

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS -  
YOUTH SERVICES - OFFICE OF JUVENILE JUSTICE  
STATE OF LOUISIANA



PROCEDURAL REPORT  
ISSUED SEPTEMBER 19, 2012

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

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DARYL G. PURPERA, CPA, CFE

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THOMAS H. COLE, 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 has been made 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 \$4.37. 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 Web site at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 9544 or Report ID No. 80110039 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 Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

## PROCEDURAL SUMMARY

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Our procedures at the Office of Juvenile Justice (OJJ) for the period July 1, 2009, through June 30, 2011, disclosed the following:

- For the second consecutive audit, OJJ did not perform timely reconciliations of its monthly bank statements for the imprest account. In addition, OJJ has not ensured that duties are adequately segregated.
- OJJ has inadequate controls over revenue related to collection and recording of support payments for juvenile offenders. Auditors discovered posting errors in the statewide accounting system and in OJJ's tracking system, inadequate segregation of duties and the lack of an effective reconciliation process.
- OJJ did not establish adequate controls over the monitoring and deactivation of user access in the state's Integrated Statewide Information System (ISIS) Advantage Financial System (AFS). Sixteen of 58 employees with access were no longer employed at OJJ.
- OJJ does not have internal controls in place to ensure compliance with federal procurement, suspension, and debarment requirements when paying providers of residential placement from the Foster Care - Title IV-E program (CFDA 93.658).

This report is a public report and has been distributed to state officials. We appreciate OJJ's assistance in the successful completion of our work.



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

August 7, 2012

**DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS -  
YOUTH SERVICES - OFFICE OF JUVENILE JUSTICE  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513 and as part of our audit of the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2011, we conducted certain procedures at the Department of Public Safety and Corrections - Youth Services - Office of Juvenile Justice (OJJ) for the period from July 1, 2009, through June 30, 2011.

- Our auditors obtained and documented a basic understanding of the OJJ operations and system of internal controls, including controls over major federal programs administered by OJJ through inquiry, observation, and review of its policies and procedures documentation, including a review of laws and regulations applicable to OJJ.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the OJJ annual fiscal reports and/or system-generated reports and obtained explanations from its management for any significant variances.
- Our auditors reviewed the status of the findings identified in the prior engagement. In our prior report on Youth Services (now OJJ), dated July 9, 2009, we reported findings relating to weaknesses in controls over inventory, lack of internal audit function, and untimely bank reconciliations. The findings relating to inventory and the internal audit function have been resolved by management. The finding relating to untimely bank reconciliation has not been resolved and is addressed again in this letter.
- Based on the documentation of the OJJ controls and our understanding of related laws and regulations, procedures were performed on selected controls and transactions relating to cash, inventory, movable property, self-generated revenues, contract payments, and payroll. In addition, our auditors performed an analysis of the various sources and uses of funds for fiscal year 2011 for informational purposes.

- Our auditors performed internal control and compliance testing in accordance with Office of Management and Budget (OMB) Circular A-133 on the Foster Care – Title IV-E program (CFDA 93.658) for the fiscal year ended June 30, 2011, as part of the Single Audit for the State of Louisiana.

The Annual Fiscal Reports of OJJ were not audited or reviewed by us, 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.

Based on the application of these procedures, all significant findings are included in this letter for management's consideration. The finding on lack of controls over procurement, suspension, and debarment was included in the State of Louisiana's Single Audit Report for the year ended June 30, 2011. Other than the findings noted on the following pages, we found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures, including our procedures on federal programs, which should be communicated to management.

The following significant findings are included in this report for management's consideration.

#### **Inadequate Controls Over Imprest Account**

For the second consecutive audit, OJJ did not perform timely reconciliations of its monthly bank statements for the imprest account.

- The November 2009 reconciliation was not completed until January 2010.
- The December 2009 through March 2010 reconciliations were not completed until May 2010.
- The May 2010 reconciliation was not completed until July 2010.
- The July 2010 reconciliation was not completed until September 2010.
- The October 2010 reconciliation was not completed until December 2010.

In addition, OJJ has not ensured that duties are adequately segregated. One individual has access to the checks, prints the checks, prepares the replenishments, and reconciles the bank statements. Although a supervisor is responsible for signing the checks and reviewing the replenishments and reconciliations, the review is more cursory in nature, which increases the risk of unauthorized transactions and misappropriation of assets.

Good internal controls should ensure that bank statements are reconciled on a periodic and timely basis and that proper segregation of duties is maintained. Failure to perform timely reconciliations and maintain proper segregation of duties could lead to incorrect financial reporting and increases the risk that errors or fraud could occur and remain undetected.

Management should ensure that bank statements are reconciled timely and that proper segregation of duties is maintained. Management concurred with the finding and recommendations and provided a corrective action plan. (See Appendix A, page 1.)

### **Inadequate Controls Over Revenue**

During our review of revenue procedures at OJJ for fiscal year 2011, we noted the following errors and control weaknesses over OJJ's collection and recording of support payments for juvenile offenders:

- Two of seven (29%) deposits tested contained posting errors in the Integrated Statewide Information System (ISIS), which could result in the incorrect reporting of revenues and receivables.
- Three of seven (43%) deposits tested contained posting errors in the Juvenile Electronic Tracking System (JETS). Posting errors in JETS could result in inaccurate accounts receivable balances, limiting OJJ's ability to ensure collection of all support payments due OJJ. In addition, failure to properly post support payments received could result in the improper garnishment of a taxpayer's state tax refund.
- One individual physically handles the checks, enters receipt of checks in JETS, and prepares the deposits, which results in the inadequate segregation of duties, increasing the risk that a single individual could perpetrate and conceal fraud.
- No effective reconciliation is performed between payments posted in JETS and payments posted in ISIS to reduce the risk of misappropriation and to ensure that all payments are posted properly.

OJJ management should ensure that revenue collection duties are adequately segregated and that reconciliations are performed to reduce the risk of fraud and error. In addition, management should establish an effective review of the accounting entries for support payments received by OJJ to ensure that they are posted correctly in ISIS and JETS. Management concurred with the finding and recommendation and provided a corrective action plan. (See Appendix A, page 2.)

### **Inadequate Controls Over User Access to Integrated Statewide Information System Advantage Financial System**

OJJ did not establish adequate controls over the monitoring and deactivation of user access in the ISIS Advantage Financial System (AFS). In a test of 58 employees with AFS access, nine (16%) were no longer employed by the department. Seven of the nine former employees had access to enter or approve various transactions, including payment

documents, which increases the risk of fraud. Furthermore, we noted that three current employees do not have a valid business need for the access granted in AFS. Failure to monitor and properly disable user access to ISIS AFS increases the risk that unauthorized access to ISIS AFS could occur, data could be compromised, and/or assets could be misappropriated.

Management has not placed sufficient emphasis on ensuring that access controls are effective. OJJ Human Resources does not notify the OJJ IT section when an employee separates from OJJ and no procedures are being performed by the OJJ IT section to ensure only authorized employees have access to AFS.

Management should establish written policies and procedures for monitoring and deactivation of user access to ISIS AFS and ensure access is limited to current employees with valid business needs. Management concurred with the finding and recommendations and provided a corrective action plan. (See Appendix A, page 3.)

#### **Lack of Controls Regarding Procurement, Suspension, and Debarment**

OJJ does not have internal controls in place to ensure compliance with federal procurement, suspension, and debarment requirements when paying providers of residential placement from the Foster Care - Title IV-E program (CFDA 93.658) because management was unaware of the requirements.

Federal regulations require that when non-federal entities enter into covered transactions expected to equal or exceed \$25,000 with an entity at a lower tier, the non-federal entity must verify that the other entity is not suspended, debarred, or otherwise excluded from doing business with the federal government.

Failure to have procedures in place to ensure that entities are not suspended or debarred increases the risk that OJJ could contract with entities that have been suspended or debarred by the federal government, which could result in disallowed costs.

Management should establish and implement a formal policy to ensure compliance with the procurement, suspension, and debarment requirements. Verification procedures for suspension and debarment may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity to ensure that contracting entities paid with federal funds are not suspended or debarred. The electronic version of the EPLS can be accessed on the Internet (<http://epls.arnet.gov>). Management concurred with the finding and recommendations and provided a corrective action plan. (See Appendix A, page 4.)

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of OJJ. The 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. The findings relating to OJJ's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of OJJ and its management, others within OJJ, 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 distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

MG:AOE:RR:BQD:THC:ch

DPSC - YOUTH SERVICES 2012



## Appendix A

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### Management's Corrective Action Plans and Responses to the Findings and Recommendations



BOBBY JINDAL, Governor

## Office of Juvenile Justice

MARY L. LIVERS, Ph.D., MSW, Deputy Secretary

December 12, 2011

Daryl G. Purpera  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Inadequate Controls over Imprest Account

Dear Mr. Purpera:

Thank you for allowing us the opportunity to respond to your letter dated November 28, 2011, regarding inadequate controls over the Office of Juvenile Justice imprest account. The agency appreciates the feedback and recommendations provided by your audit staff. We concur with the findings included in the audit document, and appreciate the opportunity to improve our agency. The issue stemmed from additional work loads as a result of mandatory agency reductions in personnel.

The monthly reconciliation of OJJ imprest accounts has been transferred to the Department of Public Safety – Management and Finance as of August 8, 2011.

If you have any further questions, please contact me at 225-287-7900.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mary L. Livers", is written over a faint, larger version of the same signature.

Mary L. Livers, Ph.D., MSW  
Deputy Secretary

MLL:cfp



BOBBY JINDAL, Governor

# Office of Juvenile Justice

MARY L. LIVERS, Ph.D., MSW, Deputy Secretary

April 23, 2012

Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

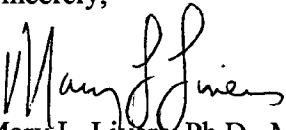
Dear Mr. Purpera:

Thank you for allowing us the opportunity to respond to your letter dated April 20, 2012, regarding the audit compliance report conducted by your office on the inadequate controls over revenue.

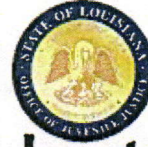
During the second half of fiscal year 2010, the Office of Juvenile Justice was required to reduce its fiscal staff by 30% in addition to a hiring freeze on remaining positions. Reduction of the staff included two critical positions that affected the segregation of duties and proper internal controls. The situation created times when the lack of available staff fostered the necessity for one person to perform additional functions and jeopardized internal controls. However, since the audit, positions have been filled to alleviate this problem. The procedures that OJJ already has in place can be properly performed allowing for adequate controls over revenue. The supervisor of the person receiving checks is required to verify a JETS report of individual account entries with the deposit ticket and a spreadsheet explaining any exceptions. Classification documents shall then be reconciled and approved by the Administrative Program Director before submitting for processing.

The agency appreciates the feedback and recommendations provided by your audit staff. We concur with the findings included in the audit document, and appreciate the opportunity to improve our agency.

Sincerely,

  
Mary L. Livers, Ph.D., MSW  
Deputy Secretary

MLL:cfp



BOBBY JINDAL, Governor

MARY L. LIVERS, Ph.D., MSW, Deputy Secretary

## Office of Juvenile Justice

December 12, 2011

Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

RE: Inadequate Controls over User Access to ISIS AFS

Dear Mr. Purpera:

Thank you for allowing us the opportunity to respond to your letter dated November 28, 2011, regarding the audit compliance report conducted by your office on the internal controls of OJJ ISIS user access.

When Office of Juvenile Justice separated from the Department of Corrections as a separate agency, some of the initial procedures of operation were adopted as well. Initially, OJJ consisted of three secure facilities and 11 regional offices throughout the state. Each regional office, as well as the secure facilities, contained a small fiscal staff capable of managing fiscal operations through ISIS. OJJ then saw a need to consolidate the fiscal functions of all the regional offices to its central office location. Upon doing so, many ISIS user names were not deleted due to a transition period to ensure a seamless transition. However, due to changes in leadership, and focus concentrated on the care of the youth we serve, we failed to revisit the relevance of access for ISIS users who no longer needed the service, or the same level of accessibility.

The agency appreciates the feedback and recommendations provided by your audit staff. We concur with the findings included in the audit document, and appreciate the opportunity to improve our agency. As of August 8, 2011, due to consolidation of our fiscal units, ISIS user maintenance was transferred to the Department of Public Safety.

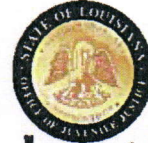
Sincerely,

A handwritten signature in blue ink, reading "Mary L. Livers", is positioned above the typed name.

Mary L. Livers, Ph.D., MSW  
Deputy Secretary

MLL:cfp





BOBBY JINDAL, Governor

MARY L. LIVERS, Ph.D., MSW, Deputy Secretary

## Office of Juvenile Justice

February 17, 2012

Daryl G. Purpera  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Thank you for allowing us the opportunity to respond to your letter dated February 8, 2012, addressing the audit compliance report conducted by your office on the lack of controls regarding procurement, suspension, and debarment.

As a non-federal agency, Office of Juvenile Justice has created a Contracts Management policy that includes a procedure to verify eligibility status of lower tier, non-federal entities entering into covered transactions expected to equal or exceed \$25,000. Before contract creation, all entities shall be verified via the Excluded Parties List System (EPLS), therefore greatly reducing the risk that OJJ could contract with entities that have been suspended or debarred by the federal government. This procedure will also be done on a monthly basis to ensure that vendors of executed contracts remain eligible.

The agency appreciates the feedback and recommendations provided by your audit staff. We concur with the findings included in the audit document, and appreciate the opportunity to improve our agency. As of February 22, 2012, the new policy shall be approved and entered into OJJ Policy database for use statewide. If you have any further questions, please contact me at 225-287-7900.

Sincerely,

A handwritten signature in cursive script, reading "Mary L. Livers", is positioned above the typed name.

Mary L. Livers, Ph.D.  
Deputy Secretary

MLL:cfp