

CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED MARCH 26, 2008

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

February 6, 2008

**CORRECTIONS 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, 2007, we considered the Department of Public Safety and Corrections, Corrections Services' (department) internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; 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 and major federal programs as required by *Government Auditing Standards* and *U.S. Office of Management and Budget Circular A-133*.

The Annual Fiscal Report of the department is not audited or reviewed by us, and, accordingly, we do not express an opinion 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 opinions.

In our prior management letter on the department, for the year ended June 30, 2006, we reported findings relating to weaknesses in controls over sheriff housing payments, unlocated movable property, and lack of an internal audit function. The findings related to weaknesses in controls over sheriff housing payments and the lack of an internal audit function have been resolved by management. The finding relating to unlocated movable property 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 ended June 30, 2007.

Unlocated Movable Property

For the third consecutive year, the department did not place sufficient emphasis on locating the items reported as unlocated on its various movable property listings. Louisiana Administrative Code Title 34 Part VII Section 313 (A) states, in part, that efforts must be made to locate all movable property items for which there are no explanations available for their disappearance. Property unlocated after three years is permanently removed from movable property records. Good internal control provides that assets should be adequately monitored to safeguard against loss or theft and periodic counts of property inventory, as well as the search for missing items, should be thorough.

As required by state movable property regulations, the 14 correctional facilities and budget units under the department conducted physical inventories and reported unlocated movable property totaling \$602,710 for the four-year period from fiscal year 2004 to fiscal year 2007. Of that amount, items totaling \$248,497 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on the physical inventory certifications, the amount of unlocated computers and computer-related equipment totaled \$204,845. After the prior year audit finding was reported, management strengthened its internal controls and, as a result, the total unlocated value of movable property items decreased by \$233,989 (28%) from the previous year. The certifications of property inventory disclosed \$59,508,080 in total movable property administered by the 14 units under the control of the department. The annual certifications of property inventory were submitted to the Louisiana Property Assistance Agency on dates ranging from July 3, 2006, to June 22, 2007.

Failure to thoroughly secure, locate, and account for movable property increases the risk of loss arising from unauthorized use of the property and could subject the department to noncompliance with state laws and regulations. Also, the risk exists that sensitive information could be improperly retrieved from the missing computers and/or computer-related equipment, which could compromise the department's data integrity.

Management of the department should continue its efforts to strengthen internal controls over movable property, including its procedures for securing movable assets and conducting the physical inventory, and should devote additional efforts to locating movable property reported as unlocated in previous years. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvements to the operation of the department. The nature of the recommendation, its implementation costs, and its 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, others within the entity, and the Louisiana Legislature 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 letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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Management's Corrective Action
Plan and Response to the
Finding and Recommendation

DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS



KATHLEEN BABINEAUX BLANCO, GOVERNOR

RICHARD L. STALDER, SECRETARY

November 6, 2007

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

RE: Moveable Property

Dear Mr. Theriot:

The Department concurs that good internal control and the Louisiana Administrative Code requires that efforts be made to locate all movable property items for which there are no explanations available for their disappearance. We also agree that assets should be adequately monitored to safeguard against loss or theft, and periodic counts of property inventory, as well as the search for missing items, should be thorough.

Management has made significant progress in this area since this finding was first issued three years ago. The unlocated movable property reported for the last three fiscal years is 45% less than the three previous years. The shortcomings noted in the past have been addressed; staff changes have occurred; and additional emphasis placed on this responsibility. These changes are reflected in the overall improvement in this area.

Efforts will continue in the strengthening of internal controls over movable property, including procedures for securing movable assets and conducting physical inventories. Additional efforts will be devoted to locating movable property reported as unlocated in previous years.

Sincerely,

Bernard E. "Trey" Boudreaux, III
Deputy Undersecretary

BEB:RLG:ljt

C: James M. LeBlanc, Acting Chief of Operations
Ronald L. Granier, Chief Fiscal Officer
Suzanne Sharp, Procurement Director