes information on the challenges the agencies experienced. These reports are available on the LLA website.

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

AB:AD:RR:EFS:ch

APPENDIX A: MANAGEMENT'S RESPONSE



STATE OF LOUISIANA
DEPARTMENT OF STATE CIVIL SERVICE
LOUISIANA BOARD OF ETHICS
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BATON ROUGE, LA 70821
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July 15, 2021

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Weakness over Submitting Delinquent Debt for Collection

Dear Mr. Waguespack,

Please accept this as the official response to the reportable audit findings for the Ethics Administration Program.

Legislative Auditor Comment

The Ethics Administration Program did not timely submit delinquent debts to the Attorney General for collection.

Agency Response

The Auditor suggests that the agency should improve its efforts to comply with agency policy and state law and minimize delays in transmitting delinquent debts to the AG. While the Agency concurs that all efforts should be taken to minimize any delays to transmit the debts to the Attorney General's Office, it asserts that it does comply with the statutory provisions in R.S. 47:1676. After providing the requisite notices and waiting 60 days as required by the statute, the agency is required to authenticate the debt prior to sending it to the AG's Office pursuant to R.S. 47:1676C(2)(a). Determining the finality of a judgment is a manual process, which during normal times can be time-consuming to ensure that all required statutory notices have been received, all delays have expired, and all notices pursuant to R.S. 47:1676 have been provided.

Most of the sample set that was tested for procedural review had due dates during 2020. Due to changes in the USPS procedures in response to COVID-19, the process to determine the finality of judgments has taken additional time. Verifying receipt of notices and finality of reports has taken additional time. Furthermore, during the early part of the COVID shutdown when employees were starting to work remotely, the Ethics Administration Program was asked by the AG's Office to hold up on sending over delinquent accounts. Steps have been taken to temporarily assign staff to assist with the assessment and collection duties, as well as processing returned mail.

Prior to 2019, the agency used the services of the Louisiana State Police to serve late filers with the requisite notices. In late 2019, it was informed that Louisiana State Police would no longer provide such a service. Accordingly, funding was provided in FY 20-21 for the agency to use the services of local sheriffs to serve the requisite notices. Therefore, when mail is returned and

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an accurate address for the late filer is determined, the agency is now using the services of local sheriffs to serve the filer with the requisite notice.

I am keenly aware of the agency's duty to ensure that all debts are examined to determine that a debt is owed and that it is final and legally collectible, as well as its duty to transfer that final debt to the AG's Office. Several years ago, the agency consistently asked for an additional position to assist with disclosure processing, but such requests were not granted given the fiscal condition of the State. However, given the past and current audit findings, the Ethics Administration Program will continue to evaluate its staffing needs, reallocate staff and, if necessary, seek an additional position in its next budget request to support its collection efforts.

It is the objective of this Agency to continue to improve its current process and to address the concerns of the Auditor. I or Kristy Gary, Deputy Ethics Administrator, can be contacted at (225) 219-5600 if additional information is needed.

Sincerely,



Kathleen M. Allen
Ethics Administrator

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of State Civil Service (Department) for the period from July 1, 2019, through June 30, 2021. Our objective was to evaluate certain controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the Department's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The Department's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Department's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Department.
- Based on the documentation of the Department's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to the processing of late fees by the Board of Ethics, purchasing card expenditures, revenue collections from state agencies, and payroll and personnel.
- We compared the most current and prior-year financial activity using the Department's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the Department's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the Department, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.