

STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

January 28, 1998



Financial and Compliance Audit Division

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

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

**Management Letter
Dated January 5, 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.

January 28, 1998



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January 5, 1998

**CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY
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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, 1997, we conducted certain procedures at the Department of Public Safety and Corrections, Corrections Services. Our procedures included (1) a review of certain departmental 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.

The June 30, 1997, Annual Fiscal Report of the Department of Public Safety and Corrections, Corrections Services, was not audited or reviewed by us, and, accordingly, we do not express an 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 department 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 Corrections Services for the year ended June 30, 1996, we reported findings relating to wardens who do not live on prison grounds, ineffective internal audit function, the use of a state building, unallowable premium payments, personal use of state vehicles, and inadequate payroll controls. The findings on wardens who do not live on prison grounds and the internal audit function were not resolved and are addressed again in this report. The department made substantial progress in resolving the findings on the use of a state building, unallowable premium payments, personal use of state vehicles, and inadequate payroll controls, and they are not repeated 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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Wardens of Louisiana State Penitentiary and Dixon Correctional Institute Do Not Live on Prison Grounds

For the second consecutive year, the wardens of Louisiana State Penitentiary (LSP) and Dixon Correctional Institute (DCI) do not reside at their respective institutions. It would be prudent for the department to employ the most effective methods relating to its housing and vehicle expenses and the on-site management of its correctional institutions by providing housing for the wardens of LSP and DCI at their respective institutions.

We have been informed that the current LSP warden does not reside at the institution because the warden's residence located at Angola has been seriously damaged. The LSP warden was appointed to that position on March 23, 1995, and was previously employed as the warden of DCI at Jackson, Louisiana. However, he continues to reside in a house at DCI, approximately 34 miles one way from LSP. As a result, the department is currently incurring additional commuting costs for him to travel back and forth from DCI to LSP.

In addition, the current DCI warden receives a housing and subsistence allowance totaling \$9,620 per year, and the department is incurring additional commuting costs because he has been displaced by the LSP warden. The DCI warden resides in a private home approximately seven miles from the institution and, as a result, neither warden is on-site to address emergencies at their respective institutions.

The department should review the housing arrangements at LSP and DCI, and give consideration to providing housing to the wardens at their respective institutions to provide for immediate on-site availability. In a letter dated August 29, 1997, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, stated, "In reference to your repeat finding regarding the wardens of Louisiana State Penitentiary (LSP) and Dixon Correctional Institute (DCI) not residing on prison grounds, the following information is provided. Warden Cain continues to utilize the warden's residence at DCI because the warden's residence at Louisiana State Penitentiary (LSP) is in a serious state of disrepair and is uninhabitable in its current state. If Warden Cain were to utilize another residence at LSP, it would displace another employee. This would not be in the best interest of the department due to the recruiting and retention problems with personnel at LSP, particularly in the medical services area.

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"The limited amount of state-owned housing at DCI does not allow for housing assignments for senior level security staff to be on the grounds. Warden Cain's residing at DCI helps to alleviate this problem by being available for call to assist Warden LeBlanc in addressing potential security problems at DCI. This benefit far out weighs additional commuting costs that may be incurred.

"Additionally, the current warden at DCI, James M. LeBlanc, has a personal residence within approximately seven miles of the institution. This distance is not significantly greater than the state housing for the institution, which is approximately five miles from the prison grounds. Because of this, Warden LeBlanc's ability to respond to emergencies is not impaired and no significant additional commuting costs are incurred by his utilizing his private residence.

"Another factor is that Warden LeBlanc is currently detailed to the position at DCI while Secretary Stalder is in the Executive Loan Program. It would also be unfair to force him to vacate his personal residence in order to live in state housing that is not significantly closer than his personal residence while he is on detail and not permanently assigned. Issues of compensation are governed by Civil Service.

"For these reasons the department is meeting its needs in terms of on-site availability of management personnel at these two facilities. The current allocation of housing is efficiently addressing the broad spectrum of executive, security, medical, and maintenance staffing requirements."

Ineffective Internal Audit Function

For the eighth consecutive year, the Department of Public Safety and Corrections, Corrections Services, does not have an effective internal audit function to examine, evaluate, and report on its internal controls and to evaluate its compliance with the policies and procedures of the control system. Although the department has four internal auditors, the reviews performed by the internal auditors did not address revenues, non-payroll expenditures, or various inmate accounts. Two internal auditors were assigned to Headquarters and, during fiscal year 1997, Prison Enterprises (PE) and LSP each hired an internal auditor. The internal auditors performed special assignments relating to departmental operations and other specified procedure reviews.

The department's operations include 12 adult and 4 juvenile correctional institutions, 66 other juvenile institutions, 6 adult half-way homes, 21 probation and parole offices, and other administrative units. Considering the size and diversity of the department, with

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assets totaling \$63,337,640 and revenues of \$476,252,804 for the 1997 fiscal year, an effective internal audit function is needed to ensure that the department's assets are safeguarded and the department's policies and procedures are applied uniformly.

The department should continue its efforts to establish an effective internal audit function. In a response dated September 3, 1997, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, did not concur with the finding. He stated that the internal audit staff has been effective in the areas they have worked. The department has repeatedly requested additional resources in the budget to properly staff the function, but funding has been denied.

Additional Comments: Audits performed by the internal audit staff at headquarters were limited in scope and did not address certain primary accounting control cycles. Also, the internal auditors at LSP and PE have not developed a formal audit plan or approach. These internal auditors' primary functions have been to track the expenses at LSP related to the flood in 1997 and to rewrite PE's Policies and Procedures manuals.

Electronic Data Processing Control Weaknesses

The department has not established adequate internal controls over electronic data processing (EDP) to ensure that the integrity of data is maintained. Adequate internal controls require that individuals be permitted business-need-only access to data files and functions necessary to perform their normal duties.

The department has no written procedures pertaining to the deletion of User ID codes once an employee terminates or no longer has a legitimate need for access. Furthermore, the department does not have adequate supervisory review to ensure that employees do not have access greater than their business need.

Our tests of controls for users with access to the Government Financial System (GFS) and the Advanced Governmental Purchasing System (AGPS) disclosed the following:

- Four out of 115 GFS users reviewed were terminated and their User ID codes were not disengaged.
- Fifteen out of 306 AGPS users were terminated or transferred to another agency and their User ID codes were not disengaged.

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- Three out of 306 employees with access to AGPS changed budget units within the department, but their access was not disengaged.

Failure to establish adequate controls in an on-line data entry environment could result in the loss of data and the failure to prevent or detect errors or fraud in processing transactions.

The department should develop written procedures to ensure the timely deletion of AGPS and GFS User IDs after an employee is terminated or transferred and to provide for an adequate supervisory review of access granted to employees. In a response dated September 3, 1997, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, concurred with the finding and recommendation and outlined a plan of corrective action by the department.

Improper Accumulation of Compensatory Leave

The department has not established adequate internal controls to ensure compliance with Civil Service Rule 11.29 regarding the accumulation of straight-time compensatory leave. Civil Service Rule 11.29 requires that no more than 45 working days, or 360 hours, of compensatory leave be carried forward into the next calendar year. The compensatory balance can fluctuate above that amount during the year; however, as of December 31, each year, an employee's compensatory leave balance must be reduced to a maximum of 360 hours. Allowing more than 360 hours to be carried forward and used would violate Article 7, Section 14 of the Louisiana Constitution of 1974, prohibiting the donation of a thing of value (salary) of the state to a person.

Internal departmental regulation A-02-002 of Corrections Services, Section 7-I-4 (b), states that employees may accumulate and carry forward (to the next calendar year) an amount of hours equivalent to a maximum of 45 working days of straight-time compensatory leave. The department regulation defines the equivalent of 45 working days as 360, 450, or 540 hours depending on whether the employee normally works an 8, 10, or 12 hour day. Consequently, the department's hourly definition of 45 working days is not consistent with Civil Service's definition that limits the carry forward to 360 hours.

Our test of straight-time compensatory leave balances as of December 31, 1996, found that Louisiana State Penitentiary had 217 employees with balances ranging from 1 to 247 hours in excess of 360 hours, and Prison Enterprises had 10 employees with balances ranging from 24 to 1,141 hours in excess of 360 hours. These excessive balances were carried forward into January 1997, in violation of the Civil Service rule.

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Although employee compensatory leave balances in the other budget units were not tested, personnel informed us that the compensatory policy applies to the entire department, and, consequently, other violations are likely to have occurred.

An adequate system of internal control provides for the monitoring of straight-time compensatory leave balances and compliance with state laws and regulations. The risk exists that employees will be allowed to use and/or be compensated for compensatory time in excess of Civil Service rules.

The department should update its procedures and regulations to ensure compliance with Civil Service rules for compensatory leave. In a letter dated December 18, 1997, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, stated, "The department acknowledges that your office believes Department Regulation Number A-02-002, *Administrative, Human Resource Management, Pay Administration and Management*, dated 25 July, 1996, is inconsistent with Civil Service's definition regarding the accumulation of 45 working days of compensatory leave. As noted, the department regulation defines the equivalent of 45 working days as 360, 450, or 540 hours depending on whether the employee normally works an 8, 10, or 12 hour day. The department regulation was based on the previous version of Civil Service Rule 11.29, which did include the provision to carry forward 45 working days, *or equivalent thereof*, into the next calendar year. This interpretation is consistent with other Civil Service rules involving provisions of the Fair Labor Standards Act. These provisions allow for the number of hours in a work period to be based on the job type and work schedule of the employee.

"As discussed with your staff, there are inconsistencies between the Civil Service Rule and the Civil Service Manual regarding the application of this particular rule. In order to resolve this situation, the department raised this issue at the Civil Service Commission Meeting held on December 3, 1997. At the meeting, the Commission directed the Civil Service Director and his staff to review this information and determine whether any rule changes are required.

"In terms of improving internal control by monitoring the amount of compensatory time earned and accumulated by employees, the department will continue to periodically generate and disseminate reports which will allow the units to better monitor and manage the compensatory leave balances.

"The department will reinforce the need for improvement in this area. While there are several instances where employees have accumulated hours in excess of the department regulation, these are not wide-spread and were generally accumulated due

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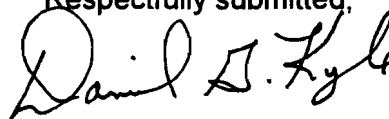
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to specific or institutional demands such as emergency responses, harvesting of crops, etc. The department will await the decision of Civil Service, however, before taking any action in regards to its leave accumulation policy.”

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 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.

By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



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Legislative Auditor

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