

STATE OF LOUISIANA LEGISLATIVE AUDITOR

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

November 24, 1999



Financial and Compliance Audit Division

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

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LEGISLATIVE AUDITOR

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

**Management Letter
Dated November 5, 1999**

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.

November 24, 1999



OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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LEGISLATIVE AUDITOR

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November 5, 1999

**PUBLIC SAFETY 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, 1999, we conducted certain procedures at Public Safety Services, a part of the Department of Public Safety and Corrections. Our procedures included (1) a review of Public Safety Services' 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 audit report recommendations.

The Annual Fiscal Report of the Department of Public Safety and Corrections, Public Safety Services, was not within the scope of our work, and, accordingly, we offer no 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 departmental 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 the Department of Public Safety and Corrections, Public Safety Services, for the year ended June 30, 1998, we reported findings relating to the controls over payroll, noncompliance with movable property regulations, untimely deposits, and the quarterly claims edit listing reports. The findings relating to the controls over payroll and noncompliance with movable property regulations have been resolved by management. The findings relating to untimely deposits and the quarterly claims edit listing reports are addressed again 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.

LEGISLATIVE AUDITOR

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

Management Letter, Dated November 5, 1999

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Claims Loss Listing Reports Not Verified

For the second consecutive year, the Department of Public Safety and Corrections, Public Safety Services (DPS) did not send the Claims Loss Listing Reports (formerly titled Claims Edit Listing) to the employees responsible for processing and tracking claims and litigation for them to review for accuracy and completeness. Each quarter, the Office of Risk Management distributes to all state agencies a Claims Loss Listing Report that contains all claims submitted by each agency. The Office of Risk Management uses the listings for computation of experience ratings and premiums. The Office of Risk Management requests that the agencies review the listings for accuracy and report any errors or omissions.

Because the department does not submit the listings to the appropriate employees for review, any errors or omissions would not be detected. In addition, experience ratings and premiums assessed by the Office of Risk Management could be incorrect since any possible errors or omissions are not reported to that office.

DPS should ensure that the quarterly Claims Loss Listing Reports are reviewed by the appropriate personnel for accuracy and completeness of the claims reported. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Untimely Deposits

For the second consecutive year, DPS did not have adequate controls in place to ensure that all cash receipts are deposited immediately upon receipt as required by state law. Louisiana Revised Statute 49:308 requires that all money received by the department be deposited immediately upon receipt in the state treasury.

Each day, the department's field offices collect and submit various fees to the department's Cash Receipts Unit for classification and deposit into the state depository. Of a sample of 1,218 field office receipts totaling \$26,006,553 processed by the Cash Receipts Unit during the fiscal year, all receipts were deposited from 2 to 59 days after collection by the field office. Of these 1,218 receipts, 502 (41%) totaling \$7,619,068 were deposited 10 days or more after collection.

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**PUBLIC SAFETY SERVICES
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AND CORRECTIONS
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Management Letter, Dated November 5, 1999

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Over the years, additional programs that require the collection of fees have been added to the overall responsibilities of the Cash Receipts Unit. The department did not modify its procedures for securing and depositing receipts, and as the volume of receipts increased, delays in deposits resulted. Untimely deposit of receipts increases the risk of loss or abuse of funds, deprives the state of interest earnings, and subjects the department to noncompliance with state law.

Management of the department should implement procedures to deposit all receipts in accordance with state law. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

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 the 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.

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

RLT:THC:RCL:ss

[DPS-PSS]

Appendix A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



Department of Public Safety and Corrections

Public Safety Services

J. "MIKE" FOSTER, JR.
GOVERNOR

August 30, 1999
DPS-02-117

NANCY VAN NORTWICK
UNDERSECRETARY

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Public Safety concurs with the finding concerning the claims edit listing. Ms. Denise Autin of the Audit Services section has met with the Safety office personnel, and she has provided recommendations in establishing procedures for the review of the claims edit listing. As a result of these meetings, procedures are currently being developed by the Safety office and will be established by September 30, 1999.

If you need any further information, please contact me at (225) 925-6032.

Sincerely,

Nancy Van Nortwick
Undersecretary

NVN:vca

c: Denise Autin



Department of Public Safety and Corrections

Public Safety Services

I. J. "MIKE" FOSTER, JR.
GOVERNOR

August 30, 1999
DPS-02-116

NANCY VAN NORTWICK
UNDERSECRETARY

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Public Safety concurs with the finding concerning untimely deposits. The Department has been working with the Treasurer's Office and the State Bank to resolve this problem.

The Department has developed a cash management plan which will be modified to include electronic fund transfers, direct deposits, credit cards, and other procedures to provide more efficient, timely deposits. In addition, the Department has had a pilot program in place since February 1999 with the Baton Rouge Office of Motor Vehicles. This office performs direct deposits to the bank instead of sending the monies to the Revenue Management section for deposit. The direct deposits have been a success, and they will shortly be expanded to include numerous larger revenue collecting field offices.

The Audit Services section will monitor current internal controls in place and will make recommendations based on the procedural changes necessary in establishing new cash management procedures and ensuring that adequate internal control processes are maintained. These new procedures should be in place by June 2000.

If you need any further information, please contact me at (225) 925-6032.

Sincerely,

A handwritten signature in black ink, appearing to be "Nancy Van Nortwick", written over a horizontal line.

Nancy Van Nortwick
Undersecretary

NVN:vea

c: Denise Autin