

LEGISLATIVE AUDITOR

DEPARTMENT OF LABOR
STATE OF LOUISIANA
Management Letter, Dated January 21, 1997
Page 4

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. 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

STD 78889-B

0001

LEGISLATIVE AUDITOR

DEPARTMENT OF LABOR STATE OF LOUISIANA

Management Letter, Dated January 21, 1997

Page 3

personal for workers' compensation claims, there are other claims on the listing that are not being reviewed by anyone.

Because the Claims Bill Listing has not been reviewed completely, there is increased risk that the status of all litigation within the department may not be reported correctly to ORA. There is also the risk that the insurance premiums for the department may be calculated incorrectly because the listing is not being reviewed in its entirety.

The department should route the Claims Bill Listing from ORA to all appropriate sections within the department for review of accuracy and completeness. In a letter dated November 7, 1996, Ms. Robin M. Houston, Secretary of Labor, stated the department concurred with the finding and administrative procedures have been put in place to correct this situation.

Lack of Segregation of Duties Over Bank Reconciliation

The Department of Labor, Office of Employment Security (OES), has not implemented procedures that provide for an adequate segregation of duties over the reconciliation of the OES administrative bank account. A good internal control structure should (1) provide adequate segregation of duties so no one employee would be in a position to both initiate and cancel errors and/or irregularities, and (2) ensure that errors or irregularities are detected in a timely manner by employees performing their assigned duties. The fiscal manager has incompatible functions in that she has access to the computer system, records deposits, makes and records wire transfers, provides the information used to determine the cash totals, reconciles the cash total to the federal report, provides this total for the bank reconciliation, and sometimes helps in the actual preparation of the bank reconciliation.

Management did not realize that there was a lack of adequate segregation of duties over the OES administrative bank account reconciliation process. By not having proper controls in place, errors or irregularities could occur and not be detected in a timely manner.

The department should revise its internal control procedures to provide for the proper segregation of duties in the reconciliation of the OES administrative bank account. In a letter dated November 8, 1996, Ms. Robin M. Houston, Secretary of Labor, stated that the department concurred with the finding, and fiscal procedures have been revised to correct the lack of segregation of duties over bank reconciliations.

DEPARTMENT OF LABOR
 STATE OF LOUISIANA
 Management Letter, Dated January 21, 1987
 Page 2

between the State of Louisiana and the U.S. Department of the Treasury to achieve greater efficiency, effectiveness, and equity in the transfer of federal funds as required by the OMBIA of 1980. The agreement specifies the procedures to be used by OES for drawing money for payroll and administrative costs for two programs: Unemployment Insurance administrative costs (CFDA #7.220) and Job Training Partnership Act (CFDA #7.200). The agreement requires actual payroll costs to be drawn using the average clearance pattern, which is based on a three-day check clearance. Administrative costs are required to be drawn using the actual and adjusted estimated clearance pattern. The administrative costs consist of the actual expenditures for the current week and an estimate of expenditures for the upcoming week. The agreement requires administrative costs for all programs to be drawn at the same time as payroll. Under these patterns, the bi-weekly payroll and the administrative costs for the two programs are to be drawn on the Friday of the payday so that funds will be received on the following Monday.

The department's actual draws were based on the balance in the department's bank account instead of the required clearance patterns. No documentation existed to show how the actual draws were calculated. Also, the department did not draw funds for payroll and administrative costs for these two programs on a consistent basis, drawing funds as many as four weeks apart (March 4 to April 9, 1985), or as often as twice per week in May 1985. Failure to draw payroll and administrative funds timely results in noncompliance with the OMBIA Agreement and the department using state funds to provide the funds necessary to cover program expenditures rather than federal funds that were available for that purpose.

The department should establish procedures to ensure that funds are drawn in compliance with the OMBIA Agreement. In a letter dated September 4, 1986, Ms. Robin M. Houston, Secretary of Labor, stated that the department agreed with the finding. She stated that procedures have been established for the fiscal year beginning July 1, 1986, to ensure that funds are drawn in compliance with the OMBIA Agreement.

Lack of Review of Claims Bill Listing

For the second year, the Department of Labor does not have adequate internal controls in place to determine the accuracy and completeness of the Office of Risk Management's (ORM) Claims Bill Listings. In accordance with rules promulgated by ORM, all claims and litigation, with the exception of expropriations, certain contract suits, and civil service matters, must be reported to ORM. ORM requests that each agency review the quarterly listing for accuracy of the claims reported, including a review for completeness. Any errors or omissions related to the listing are to be reported to ORM. Although the claims listing is being reviewed by department



CHARLES W. BYLLE, PRESIDENT, CFE
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BAYOU ROUGE, LOUISIANA 70814-1011

1401 NORTH TREAS STREET
POST OFFICE BOX 1491
BOULDER, CO 80501-1491
TELEPHONE: (303) 440-6200
FACSIMILE: (303) 440-6200

January 25, 1997

**DEPARTMENT OF LABOR
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As part of our audit of the financial statements of the State of Louisiana for the year ended June 30, 1996, we conducted certain procedures at the Department of Labor. 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, 1996, Annual Fiscal Report of the Department of Labor 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 management letter dated December 11, 1995, to the Department of Labor, we reported findings relating to cash management procedures, time and attendance records, manual checks, and claims edit listing. The findings relating to time and attendance records and manual checks have been resolved by management. The findings relating to implementing procedures for compliance with the cash management agreement and ensuring controls exist for adequately reviewing the claims edit listing are addressed again 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.

Noncompliance With Cash Management Improvement Act

For the second consecutive year, the Department of Labor, Office of Employment Security (OES), has not implemented procedures to ensure compliance with the Cash Management Improvement Act (CMIA) Agreement. The agreement was entered into

**DEPARTMENT OF LABOR
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated January 21, 1987**

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 19, 1987

LEGISLATIVE AUDIT ADVISORY COUNCIL

MEMBERS

Representative Francis C. Thompson, Chairman
Senator Ronald C. Neen, Vice Chairman

Senator Robert J. Barham
Senator Wilson E. Fields
Senator Thomas A. Greene
Senator Craig P. Rogers
Representative F. Charles McMalin, Jr.
Representative Edwin R. Murray
Representative Warren J. Tische, Jr.
Representative David Ytter

LEGISLATIVE AUDITOR

Daniel G. Kyle, Ph.D., CRA, CFE

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Labor
State of Louisiana
Baton Rouge, Louisiana

February 18, 1997



Financial and Compliance Audit Division

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