

LEGISLATIVE AUDITOR  
STATE OF LOUISIANA



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

MANAGEMENT LETTER  
ISSUED JANUARY 5, 2005

**LEGISLATIVE AUDITOR  
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STEVE J. THERIOT, CPA  
LEGISLATIVE AUDITOR

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BATON ROUGE, LOUISIANA 70804-9397

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December 7, 2004

**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, 2004, we considered the Department of Public Safety and Corrections, Public Safety Services' internal control over financial reporting; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested the department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements as required by *Government Auditing Standards*.

The Annual Fiscal Reports of the Department of Public Safety and Corrections, Public Safety Services are 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 management letter on the Department of Public Safety and Corrections, Public Safety Services for the year ended June 30, 2003, we reported findings relating to ineffective internal audit function and inadequate auditing of casino revenue. The finding relating to inadequate auditing of casino revenue has been resolved by management. The finding relating to ineffective internal audit function is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. All findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2004.

**Ineffective Internal Audit Function**

For the fourth consecutive year, the Audit Services Section of the Department of Public Safety and Corrections, Public Safety Services, did not conduct a sufficient number of audits to be considered an effective internal audit function. The internal audit function should provide management with assurances that assets of the department are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner. Although the Audit Services Section conducted limited audits within the department, the number and scope of audits were not sufficient to

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS,  
PUBLIC SAFETY SERVICES

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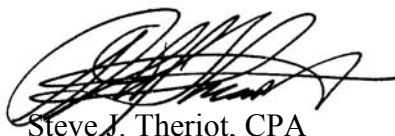
constitute an effective internal audit function. Considering the department's reported assets (\$72,087,454) and the revenues it collects (\$1,173,384,239), an effective internal audit function is needed to ensure that the department's assets are safeguarded and that management's policies and procedures are uniformly applied.

The department should take the necessary steps to ensure that the Audit Services Section conducts a sufficient number of audits by either reallocating or increasing available internal audit resources or by pursuing other alternatives to accomplish this objective. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

The recommendations in this letter 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.

This letter is intended 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,



Steve J. Theriot, CPA  
Legislative Auditor

BDC:WDD:THC:ss

[DPS PSS04]

MANAGEMENT'S CORRECTIVE ACTION  
PLAN AND RESPONSE

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DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS,  
PUBLIC SAFETY SERVICES

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KATHLEEN BABINEAUX BLANCO  
GOVERNOR

# Department of Public Safety and Corrections

*Public Safety Services*

STEPHEN HYMEL  
UNDERSECRETARY

October 25, 2004  
DPS-02-589

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

**RE: Ineffective Internal Audit Function**

Dear Mr. Theriot:

We concur with this Finding.

As you are probably aware, because of the activities within the Office of Motor Vehicles (OMV), we are required by Federal Law to conduct a specific percentage of audits in order to be in compliance with the International Registration Plan. Likewise, we are required by State Law and Regulations to conduct audits of OMV's Parish and Municipal Sales and Use Tax collections and audits of all Gaming activities. Because of these mandates and because of the significant revenues associated with them, we have concentrated our resources on these two Department Offices (OMV and Gaming Enforcement).

We have conducted audits in other areas of the Department and we believe that we are safeguarding Department assets, reviewing internal controls to ensure that they are established and operating in accordance with applicable laws and regulations, and reviewing procedures to ensure that they are sufficient to prevent errors and /or fraud. But we agree that the number and scope are "not sufficient to constitute an effective internal audit function" of all Department activities.

As we have stated in prior years, limited resources have prevented us from fully implementing our Audit Services Section's short-term and long-term strategic plans. Recognizing the need to expand the scope and number of audits throughout the Department, we have begun to reorganize audit functions within the Department to better utilize our existing audit staff and to accommodate the expansion of audits. Beginning next month and then gradually over the next three years as more of the accounting functions are automated because of the reengineering of the OMV's processes, we will reallocate future accounting vacancies to expand our internal audit staff. As in previous years, we are requesting more auditors in our 2005-06 Budget Request. Jill Boudreaux and I are the contact persons for corrective action.

Mr. Steve Theriot  
Page 2  
October 25, 2004

If you need any additional information, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Stephen J. Hymel". The signature is written in a cursive style with a large, sweeping "H" and "M".

Stephen J. Hymel  
Undersecretary

c: Colonel Henry Whitehorn  
Jill Boudreaux