

STATE OF LOUISIANA

**Corrections Services
Department of Public Safety
and Corrections
State of Louisiana
Baton Rouge, Louisiana**

February 11, 2004



LEGISLATIVE AUDITOR

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

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**CORRECTIONS SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA**
Baton Rouge, Louisiana

Management Letter
Dated December 15, 2003

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.

February 11, 2004



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December 15, 2003

**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, 2003, we considered the Department of Public Safety and Corrections, Corrections Services' 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 of Public Safety and Corrections, Corrections Services, 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 of Public Safety and Corrections, Corrections Services, for the year ended June 30, 2002, we reported findings relating to noncompliance with inadequate controls over movable property and lack of an internal audit function. The finding relating to the inadequate controls over movable property has been resolved by management. The finding relating to the lack of an internal audit function has not been resolved and is addressed again in this report.

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 year ended June 30, 2003.

Lack of Internal Audit Function

For the fourteenth consecutive year, the Department of Public Safety and Corrections, Corrections Services, did not have an internal audit function to examine, evaluate, and report on its internal control and to evaluate its compliance with the policies and procedures of the control system. Act 13 of the 2002 Regular Session of the Louisiana Legislature requires agencies with budgets in excess of \$30 million to use existing program resources and the table of organization to establish an internal auditor position. Considering that the department was budgeted \$681,403,131 for the current fiscal year, an effective internal audit function is needed to ensure that assets are safeguarded and that management's policies and procedures are uniformly applied.

LEGISLATIVE AUDITOR

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

Management Letter, Dated December 15, 2003

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Although the department has administrative monitors who provide management with assurances on the field operations of the various prison facilities in accordance with departmental regulations, this function did not address material internal control policies and procedures covering significant self-generated revenues, nonpayroll expenditures, various inmate accounts, or data processing controls and is not a substitute for an internal audit function.

Corrections Services should establish the internal audit function to provide assurance that assets are safeguarded and to ensure that management's policies and procedures are applied in accordance with management's intentions. Management of the department concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, pages 1-2).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the department. The nature of the recommendation, its implementation cost, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action. The finding relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended for the information and use of the department and its management 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,



Grover C. Austin, CPA
First Assistant Legislative Auditor

DL:JR:PEP:ss

[DPSCS03]

Appendix A

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



DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS

RICHARD L. STALDER, SECRETARY

April 14, 2003

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

RE: Internal Audit Division

Dear Mr. Austin:

The department agrees with your finding that an adequate internal audit function is needed for the department. As indicated each year, the department lacks sufficient resources to adequately staff and provide for the needed services in this area. The department has repeatedly requested the resources in the budget to properly staff this function and has repeatedly been denied. Furthermore, the department's workload continues to increase as does statutory reporting requirements. The department is continually asked to provide additional information and services while facing budget and position reductions each year in its administrative appropriation as well as having to absorb expenditure items which are necessary but unfunded.

In spite of this, the department continues to strive to have exemplary performance in all facets of operations. To this end, all institutions have been accredited by the American Correctional Association. The standards that are required to meet ACA accreditation set strict operating requirements on all field units, several of which involve internal controls dealing with the financial aspects of the operations. In order to remain accredited, the department must continue to meet these high standards.

The department continues to conduct operational audits annually for state-run adult and juvenile units, and quarterly for privately managed units in accordance with Department Regulation C-05-003, a copy of which is attached. The audit teams include representatives from both the Office of Youth Development and Adult Services and the Office of Management and Finance Personnel, Payroll, and Fiscal Services division. The purpose of this regulation is to provide ongoing audits of institutional programs to insure compliance with Department Regulations and Policies. It includes review of policy, procedures, and relevant documentation (normally in the ACA file) and such inspection/verification as may be needed to determine compliance status with key ACA standards, several of which deal directly with internal controls on several of the key financial areas in the institutions.

Mr. Grover C. Austin, CPA

April 10, 2003

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Over the past fiscal year, staff conducted 65 such audits at various correctional facilities. Scopes of these audits included cash handling and management, movable property, inmate offender welfare and organization funds, accounting system reconciliations, budgeting, medical co-pay, indigent supplies and services and warehouse inventories. These audits were effective in providing assurances to management that assets are properly safeguarded, internal control structures are established and operating in accordance with applicable laws and Department Regulations and Procedures are sufficient to prevent or detect errors and irregularities in a timely manner. The department also requires all operating units to report monthly operating data to top management of the department through Department Regulation C-05-001, a copy of which is attached.

The department will continue to seek additional resources to have an effective internal audit division. Whatever assistance your office could provide in informing the legislature and other decision makers as to the pressing need to have these functions funded for the executive departments would certainly be appreciated.

Sincerely,



Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB/lor

Attachments: DOC Regulation C-05-001
DOC Regulation C-05-003

c: Richard L. Stalder, Secretary
Ron Granier, Chief Fiscal Officer
Internal Audit