

LEGISLATIVE AUDITOR

STATE OF LOUISIANA



DEPARTMENT OF JUSTICE

STATE OF LOUISIANA

BATON ROUGE, LOUISIANA

AUDIT REPORT
ISSUED JUNE 9, 2004

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

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870
www.lla.state.la.us

May 21, 2004

HONORABLE CHARLES C. FOTI, JR.
ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of Justice. Our procedures included (1) a review of the department's internal controls; (2) tests of financial transactions for the period from July 1, 2002, through May 21, 2004; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period from July 1, 2002, through May 21, 2004; and (4) a review of compliance with prior year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and other selected departmental personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Department of Justice were not audited or reviewed by us, and, accordingly, we do not express an opinion on these 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.

In our prior audit report on the Department of Justice, dated January 10, 2003, we reported findings relating to the lack of an internal audit function, inappropriate compensation to an employee, and administrative leave earned not being supported. These findings have been resolved by management.

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

**Insufficient Controls Over Human Resource
and Payroll Processes**

The Department of Justice does not have sufficient controls over its human resource and payroll processes to ensure that transactions are valid, authorized, and correctly entered in the ISIS/HR Payroll/Personnel System. Sound internal controls require that (1) duties are adequately segregated; (2) assets are adequately safeguarded; and (3) transactions are reviewed and approved by an appropriate supervisor so that errors and/or fraud are detected timely.

A review of the internal controls in place for the human resources and payroll section for the period July 1, 2002, through February 29, 2004, indicated that two of the four employees in the section have incompatible functions in that they have the ability to establish new employee master records, approve and input updates to existing employee master records, and enter time and attendance data into the payroll/personnel system. Furthermore, there is no review of their transaction history by a knowledgeable supervisor or other independent employee to ensure that input of employee master record and/or time and attendance changes made by those two employees are valid and accurate.

The department has not developed and implemented sufficient policies and procedures to ensure adequate control over the human resource and payroll processes. The lack of adequate control procedures increases the risk that assets are not safeguarded and that errors and/or fraud could occur and not be detected in a timely manner.

Management should establish adequate controls over the human resource and payroll processes to ensure that (1) duties are adequately segregated; (2) assets are adequately safeguarded; and (3) transactions are reviewed and approved by an appropriate supervisor. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the department. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action.

This report is intended solely for the information and use of the department and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Grover C. Austin, CPA
First Assistant Legislative Auditor

RLT:STD:THC:ss

[JUSTICE04]







CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana

DEPARTMENT OF JUSTICE

P.O. BOX 94005

BATON ROUGE

70804-9005

March 24, 2004

Mr. Grover Austin, CPA
First Assistant Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Response of Department of Justice
Insufficient Control Policies and Procedures for
Human Resources and Payroll Processes

Dear Mr. Austin:

The Department of Justice – Administrative Services Division has reviewed the audit finding as it refers to Insufficient Control Policies and Procedures for Human Resources and Payroll Processes and concurs with the finding. The following steps have or will be taken to address issues of this finding:

- Security rights for Retro-Calc and Transfers have been removed from Supervisor.
- Meetings with Human Resources and Payroll employees will be planned to review processes.
- Contact ISIS-HR Helpdesk to verify what reports are available to supervisors for their review.
- Develop and implement a plan of action for regular review of human resources and payroll transactions.
- Establish written policies and procedures that will ensure adequate control for human resources and payroll processes.

The persons responsible for the corrective actions will be Doreen Brasseaux and Dianne Shelmire. The anticipated completion date of the corrective actions will be on or before June 30, 2004.

The Department of Justice will take whatever steps necessary to correct the control policies and procedures for human resources and payroll processes.

Sincerely,

A handwritten signature in black ink that reads "Nick Gachassin, Jr." with a stylized flourish at the end.

NICHOLAS GACHASSIN, JR.

First Assistant Attorney General