

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



MANAGEMENT LETTER
ISSUED DECEMBER 13, 2006

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

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December 5, 2006

**PUBLIC SAFETY 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, 2006, we considered the Department of Public Safety and Corrections, Public Safety Services' internal control over financial reporting; 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 as required by *Government Auditing Standards*.

The Annual Fiscal Reports of the Department of Public Safety and Corrections, Public Safety Services, are 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.

In our prior management letter on the Department of Public Safety and Corrections, Public Safety Services, for the year ended June 30, 2005, we reported findings relating to ineffective information system security, an ineffective internal audit function, unlocated movable property, and a deficiency in the disaster recovery plan. The finding relating to ineffective information system security has been resolved by management. The remaining findings are addressed again in this letter.

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, 2006.

Deficiency in Disaster Recovery Plan

For the second consecutive year, the Department of Public Safety and Corrections, Public Safety Services, does not have access to an offsite disaster recovery facility as a part of its disaster recovery plan. Good internal control requires that the department have a disaster recovery plan that provides for the timely restoration and continuity of critical entity operations in the event that normal data processing facilities are unavailable for an extended period of time. The department maintains computer records for a variety of public safety activities including state police, statewide emergency preparedness, motor

vehicle registration, drivers' licenses, and collecting revenues from riverboat and video poker gaming activities. The department has completed a comprehensive disaster recovery plan that includes written procedures, training, and testing. However, because of budgetary constraints, the plan does not include any provisions for a remote processing facility.

Failure to obtain access to a remote processing facility increases the risk that, in the event of a disaster, the department will be unable to provide timely restoration and continuity of critical operations.

Management of the department should obtain access to a remote processing facility, which should have the same operating systems as the agency, so that data can be processed and operations can continue with minimal disruption of services. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Inadequate Controls Over Movable Property

For the second consecutive year, the Department of Public Safety and Corrections, Public Safety Services, did not have adequate internal controls to ensure compliance with the state's movable property regulations related to verifying the location of property. In addition, the department did not have adequate internal controls to ensure the timely reporting of qualified acquisitions to the Louisiana Property Assistance Agency (LPAA). A review of the department's accounting records disclosed the following:

1. The Department of Public Safety and Corrections, Public Safety Services, identified unlocated movable property items totaling \$791,750 as a result of its annual property inventory certification procedures. Of that amount, items totaling \$134,009 were removed from the property records because they had not been located for three consecutive years. Of the unlocated property reported on the department's property inventory certification, the amount of unlocated computers and computer-related equipment totaled \$270,713. The department's certifications of annual property inventory, submitted to LPAA between January and June 2006, disclosed \$155,401,937 in total movable property administered by the department. The breakdown of unlocated property, by functional property area, is as follows:
 - Office of Management and Finance - \$34,948
 - Office of Motor Vehicles - \$14,186
 - Office of State Police - \$578,476
 - State Police Training Academy - \$5,274
 - Louisiana Gaming Control Board - \$3,181

- State Police Cafeteria - \$16,686
 - Information Services - \$138,999
2. A review of the acquisitions for the department disclosed that 817 assets totaling \$5,555,912 were not reported to LPAA within 60 days. The number of days late ranged from 1 to 568 days for an average of 43 days late.

Louisiana Revised Statute (R.S.) 39:325 requires entities to conduct an annual inventory of movable property and report any unlocated items to LPAA. Louisiana Administrative Code (LAC) 34:VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. R.S. 39:323 and LAC 34:VII.307 require that all acquisitions of qualified assets be reported to LPAA within 60 days of receipt of the property. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted.

Failure to establish adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects the department to noncompliance with state laws and regulations. Because of the nature of the services provided by the department, the risk also exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment.

The department is not properly accounting for and safeguarding its movable property. Management should strengthen its procedures for conducting the physical inventory of movable property and devote additional efforts to locating movable property reported as unlocated in previous years and ensuring that the acquisition of qualified assets is reported timely to LPAA. Management concurred in part with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 2-3).

Ineffective Internal Audit Function

For the sixth consecutive year, the Audit Services Section of the Department of Public Safety and Corrections, Public Safety Services, did not conduct a sufficient number of audits to be considered an effective internal audit function. The internal audit function should provide management with assurances that assets of the department 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. Although the Audit Services Section conducted limited audits within the department, the number and scope of audits were not sufficient to constitute an effective internal audit function. Considering the department's reported assets (\$73,187,227) and the revenues it collects (\$1,409,259,014), 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.

The department should take the necessary steps to ensure that the Audit Services Section conducts a sufficient number of audits by either reallocating or increasing available internal audit resources or by pursuing other alternatives to accomplish this objective. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 4).

Overpayment of Terminated Employees

The Department of Public Safety and Corrections, Public Safety Services, continued to pay certain employees after they had terminated their employment with the department. The department's internal policies and procedures state that it is the responsibility of the employee's supervisor to timely notify Human Resources that an employee is terminating his/her service with the department. R.S. 42:460 provides the department the ability to develop rules to recoup overpayments made to state employees. In accordance with the Office of State Uniform Payroll memorandum #2005-41, it is the department's policy to notify the employee in writing of the overpayment and to request reimbursement.

During fiscal year 2006, the department made overpayments totaling \$6,613 to four employees for one to seven pay periods after their official termination date. All employees who received overpayments were sent letters requesting repayment. However, the department had taken no further action for one of the employees until a year later when we brought it to the department's attention on August 18, 2006. The department has recouped \$1,891 (28%) of these overpayments. These overpayments occurred because the terminated employees' supervisors did not follow established procedures to notify Human Resources in a timely manner so that they would be terminated in the ISIS-Human Resources system. In addition, even though the department requires employees to complete a time sheet to document time and attendance and it is approved by the employee's immediate supervisor, the department is not ensuring that there is an approved time sheet for all employees scheduled to receive a paycheck.

Management should emphasize and enforce its policy that supervisors notify Human Resources immediately upon an employee's termination and should establish procedures to verify that all employees scheduled to be paid have submitted a completed, approved time sheet. In addition, the department should continue seeking reimbursement from the employees. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 5).

Misappropriation of Computers

On September 11, 2006, the Department of Public Safety and Corrections, Public Safety Services (DPS), reported that 209 computers worth \$220,077 may have been stolen from the department between April 2006 and June 2006. These computers were part of a purchase of 287 computers to replace those that were damaged or lost as a result of Hurricane Katrina. Because of insufficient space at the DPS Data Processing Center, the

computers were stored in a caged storage area at the warehouse on the DPS Complex where surplus equipment is stored. This area, which was originally intended to have limited access, was made accessible to numerous individuals over a period of time. The department discovered that the computers were missing when a request was made in August 2006 to issue the computers to one of the department's offices.

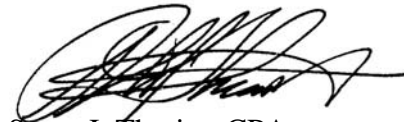
After an investigation by the Office of State Police, warrants were issued on September 7, 2006, for the arrest of a department employee and a Department of Corrections' inmate who worked at the DPS Complex for allegedly violating R.S. 14:67, Felony Theft, and R.S. 14:26, Criminal Conspiracy. Ten additional people not employed by the department have also been arrested for their alleged involvement. The department has been able to recover 30 of the computers.

These thefts occurred because management did not implement adequate internal controls to properly secure the computers from unauthorized use, loss, or theft. Management of the department has strengthened controls over the caged storage area to include a guard and a dual-key access. Management should continue to seek prosecution of the involved individuals and seek restitution where possible. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 6-7).

The recommendations in this letter 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 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,



Steve J. Theriot, CPA
Legislative Auditor

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

DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS,
PUBLIC SAFETY SERVICES



Department of Public Safety and Corrections

KATHLEEN BABINEAUX BLANCO
GOVERNOR

Public Safety Services

STEPHEN HYMEL
UNDERSECRETARY

September 15, 2006
DPS-02-744

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Deficiency in Disaster Recovery Plan

Dear Mr. Theriot:

We concur that Public Safety Services (DPS) does not have access to an offsite disaster recovery facility as part of its disaster recovery plan. As in the past, as part of the budget process, DPS has submitted form IT10 for the establishment of an offsite disaster recovery and processing facility. The State Office of Information Technology (OIT) approved the request, but funds have not been appropriated for this purpose.

In addition to mirroring of critical DPS data at the Division of Administration Data Center implemented last year, the Department has established a redundant site in Shreveport for its critical Law Enforcement Message System (LEMS) and NCIC inquiry system. If a disaster causes the LEMS and NCIC systems located at the DPS Data Center to become inaccessible, Law Enforcement agencies can continue their work by accessing the redundant site.

The Department's IT staff is working closely with the State Office of Information Technology (OIT) to establish a data repository at Louisiana Tech University. This repository will contain DPS's critical systems data as well as critical systems data from other state agencies and higher education. The repository is located outside of the Louisiana hurricane impact zone and should afford protection in the case of another hurricane impacting Louisiana.

Rex McDonald is the contact person for any additional information regarding this Finding.

Sincerely,


Stephen J. Hymel
Undersecretary

Cc: Col. Henry Whitehorn
Rex McDonald
Kay DeBendetto



Department of Public Safety and Corrections

KATHLEEN BABINEAUX BLANCO
GOVERNOR

Public Safety Services

STEPHEN HYMEL
UNDERSECRETARY

October 5, 2006
DPS-02-752

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Inadequate Controls Over Movable Property

Dear Mr. Theriot:

We concur in part with this finding regarding location of property. As a result of last fiscal year's Department inspections and the Legislative Auditor's finding, the Department of Public Safety (DPS) conducted a more comprehensive physical inventory audit of all movable property and devoted additional effort and resources to locating and identifying such property. The inspections revealed that the computerized property records were inaccurate and often did not reflect the actual locations and dispositions of a large percentage of property. These inspections during fiscal year 2005-06 have allowed us to create a new baseline for our property records.

To enhance accountability, several of the property control forms have been changed and several procedures have been enhanced. Procedurally, supervisors are now required to physically verify individually assigned property and technicians are required to match their work order forms with property control forms. Additionally, the LPAA System has been updated to identify property in more detail and to include section name and unit name for larger sections. Because of the newly established more accurate baseline and because of these enhanced procedures, we expect our accounting and safeguard of all movable property to be significantly improved for fiscal year 2006-07.

Regarding the lack of timely reporting of qualified acquisitions, we concur that we did not report some purchases to LPAA within the required sixty (60) days. This occurred for several reasons: Katrina/Rita shifted property managers and others to a crisis response mode from their normal duties; some of the purchased items were immediately shifted to the field for emergency response because of the Storms and so not tagged until the state of emergency was relaxed; property personnel were dispatched to the field to conduct a comprehensive audit of movable property and so not available to report some purchases during that timeframe; and many items were incorrectly entered into the LPAA System by new employee utilizing the purchase order date instead of the receipt date as the acquisition date. All of this property has been entered into the LPAA System.

Mr. Steve J. Theriot, CPA
Legislative Auditor
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The Department is charged to account for and safeguard more than \$155 million in movable property. To enhance and ensure internal controls, management has committed more resources, improved procedures, and revised tracking forms. We have also taken steps to ensure that our employees are not only familiar with these new initiatives, but committed to taking personal responsibility for movable property entrusted to them.

Sincerely,



Stephen J. Hymel
Undersecretary

**c/c Col. Henry Whitehorn
Lt. Col. Stanley Griffin
Shannon Anderson
Rex McDonald**



Department of Public Safety and Corrections

KATHLEEN BABINEAUX BLANCO
GOVERNOR

Public Safety Services

STEPHEN HYMEL
UNDERSECRETARY

September 15, 2006
DPS-02-745

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Ineffective Internal Audit Function

Dear Mr. Theriot:

We concur with this finding. As you are aware, we have concentrated our limited audit resources on statutorily mandated Motor Vehicle and Gaming audits. We agree that during the fiscal year of this audit, our overall internal audit function was inadequate.


As we have stated in previous years, limited resources have prevented us from fully implementing our Audit Services Section's short-term and long-term strategic plans. Recognizing the need to expand the scope and number of audits throughout the Department, our Audit Services Section is currently being expanded from one (1) employee, an internal auditor, to four (4) employees. We have hired an audit manager, are in the process of hiring an additional auditor, and intend to hire another auditor in the coming months.

Now that audit resources have been enhanced, we have established as internal audit priorities what your staff listed in their Finding: maintaining a sound system of internal controls, safeguarding assets, and ensuring that procedures are sufficient to prevent or detect error and/or fraud and theft in a timely manner.

I am the contact person responsible for this corrective action.

If you need any additional information please contact me.

Sincerely,


Stephen J. Hymel
Undersecretary

c/c Col. Henry Whitehorn
Jill Boudreaux
Kay Debenedetto



Department of Public Safety and Corrections

KATHLEEN BABINEAUX BLANCO
GOVERNOR

Public Safety Services

STEPHEN HYMEL
UNDERSECRETARY

September 15, 2006
DPS-02-743

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 943997
Baton Rouge, LA

RE: Overpayment of Terminated Employees

We concur with this Finding. As pointed out by the Auditors, these overpayments occurred because supervisors or their respective timekeepers did not follow required policy and procedures which demands immediate notification of the Human Resources Section of the employee's separation from employment. To ensure greater enforcement of this policy, all supervisors will be required to immediately notify via email or fax (with original paperwork to follow) an employee's separation. In addition, all timekeepers will be required by policy to ensure that prior to the ISIS-HR system automatically paying an employee, every employee will have submitted a completed and approved time/attendance document.

Three (3) of the four (4) former employees who were overpaid have reimbursed the Department. We have received partial payment from the remaining former employee, so the Department will continue to pursue complete reimbursement.

Tina Boudreaux is the contact person responsible for this corrective action which will be completed by October 1, 2006.

Sincerely,


Stephen J. Hymel

cc: Col. Henry Whitehorn
Kay Debenedetto
Tina Boudreaux



Department of Public Safety and Corrections

KATHLEEN BABINEAUX BLANCO
GOVERNOR

Public Safety Services

JILL P. BOUDREAU
ACTING UNDERSECRETARY

November 14, 2006
DPS-02-767

Mr. Steve J. Theriot, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Misappropriation of Computers

Dear Mr. Theriot:

We concur with this finding regarding management's lack of adequate internal controls that would have properly secured the computers from unauthorized use, loss, or theft. As a result of the theft mentioned in your finding, we have begun the process of strengthening internal controls over Department of Public Safety (DPS) warehouse security. We have implemented some controls, while other controls will be implemented in the near future.

The following warehouse controls have been implemented, but are specific to DPS – Information Services' (IS) caged section of the DPS warehouse:

- Access to the DPS warehouse has been restricted to authorized IS personnel.
- All keys to the DPS warehouse are kept in the IS Director's office.
- Only authorized IS personnel are allowed to check out DPS warehouse keys.
- Authorized personnel must sign a log when receiving the DPS warehouse keys.
- At least two people, including an authorized IS person, must enter the DPS warehouse together.
- Anyone entering the DPS warehouse must sign a log located at the warehouse.

The following warehouse security controls are in the process of implementation and will affect the DPS warehouse as a whole:

- Surveillance cameras will be installed in the DPS warehouse to monitor all warehouse storage cages.
- A DPS policeman will be stationed at the DPS warehouse during business hours.
- The DPS policeman will monitor DPS warehouse surveillance cameras.
- The DPS policeman will track (via a log) and grant access to the various cages in the warehouse.
- No one will be allowed in the DPS warehouse after business hours, without a DPS policeman present.

Mr. Steve J. Theriot, CPA
Legislative Auditor
Page 2

The expected implementation of above items regarding DPS warehouse controls will be January 31, 2007. Jill Boudreaux will be the contact person responsible for corrective action.

Management, with the support of Louisiana State Police will continue to seek prosecution of the involved individuals and restitution where possible. To date, the Department has received 30 hard drives, 10 key boards, 36 flat screen monitors, 4 multi-scanners and 1 TV/VCR. The Department has taken steps to register the remaining stolen equipment with the National Crime Information Center, DELL technical service/customer support centers and pawn shops through out the State.

If you have any questions, please contact me at 225-925-6032.

Sincerely,



Jill Boudreaux
Acting Undersecretary
Department of Public Safety

c/c Colonel Henry Whitehorn
Lt. Col. Stanley Griffin
Rex McDonald