

YOUTH SERVICES
DEPARTMENT OF PUBLIC SAFETY
AND CORRECTIONS
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED AUGUST 5, 2009

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

July 9, 2009

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

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of Public Safety and Corrections, Youth Services, for the period from July 1, 2007, through June 30, 2009. Our procedures included (1) a review of the office's internal controls; (2) tests of financial transactions; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities; and (4) a review of compliance with the prior year report recommendation. 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 office 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 the Department of Public Safety and Corrections, Youth Services, were not audited or reviewed by us, and, accordingly, we do not express opinions on those reports. The office'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 report on the Department of Public Safety and Corrections, Youth Services, dated December 10, 2007, we reported a finding relating to the misappropriation of funds at the Jetson Center for Youth. That finding has been resolved by management.

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

Weakness in Controls Over Inventory

Swanson Center for Youth failed to maintain adequate control over its warehouse inventory. A proper system of internal control over inventory should include procedures to ensure that inventories are accurately safeguarded, valued, recorded, and maintained in the perpetual inventory system. A count of goods on hand should agree to the balance in the inventory system and discrepancies should be investigated to determine if they are errors, theft, or fraud.

During a test count of eight warehouse items, the actual quantity for seven items (87.5%) did not agree with the quantity on hand as provided by the Swanson Center for Youth perpetual inventory system. The correct amount of inventories has not been adequately maintained in the perpetual inventory system. Periodic reconciliations between the perpetual inventory system and the annual/quarterly physical counts were not performed by management. Failure to implement adequate control over inventory increases the risk of inaccurate accounting and reporting of inventory, as well as the risk of errors and/or fraud remaining undetected.

Management should implement procedures to ensure that inventory is properly safeguarded, valued, recorded, and maintained and that the perpetual inventory system reconciles to periodic physical counts. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 1).

Lack of Internal Audit Function

The Office of Juvenile Justice (OJJ) does not have an effective internal audit function to examine, evaluate, and report on its internal controls, including information systems, and to evaluate compliance with the policies and procedures that comprise controls. An effective internal audit function provides management with assurance that assets of the agency are properly safeguarded, internal controls are established and operating in accordance with applicable laws and regulations, and procedures are sufficient to prevent or detect errors and/or fraud in a timely manner. The annual appropriation acts require any agency with an appropriation level of \$30 million or more to have the position of internal auditor included within its existing table of organization.

An internal auditor was in place at the beginning of fiscal year 2008. However, the internal audit position had been vacant since December 2007 and no internal audit reports were issued for OJJ since December 4, 2007. Considering that OJJ's appropriations are in excess of \$150 million, an effective internal audit function is needed to ensure the office's assets are safeguarded and management's policies and procedures are uniformly applied.

Management should establish an effective internal audit function to examine, evaluate, and report on its internal controls, including information systems, and to evaluate compliance with the policies and procedures that comprise controls. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

Untimely Bank Reconciliations

OJJ did not perform timely reconciliations of its monthly bank statements for the imprest account. Good internal controls should ensure that the bank statements are reconciled on a periodic and timely basis (within one month) to verify that all transactions are correctly posted in ISIS, the state's automated accounting system.

Although OJJ developed and implemented a monthly reconciliation process for its imprest account, reconciliations were not performed timely.

- August and September 2007 bank reconciliations were not completed until November 2007.
- October and November 2007 bank reconciliations were not completed until February 2008.
- Monthly bank reconciliations from December 2007 through April 2008 were not completed until June 2008.
- Monthly bank reconciliations from July 2008 through February 2009 were not completed as of the end of March 2009.

Failure to perform a timely reconciliation could result in incorrect financial reporting and increases the risk that errors and/or fraud could occur and remain undetected.

Management should ensure that bank reconciliations are performed timely. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 3).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvement to the operations of Youth Services. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of Youth Services should be considered in reaching decisions on courses of action. The finding related to Youth Services' compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended solely for the information and use of Youth Services, 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



BOBBY JINDAL, Governor

Office^{of} Juvenile Justice

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

May 26, 2009

Steve Theriot, CPA
Louisiana Legislative Auditor
Office of the Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Weakness in Controls Over Inventory – Department of Public Safety and Corrections –
Office of Juvenile Justice - Swanson Center for Youth

Dear Mr. Theriot,

The Office of Juvenile Justice (OJJ) appreciates the opportunity to respond to the findings by the Louisiana Legislative Auditor. The following is in response to the specific findings identified in the report.

The OJJ concurs with the finding.

The OJJ conducts bi-annual Quality Assurance reviews and the OJJ fiscal staff will include an additional training component for proper warehouse and inventory control procedures at all secure facilities. In addition, the OJJ is in the process of investigating a computerized warehouse and inventory control system to improve system controls agency-wide. The OJJ will require the system to be web-based and obtain the software licenses that allow the OJJ Information Technology (IT) department the ability to customize reports and perform routine system maintenance. The OJJ anticipates having a computerized proposal in place by the third quarter of 2009. Paula Roddy, Deputy Undersecretary, will be the lead person for this corrective action.

We appreciate the cooperation and diligence of your staff in conducting this engagement. We remain committed to the timely performance and full compliance of all state and federal standards for the Office of Juvenile Justice. If you have any questions or require additional information, please let me know.

Sincerely,

Mary Livers, Ph.D., MSW
Deputy Secretary



Office^{of} Juvenile Justice

BOBBY JINDAL, Governor

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

May 26, 2009

Steve Theriot, CPA
Louisiana Legislative Auditor
Office of the Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Lack of Internal Audit Function – Department of Public Safety and Corrections – Office of Juvenile Justice

Dear Mr. Theriot,


The Office of Juvenile Justice (OJJ) appreciates the opportunity to respond to the findings by the Louisiana Legislative Auditor. The following is in response to the specific findings identified in the report.

The OJJ concurs with the finding.

The OJJ will change an existing vacancy within the agency to an Internal Auditor position. The OJJ HR section will conduct an analysis to determine which position change will be the least disruptive to providing services to the youth adjudicated to OJJ custody. The OJJ currently conducts bi-annual Quality Assurance reviews and the addition of the Internal Auditor position will serve to strengthen the controls of the fiscal component. The OJJ anticipates having a position identified, announced and filled by the third quarter of 2009. Paula Roddy, Deputy Undersecretary, will be the lead person for this corrective action.

We appreciate the cooperation and diligence of your staff in conducting this engagement. We remain committed to the timely performance and full compliance of all state and federal standards for the Office of Juvenile Justice. If you have any questions or require additional information, please let me know.

Sincerely,


Mary Livers, Ph.D., MSW
Deputy Secretary



BOBBY JINDAL, Governor

Office of Juvenile Justice

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

May 26, 2009

Steve Theriot, CPA
Louisiana Legislative Auditor
Office of the Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Untimely Bank Reconciliations – Department of Public Safety and Corrections – Office of Juvenile Justice

Dear Mr. Theriot,

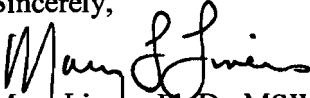
The Office of Juvenile Justice (OJJ) appreciates the opportunity to respond to the findings by the Louisiana Legislative Auditor. The following is in response to the specific findings identified in the report.

The OJJ concurs with the finding.

Due to numerous vacancies and staff turnover within the Fiscal section, employees responsible for ensuring that bank reconciliations were prepared in a timely manner were also assigned additional essential duties. Unfortunately, this resulted in a backlog of some bank reconciliations. Vacancies have since been filled and work has been reassigned to reduce or eliminate the backlog. Procedures have been updated, and employees have been instructed to prepare and approve monthly bank reconciliations by the 15th of the following month. We continue to improve our efforts in providing accurate and accountable records. Paula Roddy, Deputy Undersecretary, will be the lead person for this corrective action.

We appreciate the cooperation and diligence of your staff in conducting this engagement. We remain committed to the timely performance and full compliance of all state and federal standards for the Office of Juvenile Justice. If you have any questions or require additional information, please let me know.

Sincerely,


Mary Livers, Ph.D., MSW
Deputy Secretary