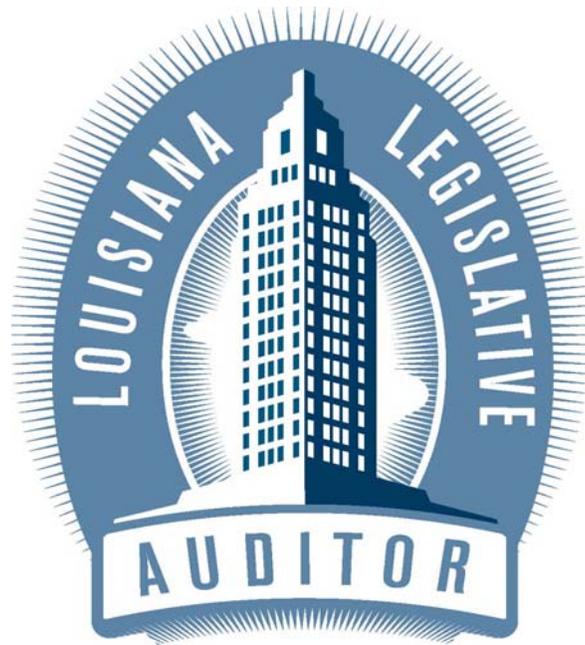


DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED OCTOBER 20, 2010

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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LEGISLATIVE AUDITOR

DARYL G. PURPERA, CPA, CFE

DIRECTOR OF FINANCIAL AUDIT

THOMAS H. COLE, CPA

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.

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 \$20.64. 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. When contacting the office, you may refer to Agency ID No. 8777 or Report ID No. 80090096 for additional information.

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, Administration Manager, at 225-339-3800.

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Appendix

Management’s Corrective Action Plans and Responses to Findings and Recommendations	A
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Our procedures at the Department of Environmental Quality (DEQ) for the period July 1, 2007, through June 30, 2009, disclosed:

- DEQ has weaknesses in controls over the billing and maintenance of its permit revenues, which total \$84.6 million in fiscal year 2009.
- DEQ has not established written policies and procedures for disbursing funds from the Waste Tire Management Fund to waste tire processors and has not ensured that the requests for payments to the processors were adequately supported. Also, DEQ disbursed \$700,000 from the Waste Tire Management Fund to the Town of Vidalia under a cooperative endeavor agreement (CEA) before approval of the CEA by the Division of Administration, Office of Contractual Review.
- Time and attendance records were not approved timely by supervisors. Time records were not always checked for accuracy in a timely manner.

We did not audit the Annual Fiscal Reports of DEQ; however, we did perform certain procedures in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States as part of our audit of the State of Louisiana's financial statements. This report is a public report and has been distributed to state officials. We appreciate the department's assistance in the successful completion of our work.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA

August 19, 2010

DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements for the fiscal year ended June 30, 2009, we conducted certain procedures at the Department of Environmental Quality (DEQ) for the period from July 1, 2007, through June 30, 2009.

- Our auditors obtained and documented an understanding of the DEQ operations and system of internal controls through inquiry, observation, and review of the department's policies and procedures documentation including a review of the related laws and regulations applicable to the department.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the department's annual fiscal reports and/or system-generated reports and obtained explanations from department management of any significant variances.
- Our auditors considered internal control over financial reporting, examined evidence supporting the department's recorded pollution remediation obligations, and 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 part of our audit of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009, in accordance with *Government Auditing Standards*.
- Based on the documentation of the department's controls and our understanding of related laws and regulations, procedures were performed on the department's recorded movable property, major state revenues/statutory dedications, payroll expenditures, and certain non-payroll expenditures (other charges).
- Our auditors prepared Budgetary Comparison Schedules for DEQ for the fiscal year ended June 30, 2009, using the Annual Fiscal Reports of DEQ and additional data in the Integrated Statewide Information System (ISIS), the state's accounting

system. These schedules are presented as additional information but have not been subjected to auditing procedures.

The Annual Fiscal Reports of DEQ were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. The department's accounts are an integral part of the State of Louisiana 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 letter for management's consideration. We found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our procedures on the department's movable property that should be communicated to management.

Inadequate Controls Over Revenue

DEQ has deficiencies relating to the billing and maintenance of its full accrual revenues, which total \$84.6 million in fiscal year 2009. Good internal controls should include procedures to ensure the successful interface between two separate database systems. A proper system of internal control over revenues should also include procedures to ensure only authorized adjustments are posted to the accounts receivable subsidiary system, rates used to adjust accounts receivable for errors and uncollectibles are supported and periodically evaluated for accuracy, and negative accounts receivable balances are resolved before year-end.

Our review of internal controls over revenue noted the following:

1. Management has not established formal control procedures to ensure the permit billings database accurately interfaces with the accounts receivable subsidiary system that tracks and reports billings, collections, adjustments, and balances.
2. Management has not established control procedures to ensure subsequent adjustments posted to the accounts receivable subsidiary system are authorized.
3. Management does not maintain support for the calculations of the error rates and uncollectible rates applied to the accounts receivable components, nor do they evaluate these rates on an annual basis to ensure accuracy.
4. Management does not have adequate procedures in place to ensure all negative past due accounts receivable balances are resolved timely. Negative accounts receivable balances totaling \$186,440 remained unresolved at June 30, 2009.

These deficiencies exist because management has not identified these deficiencies in its monitoring procedures. Failure to develop and implement procedures over the billing and maintenance of its full accrual revenues increases the risk of loss of revenues, the risk of material misstatement of revenues and receivables, and the risk that errors and/or fraud could occur and remain undetected in a timely manner.

Management should establish formal procedures to ensure the successful interface between two separate database systems. Management should also ensure only authorized adjustments are posted to the accounts receivable subsidiary system, rates used to adjust accounts receivable for errors and uncollectibles are supported and periodically evaluated for accuracy, and negative accounts receivable balances are resolved before year-end. Management concurred with the finding and recommendations and outlined a corrective action plan (see Appendix A, pages 1-2).

Inadequate Controls Over Disbursements

DEQ has not established written policies and procedures for disbursing funds from the Waste Tire Management Fund to waste tire processors and has not ensured that the requests for payments to the processors were adequately supported. Also, DEQ disbursed \$700,000 from the Waste Tire Management Fund to the Town of Vidalia (Town) under a cooperative endeavor agreement (CEA) before approval of the CEA by the Division of Administration, Office of Contractual Review (OCR).

DEQ provides payments to waste tire processors for marketing and recycling waste tires pursuant to Louisiana Revised Statute (R.S.) 30:2418 and Louisiana Administrative Code Title 33, Part VII, Chapter 105. However, our review disclosed that DEQ management has not established written policies and procedures on the payment process and has not ensured that payment requests agree to supporting documentation before payments are made to processors. Good accounting controls would require adequate supporting documentation before payments are made.

DEQ entered into a CEA with the Town, effective October 1, 2007, for an economic development project to establish a waste tire processing facility. R.S. 39:1502 states that no contract shall be valid until it has been approved in writing by the director of OCR. Our review disclosed that DEQ disbursed the \$700,000 to the Town on October 2, 2007; however, the CEA was not approved by OCR until October 23, 2007.

Further review of the terms of the CEA disclosed that the Town was required to submit monthly construction and quarterly financial reports, and DEQ was required to monitor the progress of the Town by reviewing these reports and requiring correction as necessary. However, monthly construction and financial reports were not submitted from September 2008 until October 2009 and for the reports on file, DEQ could not provide evidence of the proper monitoring of these reports to comply with the CEA.

Failure to provide written procedures and implement adequate controls over the payment process increases the risk that errors and/or fraud could occur and remain undetected. Failure to ensure that payments are only made on valid, approved CEAs and failure to monitor compliance with the terms of all CEAs increases the risk that funds will be misspent or that the state will not receive the intended contract deliverables.

Management should establish written policies and procedures for disbursing funds from the Waste Tire Management Fund to waste tire processors to ensure that payment requests have adequate supporting documentation before the payments are made. In addition, management should implement controls to ensure that all CEAs are properly approved by OCR before the disbursement of funds and should monitor all CEAs for compliance with applicable state laws and regulations, contract terms, and required deliverables. Management concurred in part with the finding and recommendations and outlined a corrective action plan (see Appendix A, page 3).

Inadequate Controls Over Time and Attendance Records

DEQ has not consistently followed departmental internal control procedures that are designed to ensure the accuracy of employee time and attendance records that support \$48.1 million of expenditures for personal services. DEQ's procedures require that time and attendance records be certified no later than the end of the following pay period. Five (50%) of 10 time and attendance records reviewed were not approved by the supervisor until two to 26 days after the end of the following pay period. Furthermore, an individual independent of the posting of hours in the statewide payroll system did not certify the accuracy of the hours posted for four records until two to 29 days after the end of the following pay period.

These weaknesses occurred because management has not placed sufficient emphasis on the importance of the approval and certification of time and attendance records in accordance with DEQ's policy. Failure to timely approve employee time and attendance records and certify the accuracy of hours posted increases the risk that inaccurate or fraudulent data could be entered and processed into the statewide payroll system and not be detected timely.

Management should emphasize the importance of compliance with departmental internal control procedures that apply to the certification of employee time and attendance records. Management concurred with the finding and recommendation and outlined a corrective action plan (see Appendix A, pages 4-5).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of DEQ. 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. The findings relating to DEQ'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, 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 letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

MMG:ETM:BQD:THC:ja/dl

DEQ09

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BUDGETARY COMPARISON SCHEDULES (UNAUDITED)

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Agency 853 - Office of Environmental Assessment.....	19
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UNAUDITED

**DEPARTMENT OF ENVIRONMENTAL QUALITY
AGENCY 850 - OFFICE OF THE SECRETARY**

**Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009**

APPROPRIATED REVENUES:

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$1,112,695		\$1,112,695	\$1,123,792	(\$11,097)
General Fund - fees & self-generated	15,136		15,136	250,000	(234,864)
Federal funds	519,272		519,272	519,272	
Hazardous Waste Site Cleanup Fund	297,488		297,488	300,000	(2,512)
Environmental Trust Fund	7,239,681		7,239,681	8,192,576	(952,895)
Municipal Facilities Revolving Loan Fund	460,495		460,495	460,595	(100)
Waste Tire Management Fund	118,506		118,506	180,000	(61,494)
Overcollections Fund	250,000		250,000	250,000	
Total Appropriated Revenues	\$10,013,273	NONE	\$10,013,273	\$11,276,235	(\$1,262,962)

APPROPRIATED EXPENDITURES:

	ADMINISTRATIVE	ACT 672 & HIRING FREEZE	TOTAL
Personal services	\$7,988,828		\$7,988,828
Travel	71,761		71,761
Operating services	171,370		171,370
Supplies	64,914		64,914
Professional services	11,413		11,413
Other charges	488,903		488,903
Interagency transfer	1,216,082		1,216,082
Total appropriated expenditures before adjustments	10,013,271	NONE	10,013,271
System adjustments	(15)		(15)
Total Appropriated Expenditures	10,013,256	NONE	10,013,256
Revised Budget	10,737,383	\$538,852	11,276,235
Variance Favorable (Unfavorable)	\$724,127	\$538,852	\$1,262,979

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**DEPARTMENT OF ENVIRONMENTAL QUALITY
AGENCY 851 - OFFICE OF ENVIRONMENTAL COMPLIANCE**

**Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009**

APPROPRIATED REVENUES:

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$2,337,530		\$2,337,530	\$2,337,530	
General Fund - interagency transfer	1,134,446		1,134,446	2,613,962	(\$1,479,516)
Federal funds	2,694,813		2,694,813	2,997,202	(302,389)
Environmental Trust Fund	14,834,446		14,834,446	16,299,547	(1,465,101)
Waste Tire Management Fund	90,393		90,393	100,000	(9,607)
Lead Hazard Reduction Fund	2,844		2,844	20,000	(17,156)
Oil Spill Contingency Fund	86,468		86,468	150,517	(64,049)
2004 Overcollection Fund	772,500		772,500	772,500	
Total Appropriated Revenues	\$21,953,440	NONE	\$21,953,440	\$25,291,258	(\$3,337,818)

APPROPRIATED EXPENDITURES:

	ENVIRONMENTAL COMPLIANCE	ACT 672 & HIRING FREEZE	TOTAL
Personal services	\$17,166,047		\$17,166,047
Travel	160,761		160,761
Operating services	895,747		895,747
Supplies	457,647		457,647
Other charges	1,387,412		1,387,412
Capital outlay	204,438		204,438
Interagency transfer	1,681,388		1,681,388
Total appropriated expenditures before adjustments	21,953,440	NONE	21,953,440
System adjustments	(275)		(275)
Total Appropriated Expenditures	21,953,165	NONE	21,953,165
Revised Budget	25,027,247	\$264,011	25,291,258
Variance Favorable (Unfavorable)	\$3,074,082	\$264,011	\$3,338,093

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**DEPARTMENT OF ENVIRONMENTAL QUALITY
AGENCY 852 - OFFICE OF ENVIRONMENTAL SERVICES**

**Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009**

APPROPRIATED REVENUES:

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$2,077,261		\$2,077,261	\$2,077,261	
General Fund - interagency transfer	592,123		592,123	603,885	(\$11,762)
Federal funds	4,380,571		4,380,571	4,380,571	
Environmental Trust Fund	7,227,560		7,227,560	7,951,062	(723,502)
Waste Tire Management Fund				10,000	(10,000)
Lead Hazard Reduction Fund	63,319		63,319	80,000	(16,681)
Keep Louisiana Beautiful Fund	1,900		1,900	1,900	
2004 Overcollection Fund	25,661		25,661	25,661	
Total Appropriated Revenues	\$14,368,395	NONE	\$14,368,395	\$15,130,340	(\$761,945)

APPROPRIATED EXPENDITURES:

	ENVIRONMENTAL SERVICES
Personal services	\$12,056,276
Travel	40,131
Operating services	136,074
Supplies	53,924
Professional services	5,365
Other charges	606,523
Interagency transfers	1,470,103
Total Appropriated Expenditures	14,368,396
Revised Budget	15,130,340
Variance Favorable (Unfavorable)	\$761,944

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**DEPARTMENT OF ENVIRONMENTAL QUALITY
AGENCY 853 - OFFICE OF ENVIRONMENTAL ASSESSMENT**

**Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009**

APPROPRIATED REVENUES:

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$1,789,226		\$1,789,226	\$1,789,226	
Federal funds	10,960,429		10,960,429	19,098,173	(\$8,137,744)
Hazardous Waste Site Cleanup Fund	3,705,653		3,705,653	4,477,314	(771,661)
Environmental Trust Fund	14,500,549		14,500,549	18,701,445	(4,200,896)
Brownsfield Cleanup Revolving Loan Fund				500,000	(500,000)
Total Appropriated Revenues	\$30,955,857	NONE	\$30,955,857	\$44,566,158	(\$13,610,301)

APPROPRIATED EXPENDITURES:

	ENVIRONMENTAL ASSESSMENT	ACT 672 & HIRING FREEZE	TOTAL
Personal services	\$17,970,177		\$17,970,177
Travel	241,630		241,630
Operating services	1,791,061		1,791,061
Supplies	628,428		628,428
Professional services	1,085,761		1,085,761
Other charges	4,750,193		4,750,193
Capital outlay	794,354		794,354
Interagency transfers	3,694,253		3,694,253
Total appropriated expenditures before adjustments	30,955,857	NONE	30,955,857
System adjustments	(198)		(198)
Total Appropriated Expenditures	30,955,659	NONE	30,955,659
Revised Budget	44,144,665	\$421,493	44,566,158
Variance Favorable (Unfavorable)	\$13,189,006	\$421,493	\$13,610,499

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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UNAUDITED

**DEPARTMENT OF ENVIRONMENTAL QUALITY
AGENCY 855 - OFFICE OF MANAGEMENT AND FINANCE**

**Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009**

APPROPRIATED REVENUES:

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$2,044,954		\$2,044,954	\$2,044,954	
General Fund - fees & self-generated	40,628		40,628	139,385	(\$98,757)
Federal funds	135,380		135,380	972,586	(837,206)
Hazardous Waste Site Cleanup Fund	61,178		61,178	110,000	(48,822)
Environmental Trust Fund	13,104,025		13,104,025	16,669,034	(3,565,009)
Municipal Facilities Revolving Loan Fund	195,986		195,986	230,000	(34,014)
Motor Fuel Trust Fund	12,839,917		12,839,917	25,000,000	(12,160,083)
Waste Tire Management Fund	10,257,056		10,257,056	12,699,416	(2,442,360)
2004 Overcollection Fund	2,247,640		2,247,640	2,247,640	
Total Appropriated Revenues	\$40,926,764	NONE	\$40,926,764	\$60,113,015	(\$19,186,251)

APPROPRIATED EXPENDITURES:

	SUPPORT SERVICES	ACT 672 & HIRING FREEZE	TOTAL
Personal services	\$8,760,652		\$8,760,652
Travel	86,067		86,067
Operating services	1,323,534		1,323,534
Supplies	455,310		455,310
Professional services	2,184,008		2,184,008
Other charges	23,475,180		23,475,180
Capital outlay	827,438		827,438
Interagency transfers	3,814,574		3,814,574
Total appropriated expenditures before adjustments	40,926,763	NONE	40,926,763
System adjustments	(20,901)		(20,901)
Total Appropriated Expenditures	40,905,862	NONE	40,905,862
Revised Budget	59,865,790	\$247,225	60,113,015
Variance Favorable (Unfavorable)	\$18,959,928	\$247,225	\$19,207,153

NOTE: This schedule was prepared using information from the Integrated Statewide Information System (ISIS), the state's accounting system.

Additional detail is available on request.

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



State of Louisiana
DEPARTMENT OF ENVIRONMENTAL QUALITY
OFFICE OF MANAGEMENT & FINANCE

August 2, 2010

Mr. Daryl G. Purpera, CPA, CFE
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

This document represents a response by DEQ Management to the reportable audit finding **“Inadequate Controls over Revenues”**.

The Department concurs with the finding, and shall take appropriate action as follows.

- 1) The department has created a report that will be run at least monthly to ensure that when the department’s data management system creates invoices, we reconcile that information with the information that was migrated to the subsidiary system. This report is created by the Invoicing Supervisor, and if discrepancies are detected, the supervisor will coordinate with our Information Technology Division to solve those discrepancies.
- 2) The department is developing through its Information Technology Division an electronic adjustment module with the goal to create an electronic adjustment system which includes online tracking, approval, and automatic posting. The goal is to have this system implemented within 6 – 12 months.
- 3) Effective with the 3rd quarter of FY10, the Office of Statewide Reporting & Accounting Policy issued new forms and instructions regarding reporting of accounts receivables to State Agencies. With the implementation of these new instructions, the department no longer uses an error rate or an uncollectible rate in its calculations.

Mr. Daryl G. Purpera, CPA, CFE
Office of Legislative Auditor
August 2, 2010
Page 2

- 4) The department will review and update its procedure, and develop reports to assist in the review of its accounts receivable subsidiary ledger to ensure that unresolved accounts are reviewed as timely as possible. Also, the automated adjustment module referenced in action #2 above will assist with the timeliness of reconciling our unresolved accounts.

The Accountant Administrator is the contact person responsible for ensuring that the corrective action necessary has been completed.

Sincerely,

A handwritten signature in black ink, appearing to read "Vince Sagnibere", with a long horizontal line extending to the right.

Vince Sagnibere
Undersecretary

DS/



State of Louisiana
DEPARTMENT OF ENVIRONMENTAL QUALITY
OFFICE OF MANAGEMENT & FINANCE

August 2, 2010

Mr. Daryl G. Purpera, CPA, CFE
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

This document represents a response by DEQ Management to the reportable audit finding "**Inadequate Controls over Disbursements**".

The Department concurs in part with the finding, and shall take appropriate action as follows:

Written policies and procedures will be drafted outlining the process for disbursement of funds from the Waste Tire Management Fund to waste tire processors, including steps to ensure that all supporting documentation is received and reviewed before payments are made.

It should be noted that management does have controls in place to ensure that no disbursement of funds are made under a cooperative endeavor agreement or any other contract until all approvals, including the Office of Contractual Review, have been obtained. A review of all contract payments by the department for the audited period forward (FY 2008, 2009, and 2010) confirmed that except for the one payment cited in the Audit, all other payments were made correctly and according to procedure, that is, no payment was made until after the cooperative endeavor agreement or contract had been approved by the Office of Contractual Review.

Management has directed staff to develop written procedures to correct this reportable finding, with the deadline for completion no later than September 30, 2010. Darryl Serio, Accountant Administrator, is the contact person responsible for ensuring that the corrective action necessary has been completed.

Sincerely,

A handwritten signature in black ink, appearing to read "Vince Sagnibene", written over a horizontal line.

Vince Sagnibene
Undersecretary

DS/



State of Louisiana
DEPARTMENT OF ENVIRONMENTAL QUALITY
OFFICE OF MANAGEMENT & FINANCE

August 2, 2010

Mr. Daryl G. Purpera, CPA, CFE
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

This document represents a response by DEQ Management to the reportable audit finding **“Inadequate Controls over Time and Attendance Records”**.

The Department concurs with the finding and shall take the appropriate action(s) as follows:

- Human Resources is evaluating the timeframe in which the timesheets should be certified as completed. As discussed with the legislative auditors, it is possible that extenuating circumstances may have prohibited the process to be completed timely. Some of these circumstances may be that an employee may have been on leave, PPA's may have been needed during the pay period, or a disaster/emergency may have occurred which necessitated added cost coding and documentation. Any of these factors may result in a delay in obtaining the necessary signatures on the timesheets.
- Human Resources will also be reviewing the ratio of employees to Time Administrators. Some Time Administrators are responsible for up to 50 employees. This may be a factor in the timely completion of the process.
- Executive Staff Members will share the results of the audit with Division Administrators, and will continue to stress the importance of compliance with internal procedures to ensure the timeliness and accuracy of time and attendance records.

Mr. Daryl G. Purpera, CPA, CFE
Office of Legislative Auditor
August 2, 2010
Page 2

The DEQ Human Resources Division is committed to ensuring the accuracy of all time and attendance records. This is proven through the extensive controls that the office has established in regards to time and attendance, i.e.,

- Policies:
 - PPM – 3002-88 – Time Entry Sign Inn Sheet
 - PPM – 3003-88 – Time and Attendance
 - PPM – 1030-07 – Telecommuting
 - PPM – 1023-95 – Compensatory Time
 - PPM – 1034-10 – On-Call Duty
 - PPM – 1009-88 – Disciplinary Actions
- Training for Time Administrators
- Training for all staff employees and specific supervisory training
- Published a Time Administrator’s Manuel which is updated regularly
- Internal Audits conducted by DEQ Internal Audit staff
- Spot Audits conducted by DEQ Human Resource staff
- Standardization of the Time Sheet
- Designation of Time Administrators and Cross Checkers for each Division

Should Human Resources find that additional time is needed for the proper processing and certification of the timesheets, all policies, manuals and training materials will be updated and disseminated accordingly. The anticipated completion date of the evaluation of this process is September 30, 2010. Updates, if needed, to applicable policies, manuals, etc. would begin immediately.

Karen Schexnayder, Human Resources Director, is the contact person responsible for ensuring that the corrective action necessary has been completed.

Sincerely,



Vince Sagnibene
Undersecretary

DS/