

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Office of Group Benefits  
Baton Rouge, Louisiana

June 12, 2002



**Investigative Audit**

---

---

**Daniel G. Kyle, Ph.D., CPA, CFE**  
**Legislative Auditor**

## **LEGISLATIVE AUDIT ADVISORY COUNCIL**

### **MEMBERS**

**Senator J. "Tom" Schedler, Chairman**  
**Representative Edwin R. Murray, Vice Chairman**

**Senator Robert J. Barham**  
**Senator Foster L. Campbell, Jr.**  
**Senator Lynn B. Dean**  
**Senator Willie L. Mount**  
**Representative Rick Farrar**  
**Representative Victor T. Stelly**  
**Representative T. Taylor Townsend**  
**Representative Warren J. Triche, Jr.**

### **LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

### **DIRECTOR OF INVESTIGATIVE AUDIT**

**Daryl G. Purpera, CPA, CFE**

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 Legislative Auditor and at the office of the parish clerk of court.

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. Fifty-two copies of this public document were produced at an approximate cost of \$83. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This document is available on the Legislative Auditor's Web site at [www.lia.state.la.us](http://www.lia.state.la.us).

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 Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.

---

# Office of Group Benefits

June 12, 2002



**Investigative Audit  
Office of the Legislative Auditor  
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE  
Legislative Auditor**



OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (225) 339-3800  
FACSIMILE: (225) 339-3870

June 12, 2002

**MR. A. KIP WALL**  
**CHIEF EXECUTIVE OFFICER**  
**OFFICE OF GROUP BENEFITS**  
Baton Rouge, Louisiana

Transmitted herewith is our investigative report of the Office of Group Benefits. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendations as well as your response. Copies of this report have been delivered to the Office of Group Benefits; the Honorable Doug Moreau, District Attorney for the Nineteenth Judicial District of Louisiana; and others as required by state law.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive style.

Daniel G. Kyle, CPA, CFE  
Legislative Auditor

DD:EKL:DGP:ss

[06B02]

# Table of Contents

	<b>Page</b>
Executive Summary .....	1
Background and Methodology.....	3
Finding.....	5
Recommendations .....	9
Attachment I - Management's Response.....	11

# Executive Summary

## Investigative Audit Report Office of Group Benefits

The following summarizes the finding and recommendations as well as management's response that resulted from this investigation. Detailed information relating to the finding and recommendations may be found at the page number indicated. Management's response may be found at Attachment I.

### **Background (See page 3.)**

The Office of Group Benefits was created within the Office of the Governor, Division of Administration, effective July 1, 1998, as provided by Louisiana Revised Statutes (R.S.) 42:871-879. The board is composed of 16 members who serve without compensation. The program was formed to administer a group benefits program of group health and life insurance for active and retired state employees, active and retired school board employees, and employees of certain political subdivisions, as authorized by state statute. The program also administers the cafeteria plan and flexible-spending plan for plan members. The program's operations are divided into executive, administrative services, field service, claim service, claims processing, fiscal, data processing, and quality assurance. Approximately 122,715 plan members were enrolled in the program for the 1999-2000 fiscal year of which 27,962 were enrolled through HMO contracts. The program has 396 staff members. Operations of the program are funded with self-generated revenues. Funds are reestablished annually by provisions of the Ancillary Appropriations Act.

---

### **Highlights. . .**

An allegation of employees receiving pay for hours not worked resulted in this investigative audit.

---

The Legislative Auditor received information from the Office of Group Benefits (OGB) that one or more of its employees had claimed and received pay for hours not actually worked. On October 23, 2001, this office began an investigative audit of the allegation, reviewing timekeeping and payroll records within the Department of Information Technology and interviewing selected OGB employees.

**Finding (See pages 5-8.)**

From May 2000 to November 2001, two employees, Ms. Mary Causey and Mr. Edward Ellison, employed with the Information Technology Department (IT) of the Office of Group Benefits (OGB), certified hours on their time sheets that they had not actually worked. As a result, the OGB paid these employees at least \$3,553 for the overstated hours. In addition, numerous timekeeping records are missing or were disposed of, in possible violation of R.S. 44:36 (A), "Preservation of Records."

**Recommendations (See page 9.)**

We recommend that management implement policies and procedures that will ensure employees complete time sheets in an accurate and timely manner and that employees are only paid for hours actually worked. We also recommend that management comply with R.S. 44:36 (A) by keeping complete time records for at least three years. In addition, we recommend that the District Attorney for the Nineteenth Judicial District of Louisiana take appropriate legal action, to include seeking restitution.

**Management's Response (See pages 11-12.)**

In the fall of 2001 our Human Resources Director received reports of possible payroll irregularities by one or more employees of our Information Technology Division (IT). After a preliminary investigation to determine whether such irregularities might, indeed, exist, we notified your office and the District Attorney's office as required by R.S. 24:523. Since that time, this agency has fully cooperated with your investigation.

The Human Resources staff identified concerns in the timekeeping procedures for the IT Division and has worked with management to address these issues. The OGB is studying the purchase of hand scanning equipment to be used for time recording.

We have met with the IT manager and advised him of the need to retain records for three years as required by R.S. 44:36 (A).

As problems and potential problems are identified, the OGB works to take corrective action and to improve internal controls and procedures. Although we have already made progress, this will continue to be an ongoing effort. We hope that improved time keeping procedures, a heightened awareness on the part of employees and supervisors, and improved time clock technology will greatly reduce the possibility of future payroll irregularities.

# Background and Methodology

The Office of Group Benefits was created within the Office of the Governor, Division of Administration, effective July 1, 1998, as provided by Louisiana Revised Statutes (R.S.) 42:871-879. The board is composed of 16 members who serve without compensation. The program was formed to administer a group benefits program of group health and life insurance for active and retired state employees, active and retired school board employees, and employees of certain political subdivisions, as authorized by state statute. The program also administers the cafeteria plan and flexible-spending plan for plan members. The program's operations are divided into executive, administrative services, field service, claim service, claims processing, fiscal, data processing, and quality assurance. Approximately 122,715 plan members were enrolled in the program for the 1999-2000 fiscal year of which 27,962 were enrolled through HMO contracts. The program has 396 staff members. Operations of the program are funded with self-generated revenues. Funds are reestablished annually by provisions of the Ancillary Appropriations Act.

The Legislative Auditor received information from the Office of Group Benefits (OGB) that one or more of its employees had claimed and received pay for hours not actually worked. On October 23, 2001, this office began an investigative audit of the allegation, reviewing timekeeping and payroll records within the Department of Information Technology and interviewing selected OGB employees.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of OGB; (2) interviewing other persons as appropriate; (3) examining selected OGB records; (4) performing observations and analytical tests; and (5) reviewing applicable state and federal laws and regulations.

The result of our investigation is the finding and recommendations herein.



# Finding

## Two Employees Claimed and Were Paid For Hours They Did Not Work

From May 2000 to November 2001, two employees, Ms. Mary Causey and Mr. Edward Ellison, employed with the Information Technology Department (IT) of the Office of Group Benefits (OGB), certified hours on their time sheets that they had not actually worked. As a result, the OGB paid these employees at least \$3,553 for the overstated hours. In addition, numerous timekeeping records are missing or were disposed of, in possible violation of R.S. 44:36 (A), "Preservation of Records."

IT employees sign "sign-in sheets" indicating the days and times they work. As part of the timekeeping process, the employees also complete and certify a time sheet reflecting the days and times from the sign-in sheets. The time sheets are then used as a basis for paying the employees.

### Ms. Mary Causey

In May 2001, the OGB discovered that Ms. Mary Causey, Applications Programmer 2, possibly overstated the hours worked on her time sheets. An internal investigation concluded that from May 2000 through March 2001, Ms. Causey overstated the hours she worked on her time sheets by 60 hours resulting in payments of \$1,494 to which Ms. Causey was not entitled. According to OGB, Ms. Causey's sign-in sheets did not reflect the hours she claimed on her time sheets.

---

Ms. Causey overstated the hours she worked on her time sheets by 60 hours resulting in payments of \$1,494 to which Ms. Causey was not entitled.

---

The OGB informed Ms. Causey of the dates and times of the overstated hours, and according to Ms. Belynda Gauthier, Director of Human Resources, Ms. Causey had no documentable explanation for the discrepancies. Ms. Causey has since resigned and reimbursed the OGB \$1,494.

A review by the Legislative Auditor of OGB records indicates that Ms. Causey certified 55 hours on her time sheets, 8 of which were not included in the OGB's investigation, for which the sign-in sheets did not support the hours claimed. Ms. Causey was paid \$1,361 for these 55 hours.

---

Ms. Causey stated she could not comply with the department's 90% attendance policy and would add hours to her time sheets that she did not work in order to comply.

---

A review of OGB's policy manual disclosed that employees are encouraged to work at least 90% of the workweek; leave must not exceed 10% of the workweek. During an interview, Ms. Causey stated she could not comply with the department's 90% attendance policy and would add hours to her time sheets that she did not work in order to comply.

Of the 60 hours the OGB claims Ms. Causey overstated, she admitted to 46 hours that she did not work. Ms. Causey stated that the remaining 14 hours were times she did not take a lunch break or was working from her house. However, OGB records do not support that explanation. Ms. Causey could not explain the additional 8 hours discovered during this audit and not addressed by the OGB.

**Sign-in Sheet**

DATE: \_\_\_\_\_ DEPT: \_\_\_\_\_

SIGNATURE	MILITARY TIME	CHECK ONE IN OUT	COMMENTS
✓ [Signature]		✓	03-07-01 05:42 IN
✓ [Signature]	5:44	✓	03-07-01 05:44 IN
✓ [Signature]	6:23	✓	03-07-01 06:23 IN
✓ [Signature]	6:32	✓	03-07-01 06:32 IN
✓ [Signature]	6:48	✓	03-07-01 06:48 IN
✓ [Signature]	7:24	✓	03-07-01 07:24 IN
✓ [Signature]		✓	03-07-01 07:33 IN
✓ [Signature]	7:54	✓	03-07-01 07:54 IN
✓ [Signature]	8:15	✓	03-07-01 08:15 IN
✓ [Signature]	8:53	✓	03-07-01 08:53 AM
✓ [Signature]	9:34	✓	03-07-01 09:34 IN
✓ [Signature]	11:14	✓	03-07-01 11:14 OUT
✓ [Signature]	11:30	✓	03-07-01 11:30 IN
✓ [Signature]		✓	03-07-01 11:34 IN
✓ [Signature]	12:06	✓	03-07-01 12:06 IN
✓ [Signature]	12:37	✓	03-07-01 12:37 IN
✓ [Signature]	15:04	✓	03-07-01 15:04 OUT
✓ [Signature]	15:48	✓	03-07-01 15:48 OUT

Sign-in Time, 7:33 a.m.  
03/07/01

Sign-out Time, 11:34 a.m.  
03/07/01

Time Worked, 4 Hours

**Time Sheet**

STATE EMPLOYEES GROUP BENEFITS PROGRAM - EMPLOYEE TIME REPORT

FOR PAY PERIOD FROM: 03/05/01 TO: 03/10/01      DATE: 03/05/01

NAME: Causey, Mary J.      WORK SCHEDULE FROM: 7:00      TO: 3:30

Section: 10      UNIT: 0183      SOCIAL SECURITY NO: 437-13-3379

Date	M	T	W	T	F	S	S	TOTAL	M	T	W	T	F	S	S	TOTAL
Regula Hours Worked (S)	7.1	8.0	8.0	8.0	8.0			39.1	8.0	8.0	7.1	8.0	8.0			37.1
Overtime Hours Worked (KT or KV)				0.2				0.2	0.2							0.4
OnCall Hours Worked (PC)																
Paid Overtime Hours Worked (T)																
Leave Codes																
LA - Annual Leave																
LB - Sick Leave	0.9							0.9							2.0	2.0
LK - Straight Compensatory Leave																
LI - 7.5 Compensatory Leave																
LE - Special Leave																
LH - Holiday Leave																
LJ - Jury Duty																
Other - Please Describe																
<b>TOTALS</b>	8.0	8.0	8.0	8.2	8.0			40.2	8.2	8.0	8.0	8.2	8.0			40.4

Compensatory Time Earned: \_\_\_\_\_

KT Earned: \_\_\_\_\_

KV(1.5) Earned: \_\_\_\_\_

I hereby certify that the above time report is correct.

8 Hours Claimed  
03/07/01

*Mary Causey*  
(Reporting Employee)

*Stephen J. McDonald*  
(Supervisor)

**Mr. Edward Ellison**

Employee responsibility for time sheet preparation is outlined in the OGB's policy manual. The timekeeping procedure states, in part, "If a time sheet is not timely and accurately submitted to the timekeeper that employee's time could be submitted as leave without pay."

From September 2000 through November 2001, Mr. Edward Ellison, Operator 2 in the IT department, was frequently late in submitting time sheets. In addition, his time sheets were overstated when compared to his sign-in sheets by at least 168 hours amounting to payments of \$2,192 to which Mr. Ellison was not entitled.

Mr. Ellison's time sheets were overstated when compared to his sign-in sheets by at least 168 hours amounting to payments of \$2,192 to which he was not entitled.

Finding

Mr. Ellison stated that he was negligent when completing his time sheets and that he regularly wrote 8 hours for every day on his time sheets regardless of how many hours he actually worked. He further stated that he felt that his time would balance out in the long run. Mr. Ellison also stated he did not always prepare or submit his time sheets; employees within the IT department, including his manager, prepared and submitted time sheets on his behalf. Ms. Loria Parker, IT employee, stated that upon her manager's request, she would prepare Mr. Ellison's time sheets so Mr. Ellison could meet payroll deadlines.

**Mr. Ellison regularly wrote 8 hours for every day on his time sheets regardless of how many hours he actually worked.**

Mr. Robert Reines, IT Manager, stated that IT employees would prepare and submit time sheets for Mr. Ellison and that Mr. Ellison often submitted time sheets one or two weeks late. Mr. Reines also stated he suspected that Mr. Ellison had errors on his time sheets because about a year ago an IT employee told him Mr. Ellison was cheating on his time sheets. Despite the warning from the employee, Mr. Reines failed to compare Mr. Ellison's sign-in sheets to his time sheets.

**Sign-in Sheet**

DATE: 05/30/01 Thursday DEPT: IT-Operations

SIGNATURE	MILITARY TIME	CHECK ONE IN   OUT	CODE #/YS
<i>Adolphus...</i>	4:15	<input checked="" type="checkbox"/>	
<i>Vanni...</i>	6:30	<input checked="" type="checkbox"/>	
<i>Loria P.</i>	6:31	<input checked="" type="checkbox"/>	
<i>Shawn...</i>	6:34	<input checked="" type="checkbox"/>	
<i>Ray...</i>	7:07	<input checked="" type="checkbox"/>	
<i>Ray...</i>	9:30	<input checked="" type="checkbox"/>	
<i>Ray...</i>	11:05	<input checked="" type="checkbox"/>	
<i>Ray...</i>	12:14	<input checked="" type="checkbox"/>	
<i>Adolphus...</i>	16:00	<input checked="" type="checkbox"/>	
<i>Ray...</i>	16:31	<input checked="" type="checkbox"/>	
<i>Loria P.</i>	21:50	<input checked="" type="checkbox"/>	
<i>Vanni...</i>	21:55	<input checked="" type="checkbox"/>	

18-0050

Sign-in Time, 6:34 a.m.

Sign-out Time, 9:30 a.m.

Time Worked, 3 Hours

**Time Sheet**

OFFICE OF GROUP BENEFITS - EMPLOYEE TIME REPORT

FUR PAY PERIOD FROM: 06/19/01 TO: 07/01/01 DATE: \_\_\_\_\_

NAME: EDWARD ELLISON PERSONNEL NUMBER: 11001

Date	M	T	W	T	F	S	S	TOTAL	M	T	W	T	F	S	S	TOTAL
Regular Hours Worked (2A01)																3.0
Overtime Hours Worked (2B01)																
On-Call Hours Worked (0002)																
Evening Shift Differential (0001)																
Night Shift Differential (0002)																
Paid Overtime Hours Worked (2002)																
Leave Codes																
LK - LK - LA - Always Key LA	8.0	8.0	8.0	8.0	8.0			40.0	8.0							8.0
LH - Sick Leave																
LJ - Holiday Leave																
LFPM - Self/PSM/A																
LFPM - Family/PSM/A																
LJ - Jury Duty																
LW - Leave Without Pay																
Other - Please Describe																
<b>TOTALS</b>	8.0	8.0	8.0	8.0	8.0			40.0	8.0	8.0	8.0	8.0	8.0			40.0

I hereby certify that the above time report is correct.

*Edward Ellison*  
(Reporting Employee)

*Robert E. Reines*  
(Supervisor)

8 Hours Claimed

Both Mr. Reines and the employee stated Mr. Ellison's timekeeping problems were brought to the attention of the director of IT, Mr. Daryl Gerald, on several occasions. When questioned about this, Mr. Gerald stated he does not recall anyone bringing this to his attention.

Despite being frequently late in submitting his time sheets, Mr. Ellison was never disciplined nor did management submit his time sheets as "leave without pay" as provided by the OGB policy manual.

### **Record Retention**

R.S. 44:36 (A) states, in part, that public records should be preserved in accordance with formal records retention schedules developed and approved by the state archivist and director of the division of archives, records management, and history of the Department of State. However, in all instances in which a formal retention schedule has not been executed, such public records shall be preserved and maintained for a period of at least three years from the date on which the public record was made.

We reviewed employee timekeeping records and determined that the IT department's sign-in sheets were archived from May 2000 and not February 1999 (3 years), a possible violation of R.S. 44:36 (A).

### **Missing Records**

We reviewed employee timekeeping records from May 2000 to November 2001 and determined that numerous signed time sheets, signed Uniform Payroll System and Integrated Statewide Information System Fixed Employee Time Entry Reports, and sign-in sheets were missing.

If timekeeping records were complete and retained for the three-year minimum, additional records could have been reviewed for situations where employees did not actually work the hours for which they were paid.

The actions described above may be violations of R.S. 14:138, "Payroll Fraud"<sup>1</sup> and R.S. 44:36 (A), "Preservation of Records."

The actual determination as to whether an individual is subject to formal charge is at the discretion of the district attorney.

---

<sup>1</sup> R.S. 14:138 provides, in part, that payroll fraud is committed when any public officer or public employee shall carry, cause to be carried, or permit to be carried, directly or indirectly, upon the employment list or payroll of his office, the name of any person as employee, or shall pay any employee, with knowledge that such employee is receiving payment or compensation for services not actually rendered by said employee or for services grossly inadequate for such payment or compensation.

# Recommendations

We recommend that management implement policies and procedures that will ensure that employees complete time sheets in an accurate and timely manner and that employees are paid only for hours actually worked. We also recommend that management comply with R.S. 44.36 (A) by keeping complete time records for at least three years. In addition, we recommend that the District Attorney for the Nineteenth Judicial District of Louisiana take appropriate legal action, to include seeking restitution.



# **Attachment I**

## **Management's Response**



State of Louisiana  
Office of Group Benefits  
P.O. Box 44036  
Baton Rouge, Louisiana 70804

RECEIVED  
LEGISLATIVE AUDITOR

02 MAY 23 AM 10:51



May 20, 2002

Dr. Daniel G. Kyle  
Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804

Area offices

Alexandria  
318.487.5731  
800.813.1578  
Baton Rouge  
225.925.6625  
800.272.8451  
Lafayette  
337.262.1357  
800.414.6409  
Lake Charles  
337.475.8052  
800.525.3256  
Metairie  
504.838.5136  
800.335.6208  
Monroe  
318.362.3435  
800.335.6206  
Shreveport  
318.676.7026  
800.813.1574  
TDD  
225.925.6770  
800.259.6771

Dear Dr. Kyle:

In the fall of 2001 our Human Resources Director received reports of possible payroll irregularities by one or more employees of our Information Technology Division. After a preliminary investigation to determine whether such irregularities might, indeed, exist, we notified your office and the District Attorney's office as required by LRS 24:523. Since that time, this agency has fully cooperated with the investigation by the legislative auditors.

This letter is in response to the finding presented in the preliminary investigative report of the Office of Group Benefits prepared by your staff. This report was received on May 6, 2002 in a meeting with Ernest Levy and Dan Daigle of your office. The finding reads as follows:

From May 2000 to November 2001, two employees, Ms. Mary Causey and Mr. Edward Ellison, employed with the Information Technology Department (IT) of the Office of Group Benefits (OGB), certified hours on their timesheets they had not actually worked. As a result, the OGB paid these employees at least \$3,553 for the overstated hours. Additionally, numerous timekeeping records are missing or were disposed of, in possible violation of Louisiana Revised Statute 44:36(A), "Preservation of Records."

As noted in the investigative report, following an internal review Ms. Causey was advised of the specific dates and times of suspected payroll irregularities by our letter dated October 22, 2001 and was given an opportunity to respond to these allegations. She did not provide any information to disprove the discrepancies found, and, instead, resigned from her position effective November 2, 2001. Upon separation, Ms. Causey authorized the agency to recoup restitution in the amount of \$1493.65 from her final paycheck.

An  
Equal  
Opportunity  
Employer

May 20, 2002

Page -2-

While investigating the suspected payroll irregularities in the Systems Section of the IT Division, our Human Resources staff identified concerns in the timekeeping procedures for this section and has been working with management to address these issues. The agency is currently investigating the purchase of hand scanning equipment to be used for building security and for time recording in certain areas of the agency, including the IT Division, where multiple shifts and flexible work hours exist.

In regard to the findings regarding Mr. Edward Ellison who works in the Operations Section of the IT Division, upon receipt of the preliminary draft of the investigative report, OGB suspended Mr. Ellison pending investigation, in accordance with Civil Service Rule 12.10. We are currently reviewing the documentation gathered by your audit team and are preparing a pre-deprivation notice to Mr. Ellison based in large part upon these findings. In addition, we have reviewed the record keeping procedures of the IT Operations Section. Although the timekeeper for the IT Division maintains signed time sheets and other timekeeping documentation for all employees within this Division for the period of time required by Louisiana Revised Statute 44:36(A), the initial sign-in sheets prepared by the employees were only retained by the I/T Center Operations Manager for a period of eighteen months. We have met with Mr. Reines, who currently serves in this capacity, and have advised him of the need to retain these records for three years as required by LRS 44:36(A). Here also we are working to improve timekeeping procedures and internal controls.

As problems and potential problems are identified, OGB works to take corrective action and to improve internal controls and procedures. Although we have already made progress, this will continue to be an ongoing effort. We hope that improved time keeping procedures, a heightened awareness on the part of employees and supervisors, and improved time clock technology will greatly reduce the possibility of future payroll irregularities.

Sincerely,



A. Kip Wall  
Chief Executive Officer