

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



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 17, 2015

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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 is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.45. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3342 or Report ID No. 80150013 for additional information.

In compliance with the Americans with Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 17, 2015

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Secretary James LeBlanc,
Department of Public Safety and Corrections, Corrections Services

Dear Senator Alario, Representative Kleckley, and Secretary LeBlanc:

This report provides the results of our procedures at the Department of Public Safety and Corrections - Corrections Services (Department) for the period from July 1, 2014, through June 4, 2015. Our objective was to evaluate certain controls that the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. I hope this report will benefit you in your legislative and operational decision-making processes.

We would like to express our appreciation to management and staff of the Department for their assistance during our work.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

LMN:NM:WDG:EFS:aa

DPS-CS 2015

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Public Safety and Corrections - Corrections Services

June 2015

Audit Control # 80150013

Introduction

The primary purpose of our procedures at the Department of Public Safety and Corrections - Corrections Services (Department) was to evaluate certain internal controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds.

The Department is a component of the state of Louisiana created within the executive branch of state government. The Department is responsible for the custody and care of adult offenders across Louisiana with a mission to enhance public safety through the safe and secure incarceration of offenders, effective probation/parole supervision, and proven rehabilitative strategies that successfully reintegrate offenders into society, as well as to assist individuals and communities victimized by crime.

Results of Our Procedures

We evaluated the Department's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of the Department's internal controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to movable property, inventory, payroll expenditures, and other non-payroll expenditures (FuelTrac, LaCarte, contracts/purchase orders, and Sheriffs' Housing Payments).

Follow-Up on Prior-Year Findings

We reviewed the status of the prior-year findings reported in the Department's procedural report dated June 25, 2014. We determined that management resolved findings relating to sensitive items reported as unlocated and misappropriations not reported.

Movable Property

Based on prior-year findings and identified risks relating to movable property, we performed procedures to determine that controls over movable property were adequate for the Department's multiple locations. We performed procedures to ensure that property was properly and timely tagged, accurately recorded, and disposals were approved prior to removal. We also obtained and reviewed the Certifications of Annual Property Inventory, totaling approximately \$69 million, for the Department's various locations to determine if there was an excessive amount of unlocated property. Our procedures determined the Department had controls in place to ensure assets were properly safeguarded and recorded and complied with state property regulations.

Inventory

The Department maintains inventory for supplies, commodities, and canteen items at the seven state-run correctional facilities. Prison Enterprises maintains inventory for various items used in its manufacturing facilities. In addition, the pharmacies at Louisiana State Penitentiary and Elayn Hunt Correctional Center manage the inventory of prescription and non-prescription medications for offenders. We performed procedures to ensure that physical inventory counts were complete and accurate and that inventory was stored in secured locations. Based on the results of our procedures, we determined that adequate controls were in place to ensure that inventory was properly safeguarded and recorded.

Payroll Expenditures

As shown in Exhibit 1 on page 4, salaries and benefits account for more than half of the Department's expenditures. Based on the significance of payroll expenditures at the Department, we performed procedures to determine if employees are paid at their authorized rates and if time sheets are accurately recorded, signed, and approved. We also performed procedures to ensure that employee premium pay complied with applicable state regulations and was accurately calculated in accordance with rates approved by state Civil Service. Based on the results of our procedures, the Department had adequate controls to ensure that payroll transactions are properly recorded based on certified and approved timesheets and are in accordance with applicable laws and regulations.

FuelTrac Expenditures

The Department uses fuel cards (FuelTrac) to purchase fuel and pay for minor vehicle repairs and maintenance, such as oil changes or replacement of car batteries and windshields. Due to inherent risks that exist with fuel cards, we obtained an understanding of the Department's controls over access to and use of the cards and reviewed selected transactions. We determined

that cardholders were active employees of the Department and FuelTrac purchases were reasonable and complied with Department policy.

LaCarte Expenditures

The Department participates in the state of Louisiana's LaCarte Purchasing Card program and utilizes LaCarte cards to make small-dollar purchases. We performed procedures to ensure that LaCarte expenditure transactions were properly approved, adequately supported, and made for a legitimate business need. We also performed procedures to determine that cardholders were current employees of the Department. Based on the results of our procedures, the Department had adequate controls in place to ensure that purchases were properly approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices, receipts, logs, and bank statements.

Contracts/Purchase Orders

We conducted certain procedures on the Department's contracts and purchase orders based on the results of our risk assessment. The Department is responsible for monitoring its contracts and purchase orders to ensure that contracted goods and services are received and that payments are adequately supported and made within contract limits. In addition, Louisiana Revised Statute (LA R.S.) 39:1569.1 requires state agencies to prepare a final evaluation report upon completion of a professional, personal, consulting, or social service contract. The final report must include an evaluation of contract performance and an assessment of the final product. We performed procedures to determine if contract expenditures were properly approved, supported by adequate documentation, and made for a legitimate business need. We also performed procedures to ensure that the Department monitors contract terms and deliverables as well as contractor performance. Based on the results of our procedures, the Department had adequate controls in place to properly monitor contract expenditures and evaluate contractor performance.

Sheriffs' Housing Expenditures

Approximately one-fourth of the Department's expenditures are for local housing, transitional work programs, and local re-entry programs for state offenders. Sheriffs' Housing Payments are made under [LA R.S. 15:824\(B\)\(1\)\(a\)](#), which authorizes the Department to pay a per diem rate of \$24.39 to each parish sheriff, or to the governing authority of those parishes in which the governing authority operates the parish jail, for the housing and feeding of state adult offenders. The Department is also authorized to pay a per diem rate of \$11.25 per offender for contract transitional work programs and \$15.39 per offender for non-contract transitional work programs. We performed procedures to determine that invoices for Sheriffs' Housing expenditures are certified, mathematically correct, and agree to amounts recorded in the Department's accounting system. We also determined that the per diem rates, custody locations, and custody dates per the invoices agree to the information in the Department's offender records system. We determined

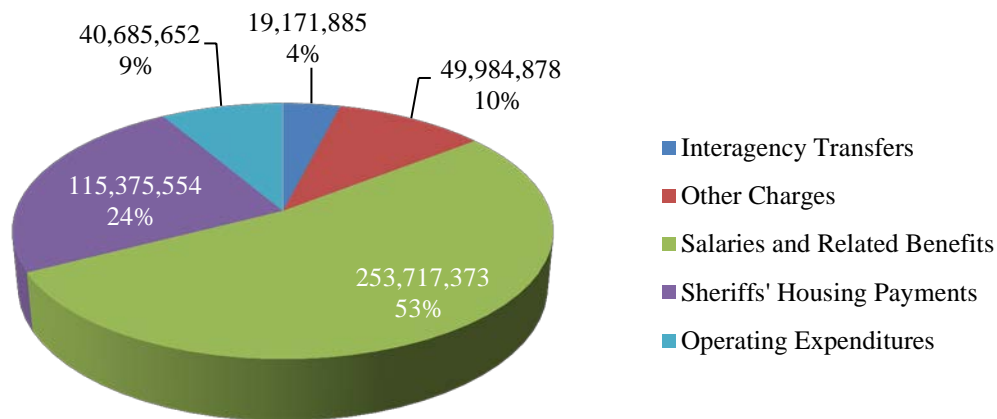
that the Department has adequate controls to ensure the correct per diem amounts were paid and properly recorded.

Trend Analysis

We compared the most current and prior-year financial activity using the Department’s annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

As shown in Exhibit 1, the Department’s expenditures by type for the nine correctional facilities, the Department’s Administration, Sheriffs’ Housing, and Adult Probation and Parole for Fiscal Year 2015 as of March 31, 2015, are presented for informational purposes. Operating expenditures include operating services, supplies, and travel. Other charges include expenditures for Canteen Operations, Capital Outlay, Professional Services, and Medical.

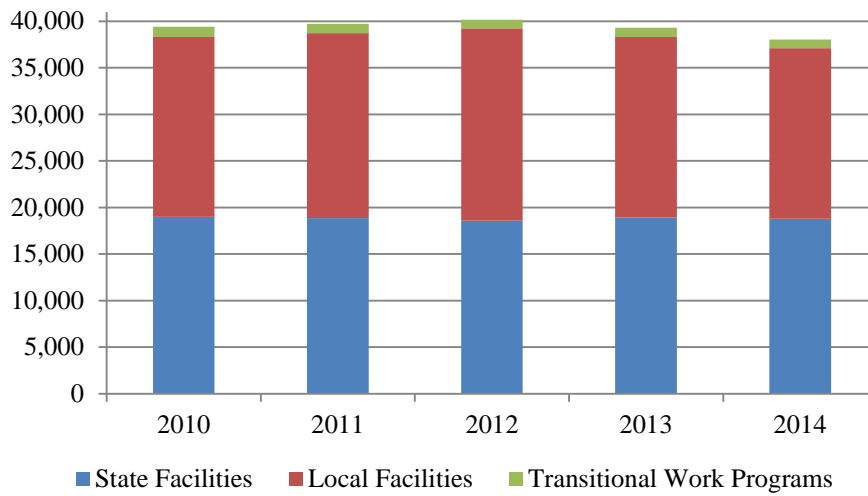
Exhibit 1
Expenditures by Type as of March 31, 2015



Source: ISIS FY15 expenditure data as of March 31, 2015

We also presented the population of adult offenders over the past five years for informational purposes (see Exhibit 2). The population of adult offenders has declined since 2012 to 38,030 as of December 31, 2014. The Department credited the decline to its efforts towards reducing recidivism by providing various training and counseling to offenders.

**Exhibit 2
Five-Year Population Trend of Adult Offenders**



Source: Population statistics from Corrections Services website

Under R.S. 24:513, this report is a public document, and it has been distributed to appropriate public officials.

APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the Department of Public Safety and Corrections - Corrections Services (Department) for the period from July 1, 2014, through June 4, 2015. Our objective was to evaluate certain internal controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. The scope of our procedures, as summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review the Department's Annual Fiscal Reports, and accordingly, we do not express an opinion on those 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.

- We evaluated the Department's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Department.
- Based on the documentation of the Department's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to movable property, inventory, payroll expenditures, and other non-payroll expenditures (FuelTrac, LaCarte, contracts/purchase orders, and Sheriffs' Housing Payments).
- We compared the most current and prior-year financial activity using the Department's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from the Department's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at the Department and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be and should not be used for any other purpose.