

DEPARTMENT OF JUSTICE  
STATE OF LOUISIANA



PROCEDURAL REPORT  
ISSUED JANUARY 21, 2009

**LEGISLATIVE AUDITOR  
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This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$16.26. 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. 3503 or Report ID No. 80080063 for additional information.

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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

November 20, 2008

**HONORABLE JAMES D. "BUDDY" CALDWELL**  
**ATTORNEY GENERAL**  
**DEPARTMENT OF JUSTICE**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of Justice (DOJ) for the period from July 1, 2006, through June 30, 2008. Our procedures included (1) a review of the department's internal controls; (2) tests of financial transactions; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected departmental personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of DOJ were 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.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

### **Inadequate Controls Over Cash Advances**

DOJ does not have adequate controls over cash advances for its justice of the peace and constable (JP&C) training course. Good internal control requires documentation of a legitimate business need for cash advances, the prohibition of checks made payable to "Cash," appropriate segregation of duties for cash advances, and prompt return or settlement of cash advances.

DOJ is required to provide an annual training conference for elected justices of the peace and constables by Louisiana Revised Statute 49:251.1. DOJ maintains two accounts for the JP&C training--a registration account (public funds) for the costs of attending the conference and an activities account (nonpublic funds) for attendees and their guests for leisure activities. DOJ typically issues cash advances to the individual responsible for miscellaneous conference expenses and for change for individuals who register late.

Our review of the cash advances for the 2007 training conference, held on March 7-9, 2007, disclosed the following:

- Checks from the registration account and the activities account, for \$800 and \$2,300, respectively, were issued on January 25, 2007. Documentation for these two checks did not indicate why the funds were needed approximately six weeks before the conference.
- Checks from the registration account and the activities account, for \$1,000 and \$2,000, respectively, were issued on March 5, 2007, and both were made payable to "Cash."
- Documentation for the two checks from the activities account mentioned in the first two bullets above, which totaled \$4,300, indicated that the cash was drawn to pay for a band. However, the band was paid \$1,800 on another check.
- The individual who requested and received the cash advances also approved them, which is an inadequate segregation of duties.
- The \$6,100 drawn with these four checks was redeposited into the respective bank accounts three weeks after the conference, indicating that the advances were unnecessary.

DOJ does not have cash management policies addressing controls over cash advances and management has not provided adequate oversight or segregation of duties over this function. Drawing funds from bank accounts and holding cash for extended periods of time, in particular when the cash is not needed, exposes the department to loss of cash, whether due to error or fraud. In addition, issuing a cash advance six weeks before it is needed may be construed to be an unauthorized loan to the employee receiving and holding the funds.

Management should establish internal controls over cash advances that include policies and procedures to ensure documentation of a legitimate business need for the cash advances, the prohibition of checks made payable to "Cash," appropriate segregation of duties for cash advances, and prompt return or settlement of cash advances. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

### **Ineffective Internal Audit Function**

DOJ does not have an effective internal audit function to examine, evaluate, and report on its internal controls, including information systems, and to evaluate policies and procedures that comprise controls. An effective internal audit function should provide management with assurances that the department's assets are properly safeguarded; internal controls are established and operating in accordance with applicable laws and regulations; and internal controls are sufficient to prevent or detect errors and/or fraud in a timely manner.

Our review of the internal audit function for the period of our engagement disclosed that though the department hired an internal auditor in August 2004, only one report related to a specific cell phone, dated February 2008, was issued. The internal auditor did not respond to our requests for information and was unable to provide documentation of any other audits performed or reports issued. The internal auditor resigned on March 31, 2008. Considering the department's revenues of \$41,741,146 and \$47,001,003 for fiscal 2007 and 2008, respectively, 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.

Management should take the necessary steps to ensure that an effective internal audit function is established and maintained to examine, evaluate, and report on its internal controls, including information systems; to safeguard the department's assets; to ensure internal controls are established and operating in accordance with applicable laws and regulations; and to ensure that internal controls are sufficient to prevent or detect errors and/or fraud in a timely manner. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

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 the operations of the department should be considered in reaching decisions on courses of action.

This report is intended solely 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 report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

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





JAMES D. "BUDDY" CALDWELL  
ATTORNEY GENERAL

## State of Louisiana

DEPARTMENT OF JUSTICE

P.O. BOX 94005

BATON ROUGE

70804-9005

October 17, 2008

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

Dear Mr. Theriot:

January 14, 2008 James D. Caldwell was sworn in as the Attorney General for Louisiana. Immediately, the Attorney General requested the Louisiana Legislative Auditor to conduct an audit of the previous administration because he suspected some irregularities. Therefore, he sought your review to determine if all processes were in compliance with rules and regulations set forth by local, state and federal law.

Since we were concerned with cash advances and audit functions, we appreciate your findings as they relate to "Inadequate Controls over Cash Advances" and "Ineffective Internal Audit Function". These findings resulted from actions taken during the previous administration. Attorney General Caldwell has reviewed the findings and has taken steps to ensure that these situations do not recur during his administration.

Regarding "Inadequate Controls over Cash Advances", corrective action has already been implemented. The new internal control policy states; "No checks are to be made payable to CASH"; additionally, all requisitions for cash advances will have clearly defined documentation detailing the need for and purpose of the cash advance. Every expenditure requisition requires two (2) approval signatures, neither of which can be the person entering the check into the system or the person printing the check. If the check is written to an employee of the Department of Justice, that person cannot approve the expenditure requisition requesting the check. Proper accountability for advances include receipts required supporting the expenditures. If expenditures are less than an advance, the employee shall return the difference.

A Finance Section Chief has been hired to strengthen financial controls. The Section Chief more closely manages and monitors the accounting section. This provides an additional check and balance to ensure policies are adhered to. The Finance Section Chief approves all transactions requiring cash advances. If the section chief is not available, the Deputy Director makes said approvals. The Attorney General is confident that the above controls provide adequate oversight and segregation of duties over this function.

Mr. Steve J. Theriot  
October 17, 2008  
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Acts referenced by the "Ineffective Internal Audit Function" finding also occurred during the previous administration. The Attorney General is conducting a search for an Internal Auditor that will examine, evaluate, and report on internal controls, and evaluate policies and procedures that comprise controls. Management has begun to perform some internal audit functions until an internal auditor is found. The Attorney General has made it clear that he expects a fully functioning internal audit system implemented to ensure that the department's assets are protected and policy is complied with.

Sincerely,

James D. "Buddy" Caldwell  
Attorney General

By: 

Renee' Fontenot Free  
Director, Administrative Services  
Assistant Attorney General

JDC/RFF/mch