

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Environmental Quality
State of Louisiana
Baton Rouge, Louisiana

January 14, 1998



Financial and Compliance Audit Division

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

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**DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated December 1, 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.

January 14, 1998



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December 1, 1997

DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana financial statements for the year ended June 30, 1997, we conducted certain procedures at the Department of Environmental Quality. Our procedures included (1) a review of the department's internal control structure; (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 Environmental Quality 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 improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior management letter dated December 13, 1996, we reported internal control structure findings relating to the internal audit function and the lack of review of the claims edit listing. Management has resolved these findings.

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

Inadequate Internal Controls Over Revenue/Receipts

The Department of Environmental Quality does not have adequate internal control procedures over the collection of self-generated revenues (fees for photocopies, certificates, permits, etc.). Good internal controls should ensure that receipts are centrally collected; receipts are adequately safeguarded; checks are endorsed when received; necessary reconciliations are performed correctly and timely; and fees, fines, and penalties are assessed and collected when due. Our review of the system for assessing, collecting, and recording revenue for six of the divisions (Hazardous Waste,

LEGISLATIVE AUDITOR

DEPARTMENT OF ENVIRONMENTAL QUALITY STATE OF LOUISIANA

Management Letter, Dated December 1, 1997

Page 2

Solid Waste, Groundwater, Water Pollution, Radiation Protection, and Air Quality) within the department disclosed the following weaknesses in internal controls:

- All six divisions do not endorse checks for deposit when received.
- Delays up to 25 working days were encountered before collections (checks and money orders) received by the divisions were forwarded to the Fiscal Services Division, who makes the deposit.
- All six divisions failed to follow department procedures by not reconciling or not timely reconciling the pay-in-voucher report with the divisions' own records (check log or invoice listing). The Fiscal Services Division prepares the pay-in-voucher report and sends it to the divisions to check against their records.
- Based on inquiries of employees responsible for billing and collecting fees, five divisions do not assess late fees on past due invoices as required by departmental regulations.

Because the department did not properly communicate to its employees the proper method for handling self-generated revenue collections and did not maintain proper internal controls, funds could be lost or misused without timely detection.

The department should strengthen its internal control over receipts by centralizing all collection and deposit functions into the Office of Management and Finance - Fiscal Section. It should also collect delinquent invoices and assess late fees on past due invoices in accordance with the appropriate regulations. In a letter dated November 21, 1997, Mr. Thomas Hagan, Undersecretary of the Department of the Environmental Quality, Office of Management and Finance, concurred with the finding and recommendation. He stated that the department is in the process of obtaining accounts receivable software that will enable the department to properly maintain accounts receivables information. The department will also transfer the accounts receivable billing functions from each division to the Office of Management and Finance.

Lack of Time and Attendance Records

The Department of Environmental Quality did not maintain time and attendance records for certain unclassified employees as required by Executive Order MJF 96-79. Executive Order MJF 96-79 Section 20(A) requires that daily attendance and leave records be maintained for each unclassified employee eligible to earn annual and sick leave.

LEGISLATIVE AUDITOR

DEPARTMENT OF ENVIRONMENTAL QUALITY

STATE OF LOUISIANA

Management Letter, Dated December 1, 1997

Page 3

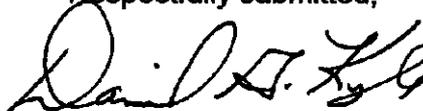
During our review and test of payroll controls, we determined that seven appointed employees holding unclassified positions (secretary, deputy secretary, undersecretary and assistant secretaries) had no time sheets or leave slips to certify their attendance or absence from duty. The department was uncertain as to how the executive order applied to these positions and did not require these individuals to maintain attendance and leave records. Failure to maintain time and attendance records could result in the overstatement of leave earned and accumulated by these unclassified employees.

The department should comply with Executive Order MJF 96-79 Section 20(A) by requiring daily attendance and leave records for all unclassified employees eligible to earn leave. In a letter dated November 21, 1997, Mr. J. Dale Givens, Secretary of the Department of the Environmental Quality, concurred with the finding and recommendation. He stated that the department implemented a plan that requires any appointed official, who wishes to earn and be credited with annual and sick leave, keep time and attendance documentation and have approved leave slips for any leave taken.

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

This report is intended for the information and use of the department and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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