

DEPARTMENT OF PUBLIC SERVICE  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED SEPTEMBER 23, 2020

**LOUISIANA LEGISLATIVE AUDITOR  
1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
BATON ROUGE, LOUISIANA 70804-9397**

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**ASSISTANT LEGISLATIVE AUDITOR**  
**FOR STATE AUDIT SERVICES**  
NICOLE B. EDMONSON, CIA, CGAP, MPA

**DIRECTOR OF FINANCIAL AUDIT**  
ERNEST F. SUMMERVILLE, JR., CPA

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of Public Service



September 2020

Audit Control # 80200015

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## Introduction

The primary purpose of our procedures at the Department of Public 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.

## 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, our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to payroll expenditures, Motor Carrier Regulation Fund revenue, and Telephonic Solicitation Relief Fund ("Do Not Call") revenue.

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### Current-report Finding

#### Weakness in Controls over Payroll

The Department did not have adequate controls in place to ensure that time sheets at its district offices were certified by employees and approved by supervisors in a timely manner, increasing the risk that retroactive adjustments will be needed causing inefficiencies in the payroll process and increasing the risk of fraud or error related to leave balances, overtime payments, and terminated employee payments.

Management requires all employees and supervisors to certify time and attendance, using standardized forms that include signature lines and date fields, and to submit all documentation to Human Resources. However, management does not have formal written policies clearly outlining the time and attendance requirements for the district offices, including policies for working at home, and is not effectively monitoring the payroll process to ensure that the correct documentation is received in a timely manner.

We reviewed the time and attendance sheets for each of the five district offices for pay periods ending April 21, 2019, and January 26, 2020, and noted eight of the 10 time and attendance sheets did not have a supervisory approval date, four of which were due to two districts using an

old time and attendance form that did not have the required date field for supervisory approvals. As a result, we did not have sufficient evidence to determine timeliness of the certifications.

We extended our procedures to determine if, on August 3, 2020, the Department had adequate evidence to support that time and attendance records were certified and approved prior to payroll being disbursed for the two most recent pay periods ending July 12, 2020, and July 26, 2020. We determined that although payroll checks had been disbursed for both pay periods, seven of the 10 time and attendance sheets maintained by Human Resources were draft versions that did not include the certifications required by employees and supervisors or the necessary supporting documentation, such as overtime reports and leave slips. Management indicated there were delays in the documentation process during this period due to COVID-19 and employees working from home.

Upon our request, Human Resources contacted the district offices to obtain the remaining final versions of the time and attendance sheets for these two pay periods. We identified the following issues on the final versions of these time and attendance sheets: (1) two of the 10 final time and attendance sheets, from the same district, did not have supervisory approval and did not have certifications of four employees who were working at home; (2) one district submitted a final time and attendance sheet that was approved one week prior to the pay period ending date; and (3) two districts submitted final time and attendance sheets using an old form that did not have the required date field for supervisory approvals.

Management should develop, implement, and monitor time and attendance policies to ensure that all time and attendance sheets are certified and approved prior to the disbursement of payroll. Management should also consider the feasibility of implementing an electronic time certification process for administrative and district office employees and extending the electronic leave certification process, which is currently in place at the administrative office, to the district offices. Management concurred with the finding and provided a plan of corrective action (see Appendix A).

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## **Payroll Expenditures**

Approximately 81% of the Department's expenditures consisted of salaries and related employee benefits. We obtained an understanding of the Department's controls over the time and attendance function. We agreed the Department's payroll registers for the period July 1, 2018, through February 29, 2020, and for the period June 29, 2020, through July 26, 2020, to the general ledger and reviewed selected employee time sheets, overtime reports, leave records and payroll monitoring reports from these periods. Based on the results of our procedures, except as noted in the Current-report Finding section, the Department had adequate controls in place to ensure that time and attendance records are processed timely and accurately.

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## **Motor Carrier Regulation Fund Revenue**

The Department collected revenue from fees and penalties assessed in accordance with Title 45, Chapter 4 “Motor Carriers.” The Department, through the Louisiana Public Service Commission, is responsible for regulating certain motor carriers that transport goods, passengers, or waste. We obtained an understanding of the Department’s controls over motor carrier revenue. We agreed the Department’s deposit listing for the period July 1, 2018, through February 29, 2020, to the general ledger and reviewed selected transactions from this period. Based on the results of our procedures, the Department had adequate controls in place to ensure that motor carrier fees and penalties were appropriately assessed in compliance with laws and regulations, deposited timely, and accurately recorded.

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## **Telephonic Solicitation Relief Fund Revenue**

The Department collected revenue from fees and penalties assessed in accordance with Title 45, Chapter 8-H “Telephonic Solicitation Relief Act of 2001.” The Department, through the Louisiana Public Service Commission, is responsible for maintaining a “do not call” listing which includes the Louisiana consumers on the National “Do Not Call” Registry. We obtained an understanding of the Department’s controls over “Do Not Call” revenue. We agreed the Department’s deposit listing for the period July 1, 2018, through February 29, 2020, to the general ledger and reviewed selected transactions from this period. Based on the results of our procedures, the Department had adequate controls in place to ensure that “Do Not Call” fees and penalties were appropriately assessed in compliance with laws and regulations, deposited timely, and accurately recorded.

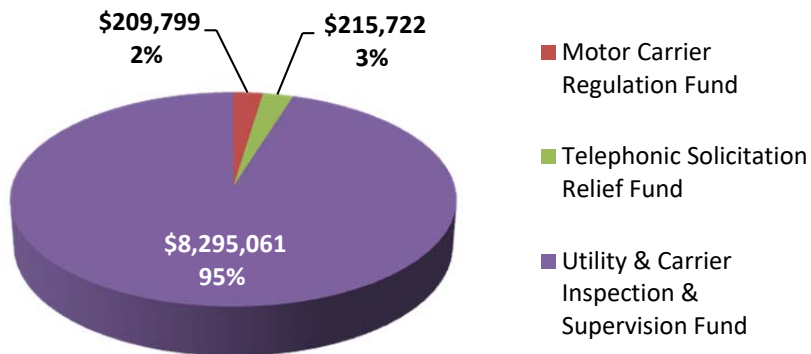
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## **Trend Analysis**

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 revenues.

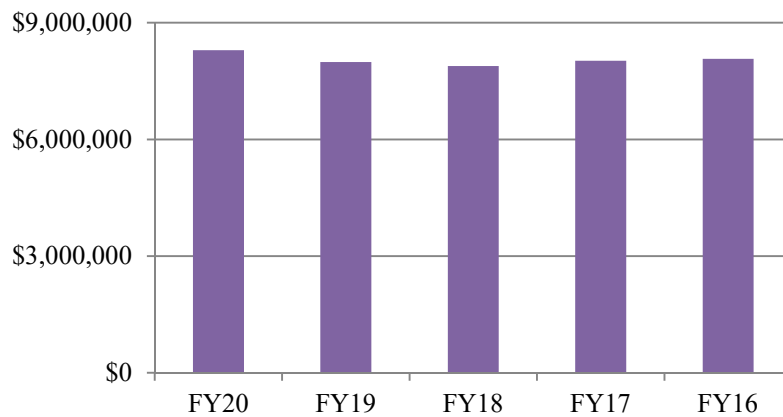
As shown in Exhibit 1, the Department’s fiscal year 2020 revenue totaled approximately \$9 million, with 95% of those revenues provided by the Utility and Carrier Inspection and Supervision Fund, a statutorily-dedicated fund. In accordance with Louisiana Revised Statute 45:1177, each motor carrier and public utility, as defined in the statute, pays the state a fee based on gross receipts, for the inspection, control and supervision of the business service and rates. As shown in Exhibit 2, revenue collections have remained fairly stable in this fund for the last five years but have increased slightly in fiscal year 2020 in part due to changes to fee calculations as a result of two recent revenue rulings that generated additional revenue.

**Exhibit 1 – Appropriated Revenue for Fiscal Year 2020**  
**Total: \$8,720,582**



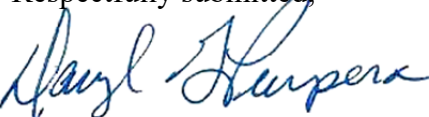
Source: Business Objects Financial Reports

**Exhibit 2 – Five-Year Revenue Trend**  
**Utility & Carrier Inspection & Supervision Fund**



Source: Business Objects Financial Reports

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

Respectfully submitted,  
  
 Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

## **APPENDIX A: MANAGEMENT'S RESPONSE**







# Louisiana Public Service Commission

POST OFFICE BOX 91154  
BATON ROUGE, LOUISIANA 70821-9154  
[www.lpsc.louisiana.gov](http://www.lpsc.louisiana.gov)

Telephone: (225) 342-9888

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Deputy Undersecretary

9/11/2020

Daryl G. Purpera, CPA, CFE, Legislative Auditor  
1600 N. 3<sup>rd</sup> St.  
Baton Rouge, La. 70802

Dear Mr. Purpera,

Thank you for the opportunity to respond to the Louisiana Legislative Auditor's *Reportable Finding* letter, dated August 19, 2020. The letter addresses a corrective action plan needed for "Weakness in Controls over Payroll" within the Louisiana Public Service ("LPSC") Human Resources office. The LPSC Human Resources office will continue to strive for compliance in all areas, specifically the area found to have discrepancies during the audit. The letter references a deficiency in the timely submittal of the final District office time and attendance records and missing signatures/dates on the District offices time and attendance records.

The Human Resources office, which is comprised of Sarah Carls and Sara Seidel, plans to rectify the discrepancies related to the certification of time and attendance by transitioning all LPSC employees to *eCertification*. This process allows for electronic certification or decline of time statements by employees and electronic approvals or rejections by the employee's supervisor. The *eCertification* process will replace the printed LEO timesheets submitted by the Galvez building employees and the time and attendance records submitted by the District offices. As part of the *eCertification* process, action on time statements must be taken by the employee and the approver by 10:00 p.m. on Wednesday of pay week, which will close out the time and attendance process prior to the disbursement of payroll.

Implementation of the *eCertification* process will be in place no later than December 31, 2020 as time is needed to train employees in the District offices on electronically submitting time. It is the goal of the LPSC Human Resources office to have adequate controls in place to ensure the efficient and timely process of time documents in relation to payroll.

In addition to the above changes, the Human Resources office will develop written time procedures to coincide with the *eCertificaiton* process. A copy of the updated procedures will be put on the LPSC intranet for employees.

We appreciate the guidance provided by the Legislative Audit Division. Thank you for your assistance in improving our Human Resources practices.

Sincerely,



Brandon M. Frey  
Executive Secretary

BMF:sc

## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Public Service (Department) for the period from July 1, 2018, through June 30, 2020. Our objective was to evaluate certain controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide 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 control 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, our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to payroll expenditures, Motor Carrier Regulation Fund revenue, and Telephonic Solicitation Relief Fund ("Do Not Call") revenue.
- 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.