

LEGISLATIVE AUDITOR

**CORRECTIONS SERVICES  
DEPARTMENT OF PUBLIC SAFETY  
AND CORRECTIONS  
STATE OF LOUISIANA**  
Management Letter, Dated January 7, 1997  
Page 8

three pay periods, we noted the following control weaknesses and instances of noncompliance:

<u>Exceptions</u>	<u>10/9-22/95</u>	<u>1/15-28/96</u>	<u>5/20-6/2/96</u>	<u>Total</u>
1. Time sheet not signed by employee.	2	8	9	19
2. Time sheet not approved by supervisor.	12	3	6	21
3. Departmental checklist not signed by timekeeper.	1	2	1	4
4. Departmental checklist not approved by supervisor.	12	3		15
5. Leave slip not signed by employee.	4		2	6
6. Leave slip not approved by supervisor.	10		3	13
7. Overtime authorization forms not approved by supervisor.	5			5
Total	<u>46</u>	<u>16</u>	<u>21</u>	<u>83</u>

Because management has not placed sufficient emphasis on compliance with Civil Service rules and regulations or departmental policies and procedures, risk of payroll related errors and irregularities by employees and their supervisors is increased.

The department should re-emphasize the need for all employees to follow Civil Service rules and regulations and the department's policies and procedures regarding the certification and verification of time and attendance records. In a response dated November 12, 1996, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, concurred with the finding and recommendation and outlined a plan of corrective action by the department.

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 their recommendations, their implementation costs, and their potential impact on operations of the department should be considered in reaching decisions on courses of action. The findings

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

February 4, 1997



***Financial and Compliance Audit Division***

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

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

**Management Letter  
Dated January 7, 1997**

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.

February 4, 1997



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DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

January 7, 1997

**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, 1996, we conducted certain procedures at the Department of Public Safety and Corrections, Corrections Services. Our procedures included (1) a review of certain departmental internal control structures; (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, 1996, 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 financial statements of the State of Louisiana, 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 improvements. 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, 1995, we reported findings relating to the need for an internal audit function, the use of a state building, and fringe benefits. The findings on internal audit and the use of a state building were not resolved and are addressed again in this report. The department made substantial progress in resolving the finding on fringe benefits and it is not repeated in this report.

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

**CORRECTIONS SERVICES  
DEPARTMENT OF PUBLIC SAFETY  
AND CORRECTIONS  
STATE OF LOUISIANA**  
Management Letter, Dated January 7, 1997  
Page 2

**Wardens of Louisiana State Penitentiary  
and Dixon Correctional Institute  
Do Not Live on Prison Grounds**

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 \$9,610 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 January 3, 1997, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, stated, "In reference to your finding regarding the warden's residence at Dixon Correctional Institute (DCI), Warden Cain is utilizing 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. Warden Cain is on 24-hour call in order to address emergencies at LSP, and provides an additional service to the department by being available for call to assist Warden LeBlanc in addressing any security problems at DCI. These benefits for the department outweigh any additional commuting costs that may have to be incurred as a result of Warden Cain residing at DCI.

LEGISLATIVE AUDITOR

CORRECTIONS SERVICES  
DEPARTMENT OF PUBLIC SAFETY  
AND CORRECTIONS  
STATE OF LOUISIANA  
Management Letter, Dated January 7, 1997  
Page 3

"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.

"In addition, Warden LeBlanc is currently detailed to the position at DCI while Secretary Stalder is in the Executive Loan Program. It would be unfair to force him to sell 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 onsite 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.*"

**Internal Audit Function**

For the seventh consecutive year, the Department of Public Safety and Corrections, Corrections Services, does not have an effective internal audit function. Although the department established an internal audit function in May 1994, a single internal auditor for an agency of this size is not effective. The internal auditor performed special assignments relating to department operations and completed 20 specified procedure reviews at correctional facilities during the fiscal year ended June 30, 1996. These reviews primarily addressed movable property, cash handling on inmate visitation days, and accounting system reconciliations. An effective internal audit function should provide assurances to management that assets of the department are properly safeguarded, internal control structures are established and operating in accordance with applicable laws and regulations as designed by management, and procedures are sufficient to prevent or detect errors and irregularities in a timely manner. Considering the size and diversity of the department, which operates 12 correctional facilities and 20 probation and parole offices, and with assets totaling \$57,174,426, and revenues of \$423,325,206, at June 30, 1996, an effective internal audit function is needed to ensure that the department's assets are safeguarded and that the department's policies and procedures are applied uniformly.

## LEGISLATIVE AUDITOR

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

Management Letter, Dated January 7, 1997

Page 4

The Department of Public Safety and Corrections, Corrections Services, should continue its efforts to establish an effective internal audit function to provide assurances to management that assets of the department are properly safeguarded, internal control structures are established and operating in accordance with applicable laws and regulations as designed by management, and procedures are sufficient to prevent or detect errors or irregularities in a timely manner. In a response dated September 12, 1996, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, did not concur with the finding. He stated that the internal auditor has been effective in the areas that she has worked; however, the department realizes that additional resources are needed in this area. The department has repeatedly requested additional resources in the budget to properly staff the internal audit function, but funding has been denied. In addition, the department has reassigned two employees from the Internal Affairs section and established a financial and performance audit section. Finally, the department has made great strides in the auditing of its programs and is confident that any weakness in the internal control structure will be addressed and that needs of management will be satisfied.

**Additional Comment:** The internal auditor performed no audit work in Prison Enterprises representing total assets of \$14 million and total revenues of \$21 million. The internal auditor resigned from the department in August 1996, and at the time of our review, this position has not been filled. In addition, the two employees from Internal Affairs were not transferred until May 1996.

### **Use of State Building Violates State Law**

For the second consecutive year, the Department of Public Safety and Corrections, Corrections Services, continued a cooperative endeavor agreement with a private contractor for a 4,600 square foot state owned building that is being used as a poultry processing plant without publicly advertising and bidding the building for use, in violation of state law. In addition, the department did not enter into a formal written agreement with the contractor until June 1995, even though the private contractor began renovations in June 1994. Louisiana Revised Statute (LSA-R.S.) 41:1214 requires that leases of public land and buildings to private individuals must be publicly advertised and bid. In addition, prudent business practices would require that a written agreement be executed by all parties before beginning any work for renovations.

While the cooperative agreement does not use the term "lease," the language that is used in certain sections of the agreement related to compensation to the department for use of the building, repair or maintenance work, and return of assets to the department



**CORRECTIONS SERVICES  
DEPARTMENT OF PUBLIC SAFETY  
AND CORRECTIONS  
STATE OF LOUISIANA**  
Management Letter, Dated January 7, 1997  
Page 7

The almost exclusive use of these vehicles by these two employees amounts to personal assignment. However, the department did not request "personal assignment" use from the Division of Administration, and the taxable fringe benefits arising from using the vehicles for commuting purposes were not included on the employees' W-2s for the year ended December 31, 1995. In addition, Article 7, Section 14 of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. Since the department failed to obtain proper authorization from the Division of Administration for personal assignment of state vehicles, personal use of those vehicles appears to be a violation of the article. Management felt that the cars were needed to commute from Prison Enterprises' industry to industry; however, the majority of entries to the vehicle log indicate the use was to commute to work with no other stops.

The Department of Public Safety and Corrections, Corrections Services, should not allow employees personal use of department vehicles unless the conditions for personal assignment are met and written approval has been obtained from the Division of Administration. In addition, the department should include all taxable fringe benefits in its employees' W-2s. In a response dated November 8, 1996, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, stated that the two employees noted in the finding were initially reassigned from their official domicile at the Louisiana State Penitentiary (LSP) to Prison Enterprises and Prison Enterprises' management could not accurately predict the length of their assignments. The department acknowledges that through an oversight the appropriate approval from the Division of Administration concerning the storage and utilization of these vehicles was not obtained. Subsequently, one employee has been placed back at LSP, which has eliminated his use of a vehicle. Regarding the other employee, the department has requested and been given approval from the Division of Administration to store the vehicle at an alternate state facility near his home since this is a more cost effective method of providing transportation for the employee in accomplishing his statewide responsibility.

**Inadequate Payroll Controls**

The Department of Public Safety and Corrections, Corrections Services, Louisiana Training Institute at Bridge City, did not comply with Civil Service Rule 15.2 or the department's policies and procedures contained in the *On-Line Payroll Time Entry System Policy and Procedure Manual* relating to the certification and verification of employee time and attendance records. During our review of payroll documents for

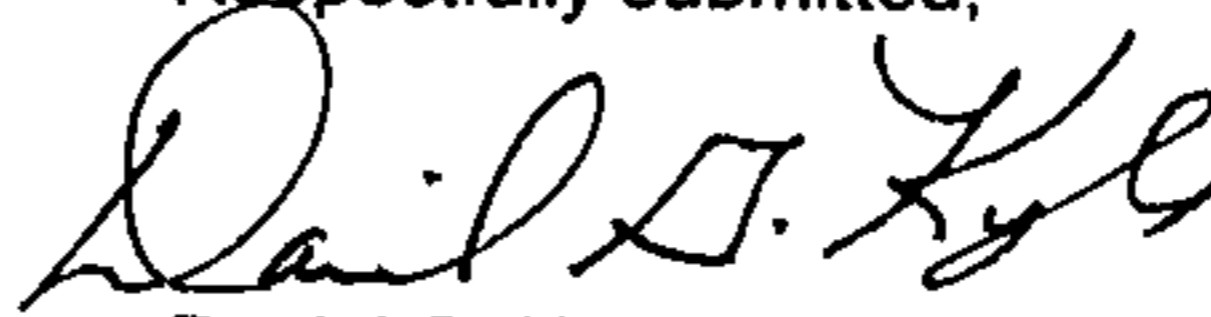
LEGISLATIVE AUDITOR

CORRECTIONS SERVICES  
DEPARTMENT OF PUBLIC SAFETY  
AND CORRECTIONS  
STATE OF LOUISIANA  
Management Letter, Dated January 7, 1997  
Page 9

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,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DL:BJJ:dl

(DPS-CS)

**CORRECTIONS SERVICES  
DEPARTMENT OF PUBLIC SAFETY  
AND CORRECTIONS  
STATE OF LOUISIANA**  
Management Letter, Dated January 7, 1997  
Page 5

at the end of the term of the agreement would be found in virtually every lease agreement. Furthermore, the department was informed in Attorney General Opinion 84-294, which related to a very similar situation, that such agreements must be competitively bid. This instance of noncompliance results in the risk that this building may have been used in a more beneficial manner to the state had the use been offered for bidding.

The department should exercise its option for termination of the cooperative endeavor agreement and seek a new one that is competitively bid as required by state law. In a response dated September 4, 1996, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, stated that the building in question was built at no expense to the state by a prior contractor, and is being used by another contractor through a cooperative agreement with him, which is authorized under Article 7, Section 14(C) of the Louisiana Constitution. Because of this and the benefits that the program provides to the institution, as well as the contractual obligation made by the department, the department did not wish to exercise its option to terminate the agreement. Instead, the department has made a commitment to publicly advertise the building for bid upon expiration of the cooperative endeavor and will soon be taking action to accomplish this objective.

**Unallowable Premium Payments**

The Department of Public Safety and Corrections, Corrections Services, made unallowable premium payments totaling \$2,081 for two individuals. The Department of Civil Service allows the department to pay a \$100 per month premium to employees working at the Louisiana State Penitentiary (LSP), as an incentive to work at LSP. However, the department authorized and made premium payments to two Prison Enterprises' employees totaling \$879 and \$1,202, respectively, for the fiscal year ended June 30, 1996, even though these individuals did not work at LSP. Both of the employees' time and attendance records were also certified and maintained at LSP.

Article 7, Section 14 of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. These payments appear to constitute a donation of state funds in violation of the article. Good internal controls would not allow a supervisor to certify leave taken and hours worked or authorize the data entry of these hours into the payroll system for an employee not under their supervision. This weakness increases the risk that errors or irregularities in the certification and data entry of leave taken and hours worked could occur and not be detected in a timely manner.