

# **STATE OF LOUISIANA**

## **OFFICE OF STATE INSPECTOR GENERAL**



## **DUES AND SUBSCRIPTIONS REVIEW**

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**STATE OF LOUISIANA**  
**OFFICE OF**  
**STATE INSPECTOR GENERAL**



**DUES AND SUBSCRIPTIONS REVIEW**

**Sharon B. Robinson, CPA, CIG, MBA**  
**State Inspector General**

A handwritten signature in black ink, appearing to read "K. Blanco", is written over a horizontal line.

**Approved by:**  
**Governor Kathleen Babineaux Blanco**

**December 4, 2007**

**File No. 2-07-0001**

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JERRY LUKE LEBLANC  
COMMISSIONER OF ADMINISTRATION

December 4, 2007

Honorable Kathleen Babineaux Blanco  
Governor of the State of Louisiana  
P.O. Box 94004  
Baton Rouge, LA 70804-9004

Re: Case No. 2-07-0001

Dear Governor Blanco:

This report addresses concerns from a review of charges to the Dues and Subscription expenditure code in the Integrated Statewide Information System (ISIS). The report includes one recommendation that if implemented could improve the classification of expenditures in ISIS.

We provided a draft of the report to the Office of Statewide Reporting and Accounting Policy. The office's written response is included as Appendix B.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sharon B. Robinson".

Sharon B. Robinson, CPA, CIG, MBA  
State Inspector General

SBR/CS

Enclosure

## **Executive Summary**

### Review Initiation

The Office of State Inspector General conducted a statewide review of the \$8.7 million in charges to the expenditure code Dues and Subscriptions in the Integrated Statewide Information Systems, referred to as ISIS or the state's accounting system.

Our objective was to determine whether transactions posted to Dues and Subscriptions were appropriately classified and necessary for state agencies to conduct their day-to-day operations.

### Review Results

- We found more than \$360,000 of the Dues and Subscriptions expenditures that we examined over a 22-month period to be improperly classified in the state's accounting system. This condition may be attributable to incorrect interpretation of the expenditure object codes, or to the need for additional expenditure object codes in the state's chart of accounts. The way many state agencies do business and the services needed appear to have outgrown the available object codes. As a result, it may be necessary for the Office of Statewide Reporting and Accounting Policy to expand the definition of what should be charged to certain object codes or add new ones to the state's chart of accounts.
- We did not find unnecessary expenditures posted to Dues and Subscriptions. However, in some cases, we could not determine necessity since agencies recorded over \$1.7 million of expenditures to Dues and Subscriptions for which we were unable to readily determine whether the expenditures were properly recorded. Agencies charged many transactions that show "Petty Cash Imprest Accounts" as the vendor instead of the actual vendors that provided the service. The reason usually given was the vendor did not exist in the state's vendor file. In addition, agencies used journal voucher transactions to post charges to Dues and Subscriptions, which does not require identifying the vendors. Transactions coded to petty cash imprest accounts, and posted through journal vouchers cannot be tracked to a vendor without the supporting documentation. As a result, in both situations, it was difficult to determine if the expenditures were even necessary or whether they were properly classified.

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## **Background**

The chart of account object codes are used to identify and classify all financial transactions within the state's accounting system. According to Chapter 13-Chart of Accounts in the *Control Agencies Policies and Procedures Manual* (Revised June 2004), object codes are the starting point for the classification of similar expenditures to be recorded in the state's financial system.

We reviewed expenditure transactions classified as Dues and Subscriptions totaling \$8,721,565 from July 1, 2005 through April 30, 2007. According to the manual's description, Dues and Subscriptions object code (object code 2890) includes:

“Expenditures incurred for membership in professional organizations and the purchase of newspapers, magazines, periodicals, etc. on a continuing basis for a certain number of issues.”

During our review of payments to specific vendors, we noted that payments to West Publishing, as shown below, comprised 12% of the expenditures in our 22-month review period.

<b>West Publishing</b>	<b>FY 2006</b>	<b>FY 2007 through April 2007</b>	<b>Total FY 2006 through April 2007</b>
Total Expenditures	\$622,748	\$442,726	\$1,065,475
% of Professional Publications	53%	50%	52%
% of Total Expenditures	13%	11%	12%

## **Scope and Methodology**

Our office conducted a review of transactions posted to the Dues and Subscriptions Object Code in the state's financial system to determine whether these transactions were appropriately classified and necessary to the state agencies. This project was not an audit, and, therefore, did not conform to the standards and principles that we would have followed had it been an audit.

Our procedures included exporting and reviewing detailed transaction lists from ISIS for all expenditures posted to the Dues and Subscriptions object code from July 1, 2005 through April 30, 2007. The following information was exported for each transaction:

- Agency ID and name
- Vendor ID
- Vendor Name
- Organization ID and name
- Invoice number
- Transaction code
- Transaction date
- Transaction number
- Transaction amount

In addition, we surveyed 57 state agencies for further explanation of transactions. We mailed the surveys on July 20, 2007, and requested information on four samples of transactions which:

- appeared to be improperly classified,
- were recurring transactions to the same vendor,
- showed petty cash imprest accounts as the vendor, or
- were posted using journal vouchers without including the vendors' names.

Fifty-one of the 57 agencies responded to the survey. Upon receipt of the survey responses, we compiled and utilized the information obtained to develop this report.

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## **Expenditures Improperly Recorded in State's Accounting System**

Our office reviewed over \$8.7 million in expenditures recorded as Dues and Subscriptions. Our review found that agencies improperly recorded over \$360,000 of expenditures to Dues and Subscriptions based on the official definition. In addition, agencies recorded over \$1.7 million of expenditures to Dues and Subscriptions for which we were unable to readily determine whether the expenditures were properly recorded or necessary.

We noted that agencies recorded many transactions with petty cash imprest accounts as the vendor instead of the actual vendors that provided the products or services. Furthermore, we found that agencies used journal voucher transactions to record expenditures to the Dues and Subscriptions object code, which also would not disclose the vendor's name. Since these transactions could not be tracked to specific vendors, we were unable to determine the type of services provided in many cases, and, therefore, were unable to determine whether the expenditures were properly recorded or necessary.

We researched the vendors that we could easily identify to determine the type of products or services the agency purchased. Some vendors provide a variety of products and services, some of which would be properly classified to Dues and Subscriptions while others would not be. The transactions were then grouped into categories based on the main products or services provided by the vendors. Transactions showing petty cash imprest accounts as the vendor and transactions recorded to Dues and Subscriptions through journal vouchers were included in the "Other" category.

We categorized the Dues and Subscriptions expenditure information received from the state agencies based on vendors as follows:

- **Professional Organizations:** Services and products include membership dues, professional publications, conferences, seminars, and training. Expenditures for conferences, seminars, and training should not be classified to Dues and Subscriptions.
- **Professional Publications and Records:** Services and products include professional books, manuals, and records.
- **General Publications:** Services and products include subscriptions to newspapers, and magazines, as well as for clipping services and advertising. Expenditures for advertising should not be classified to Dues and Subscriptions.

- **Online Publications, Databases, Internet Access, and Software:** Services and products include access to online publications, databases, the Internet, and the purchase of software. Expenditures for access to online databases, the Internet, and the purchase of software should not be classified to Dues and Subscriptions.
- **Cable, Satellite, and Utilities:** Vendors provide cable, satellite, and utility services. All of these expenditures are considered utilities and should have been coded to another object code, but not to Dues and Subscriptions.
- **Training:** Vendors provide training services only. Expenditures for these services should not be classified to Dues and Subscriptions.
- **Other:** Services and products include supplies, postage, or other services that were undeterminable. In addition, as discussed above, transactions showing petty cash imprest accounts as the vendor or that were recorded through journal vouchers are included in this category.

The following table lists the total expenditures for each category of the transactions.

<b>Dues and Subscription Expenditures</b>			
<b>Vendor Categories</b>	<b>July 1, 2005 through June 30, 2006</b>	<b>July 1, 2006 through April 30, 2007</b>	<b>Totals Per Category</b>
Professional Organizations	\$1,935,592	\$1,613,720	\$3,549,312
Professional Publications and Records	\$1,179,023	\$881,911	\$2,060,934
General Publications	\$189,448	\$137,983	\$327,431
Online Publications, Databases, Internet Access, and Software	\$348,898	\$304,019	\$652,917
Cable, Satellite, and Utilities	\$24,604	\$18,995	\$43,599
Training	\$168,431	\$149,919	\$318,350
Other	\$917,331	\$851,691	\$1,769,022
<b>Total Expenditures</b>	<b>\$4,763,327</b>	<b>\$3,958,238</b>	<b>\$8,721,565</b>

The following table further breaks down the expenditures in the "Other" category for transactions recorded with petty cash imprest accounts as the vendor, through journal vouchers, and all other transactions not easily categorized.

<b>Other Category</b>	<b>FY 2006</b>	<b>FY 2007 through April 2007</b>	<b>Total FY 2006 through April 2007</b>
Petty Cash Transactions	\$146,787	\$90,778	\$237,565
Journal Voucher Transactions	\$445,095	\$504,752	\$949,847
Uncategorized Transactions	\$325,449	\$256,161	\$581,610
<b>Total</b>	<b>\$917,331</b>	<b>\$851,691</b>	<b>\$1,769,022</b>

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## More or Amended Object Codes May Be Needed

Survey responses revealed that state agencies are improperly recording a significant amount of expenditures to the Dues and Subscriptions object code. Over one-half of the 158 transactions we examined appear to be incorrectly coded. Chapter 13 of the Office of Statewide Reporting and Accounting Policy (OSRAP)'s Policies and Procedures Manual appears to limit expenditures that are recorded to this object code to "memberships in professional organizations and the purchase of newspapers, magazines, periodicals, etc. on a continuing basis for a certain number of issues." The improper classification may be attributable to agencies' incorrect interpretation of this object code's definition, as well as the lack of more suitable object codes. As a result, users of financial and budget documents do not receive accurate data for sound decision-making.

In the survey, we asked 57 agency officials (51, or 89%, responded) to further explain the purpose of expenditures for a sample of transactions that appeared to be improperly classified. The responses included 158 of these transactions, and showed that 87 of the 158 transactions were improperly classified. However, state agencies believed 41 of the 87 transactions were properly classified based on their understanding of object code definitions. The explanations provided by the state agencies indicate that either the agencies are misinterpreting the defined object codes, or the chart of accounts lacks sufficient codes for specific types of expenditures.

The following table lists the number of transactions and total expenditures of the improperly and properly classified transactions:

<b>Categories</b>	<b>Number of Transactions</b>	<b>Total Expenditures</b>	
Improperly Classified Transactions Realized Incorrect by Agencies	46	\$108,885	
Improperly Classified Believed Correct by Agencies	41	\$236,503	
<b>Total Improperly Classified Transactions</b>	<b>87</b>	<b>\$345,388</b>	<b>31%</b>
Total Properly Classified Transactions	71	\$766,272	69%
<b>Total</b>	<b>158</b>	<b>\$1,111,660</b>	<b>100%</b>
Source: Prepared by IG staff based on survey responses.			

The following is a list of vendors and the corresponding explanation of services provided for some of the 41 transactions state agencies believe to be correctly classified. We have also included some suggested object codes to show the contrast. However, in some cases, no object code clearly matched the service or product purchased.

<b>Improperly Recorded Expenditures</b>		
<b>Vendor Name</b>	<b>Explanation of Service Provided</b>	<b>Suggested Object Code</b>
America Online Inc.	Subscription for Internet access for agents in the field	2880-Internet Provider Costs
Bowman Internet System	Subscription for ServicePoint web-based database	<b>No Clear Object Code</b>
Capital City Press and <u>The Advocate</u>	Notification of disaster food stamps and advertisement for jobs	2700-Advertising
Cox Communications	Subscription for cable service	2970-Utilities
Government Finance Officers Association	Numerous conference and seminar fees	<b>No Clear Object Code</b>
Department of Health and Hospitals, Office of Public Health	Annual dues for state drinking water program	2990-Laboratory Fees
Lantec Computer Training Center	Blank coupons for training courses	<b>No Clear Object Code</b>
MindLeaders	Subscription service for e-learning and computer training	<b>No Clear Object Code</b>
Pitney Bowes Corp.	Dues for annual downloads to provide postage	2900-Mail, Delivery and Postage
Software House International	Notice of and use of updates on software and computer technology	3320-Software
Trinity Workplace Learning	Service subscribed to for network training classes	<b>No Clear Object Code</b>
<b>Source:</b> Prepared by OIG staff using data obtained in surveys of state agencies.		

**Recommendation:**

- OSRAP should consider revising and updating Chapter 13 of its Procedures Manual to expand the definition of the Dues and Subscriptions object code (and perhaps others) and develop additional object codes where needed.

## **Appendix A:**

### **List of Survey Respondents**

The following 51 state agencies responded to our survey:

Agency ID	Name of Agency	Agency ID	Name of Agency
100	Executive Office of the Governor	413	Elayn Hunt Correctional Center
107	Division of Administration	415	Department of Public Safety and Corrections, Office of Probation and Parole
108	Louisiana Patient Compensation Fund Oversight Board	420	Office of Motor Vehicles
111	Governor's Office of Homeland Security and Emergency Preparedness	423	Louisiana Gaming Control Board
132	Louisiana Department of Veterans Affairs, Northeast Louisiana War Veterans Home	431	Department of Natural Resources, Office of the Secretary
133	Governor's Office of Elderly Affairs	434	Department of Natural Resources, Office Mineral Resources
139	Louisiana Secretary of State, Office of the Secretary	440	Department of Revenue, Office of the Secretary
141	Louisiana Department of Justice, Office of the Attorney General	441	Louisiana Tax Commission
158	Public Service Commission	474	Department of Labor, Office of Workforce Development
255	Office of Financial Institutions	475	Department of Labor, Office of Workers Compensation
262	Office of the State Library of Louisiana	514	Department of Wildlife and Fisheries, Office of Fisheries
264	Department of Culture, Recreation and Tourism, Office of State Parks	560	Department of State Civil Service
265	Department of Culture, Recreation and Tourism, Office of Cultural Development	564	Division of Administrative Law
301	Department of Health and Hospitals, Florida Parishes Human Services Authority	620	University of Louisiana System, Board of Supervisors
307	Department of Health and Hospitals, Office of the Secretary	651	Louisiana School for the Visually Impaired
326	Department of Health and Hospitals, Office of Public Health	653	Louisiana School for the Deaf
331	Department of Health and Hospitals, Central La. State Hospital, Mental Health Area C	655	Louisiana Special Education Center
333	Department of Health and Hospitals, Office of Mental Health, Mental Health Area A	661	Office of Student Financial Assistance
347	Pinecrest Developmental Center Support and Services Center	662	Louisiana Educational TV Authority
355	Department of Social Services, Office of Family Support	671	Board of Regents

Dues and Subscriptions Review

<b>Agency ID</b>	<b>Name of Agency</b>	<b>Agency ID</b>	<b>Name of Agency</b>
357	Department of Social Services, Office of the Secretary	672	Louisiana Systemic Initiatives Program
402	Louisiana State Penitentiary	673	New Orleans Center for Creative Arts
405	Avoyelles Correctional Center	678	Department of Education, State Activities
406	Louisiana Correctional Institute for Women	800	Office of State Group Benefits
408	Allen Correctional Center	804	Division of Administration, Office of Risk Management
409	Dixon Correctional Institute		

**APPENDIX B:**

**OSRAP's Response**



*State of Louisiana*  
DIVISION OF ADMINISTRATION

OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY

KATHLEEN BABINEAUX BLANCO  
GOVERNOR

JERRY LUKE LEBLANC  
COMMISSIONER OF ADMINISTRATION

November 27, 2007

Ms. Sharon Robinson, CPA, CIG, MBA  
Inspector General  
Office of the State Inspector General  
P. O. Box 94095  
Baton Rouge, LA. 70804-9095

RE: Case No. 2070001

Dear Ms. Robinson:

Thank you for the opportunity to respond to your report on your statewide review of Dues and Subscriptions expenditures. As you know, agencies are responsible for ensuring the correct object code is used when recording expenditures in the state's accounting system. Chapter 13 of the Office of Statewide Reporting and Accounting Policy (OSRAP) Procedures Manual provides agencies with guidance on the appropriate object codes to use. Your recommendation therefore should address this responsibility that resides with the agencies.

I concur in part with your current recommendation. OSRAP will consider revising and updating Chapter 13 of its Procedures Manual to expand the definition of the Dues and Subscriptions object code, and possibly other object codes.

I do not concur however, that additional object codes are needed because it is not clear from the explanations in your exhibit of Improperly Recorded Expenditures that appropriate object codes do not currently exist. For Example:

- Payments to Lantec Computer Training Center, Mindleaders, and Trinity Workplace Learning appear to be related to Information Technology (IT) training and could be coded to existing object codes 2550 or 2650 for in State or Out of State IT training, respectively.
- More information is needed to determine if payments to Bowman Internet System and Government Finance Officers Association could have been coded to a more appropriate object code or if a definition of a current object code should be revised.

Case Page 2  
No. 2070001

Again, OSRAP will look into revising chapter 13 of its Policies and Procedures manual either as part of the new Enterprise Resource Planning system conversion, or as a separate exercise.

Please contact me if I can be of further assistance

Sincerely,

A handwritten signature in black ink, appearing to read 'Afranie Adomako', written in a cursive style.

Afranie Adomako, CPA  
Director

CC: Mr. Donnie Ladatto, CPA  
Files

Twenty-Five copies of this public document were published in this first printing at a cost of \$ 112.45. The total cost of all printings of this document, including reprints is \$ 112.45. This document was published by the Office of State Inspector General, State of Louisiana, Post Office Box 94095, 150 Third Street, Third Floor, Baton Rouge, LA 70804-9095 to report its findings under authority of LSA-R.S. 39:7-8. This material was printed in accordance with the standards for printing by state agencies established pursuant to LSA - R.S. 43:31.

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## **REPORT FRAUD, WASTE, AND ABUSE**

To report alleged fraud, waste, abuse, or mismanagement relative to state programs or operations, use one of the following methods:

- Complete complaint form on web site at [www.doa.Louisiana.gov/oig/inspector.htm](http://www.doa.Louisiana.gov/oig/inspector.htm)
- Write to Office of State Inspector General, P. O. Box 94095, Baton Rouge, LA 70804-9095
- Call the Office of State Inspector General at (225) 342-4262