

OFFICE OF LIEUTENANT GOVERNOR AND
DEPARTMENT OF CULTURE, RECREATION, AND TOURISM
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED NOVEMBER 15, 2018

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA

DIRECTOR OF FINANCIAL AUDIT
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Office of Lieutenant Governor and
Department of Culture, Recreation, and Tourism

November 2018

Audit Control # 80180019

Introduction

The primary purpose of our procedures at the Office of Lieutenant Governor (OLG) and the Department of Culture, Recreation, and Tourism (CRT) was to evaluate certain controls OLG/CRT uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide overall accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

Results of Our Procedures

We evaluated OLG/CRT's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of OLG/CRT's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, William R. Irby Trust, the Seafood Marketing Program expenditures, admission fees, payroll expenditures, and LaCarte expenditures.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in OLG/CRT's procedural report dated September 21, 2016. The prior-report finding related to Control Weaknesses over Seafood Marketing Program Expenditures has not been resolved and is addressed again in this report.

Current-report Findings

Weaknesses in Controls over William R. Irby Trust

CRT's Office of State Museum, also referred to as the Louisiana State Museum (LSM), did not maintain documentation to support the purpose for guest stays in the apartment that was designated for use by LSM, did not ensure that prior authorization to make purchases was obtained for William R. Irby Trust (Irby) expenditures, and did not obtain approval of the budget for Irby from the LSM Board of Directors (Board) prior to the start of the fiscal year.

In his 1936 will, Mr. William Ratcliffe Irby bequeathed to LSM the building known as the Lower Pontalba Building, located in New Orleans. The Board serves as the trustee for the building, and LSM is responsible for the management, operation, and maintenance of the building. The building consists of 28 residential apartments and 12 commercial units. The Board designated one of the residential apartments for use by LSM to provide accommodations for public and museum-related purposes.

Our review of Irby expenditures and activities disclosed the following:

- The LSM director did not give authorization needed for guests to stay in the apartment designated for LSM use and did not maintain a log documenting the purpose for guest stays as required by LSM policy. LSM policy designates the LSM director as the person with control and approval authority for use of this apartment and requires the director to maintain a log, showing the name of the guest and the purpose for the visit.
- Twelve (40%) of 30 expenditures tested for the period July 1, 2016, to February 28, 2018, lacked evidence of prior authorization to purchase. In addition, three of the 12 expenditures without prior authorization to purchase were made without a purchase order. LSM policy requires prior authorization to purchase by submitting an approved purchase requisition to the Purchasing Technician and requires a purchase order for services that exceed \$1,000.
- A \$228 invoice that was not related to Irby was incorrectly posted to accounts payable in the Irby financial records. CRT identified and corrected the error after supporting documentation for the expenditure was requested by the auditor.
- The Irby budgets for state fiscal years 2017 and 2018 were presented to and approved by the Board on September 12, 2016, and October 23, 2017, respectively, after the July 1 start of each fiscal year.

Failure to follow established policies and procedures and obtain budget approval in a timely manner increases the risk that unauthorized purchases could be made and funds or assets could be used for unallowed activities.

Management should ensure that documentation is maintained to show that the LSM apartment is used for museum-related purposes; expenditures recorded in the Irby financial records are for allowable activities that have been properly reviewed and approved; policies and procedures are updated to reflect current practices; employees follow established policies and procedures; and budgets are submitted to the Board for approval before the start of the fiscal year. Management concurred in part with the finding and provided a plan of corrective action (see Appendix A, pages 1-3).

Control Weaknesses over Seafood Marketing Program Expenditures

For the second consecutive engagement, Louisiana Seafood Marketing and Promotion Board (Board) employees and OLG employees did not follow established internal control policies and

procedures related to the review and approval of Seafood Marketing Program (Program) expenditures, increasing the risk that unauthorized purchases could be made and funds could be used for unallowed activities. Failure to formalize a contract or agreement for professional or consulting services to include all provisions required by law increases the risk of misunderstandings and/or nonperformance of needed services without any protection, including remedies for default.

A review of Program expenditures during the period July 1, 2016, through February 2, 2018, disclosed that the Board continued to procure professional and consulting services totaling \$82,831 from two vendors identified in the prior procedural report finding without the initiation of a formal contract or agreement.

Additionally, in a review of 194 invoices included on 27 warrants prepared by OLG staff to initiate payment of Program expenditures by the Louisiana Wildlife and Fisheries Foundation (Foundation), the following was noted:

- 167 (86%) invoices lacked evidence of prior approval to initiate the purchases. The Board's administrative policy requires project approval for all expenditures before they are incurred.
- Of the 167 invoices that lacked evidence of prior approval, 37 (22%) invoices totaling \$141,724, relating to 25 different projects, were paid without obtaining the required quotes or formal contract or agreement with the vendor. Seventeen invoices totaling \$38,352 required quotes and 20 invoices totaling \$103,372 required a formal contract or agreement. Without the required quotes, the Board may not have received the best price for the items purchased. Without project approval and a formal contract or agreement, the auditor could not determine if the amount billed by the vendor and paid by the Board was correct. The OLG procurement practice is to require a formal contract, agreement, and/or quotes for purchases that exceed \$1,000. For professional or consulting services of \$2,000 or less, the OLG policy requires a letter of agreement and a contract is required for professional or consulting services that exceed \$2,000.

British Petroleum Exploration and Production, Inc. (BP) provided \$30 million dollars to Louisiana to design and implement the Program to mitigate the negative effect on Louisiana's seafood industries as a result of the Deepwater Horizon oil rig explosion. BP, the Louisiana Department of Wildlife and Fisheries, and OLG entered into a Memorandum of Understanding (Memorandum) to administer the Program. The Memorandum specifies that Program funds are held and disbursed by the Foundation. The Board administers the Program and approves invoices for payment. The approved invoices are submitted to OLG staff for preparation and submission of warrants to the Foundation for disbursement of the funds. The Foundation uses a CPA firm to process Program payments. The Memorandum requires OLG staff to follow the Louisiana Procurement Code or other state procurement laws and regulations.

The Board and OLG management should place stronger emphasis on compliance with established policies, procedures, and state procurement laws and regulations through employee training, guidance, and oversight; and ensure that project approval has been obtained and

contracts or agreements are finalized before expenditures are incurred. Management concurred with the finding and provided a plan of corrective action (see Appendix A, pages 4-5).

Weaknesses in Controls over Admission Fees

Office of State Museum (OSM) management did not ensure that admission fees for the Wedell-Williams Aviation and Cypress Sawmill Museum were timely billed and collected. Office of State Parks (OSP) management did not ensure that the admission fees contained in the Louisiana Administrative Code (LAC) were charged at the Rosedown Plantation and Historic Site and at Bayou Segnette State Park. Failure to timely bill admission fees increases the risk that fees could be billed inaccurately and/or fees will not be collected. Failure to charge the correct admission fees may result in uncollected revenue and noncompliance with the LAC.

A review of admission fees for the Wedell-Williams Aviation and Cypress Sawmill Museum from March 1, 2016, to June 30, 2018, disclosed the following:

- OSM did not have a written agreement with the Wedell-Williams Memorial Foundation (Foundation), which agreed in December 2013 to pay the costs of the admission fees so that admission to the museum could remain free to the public, and did not have written procedures in place to ensure that the Foundation was billed timely. As a result, admission fees totaling \$12,046 for seven (78%) of nine quarters that were reviewed were billed from 43 to 396 days after the quarter ended. OSM personnel represented to us that they bill the Foundation after quarterly ticket sales have been reconciled.
- Supporting documentation for all nine payments made by the Foundation that were reviewed did not include evidence of the check receipt date. Without the check receipt date, we could not determine if the deposits were made in accordance with OSM policy.

A review of admission fees for five state parks and two historic sites from July 1, 2016, to May 31, 2018, disclosed the following:

- The Rosedown Plantation and Historic Site did not charge the admission fee contained in the LAC for 9,536 visits, resulting in \$28,186 in uncollected revenue. This noncompliance occurred because OSP personnel updated admission fees, effective March 1, 2017, in the point of sale system for proposed fee changes that were not promulgated in the LAC. OSP personnel stated that the incorrect admission fees were promulgated in the LAC, but provided no evidence to show that attempts had been made to promulgate the rates that are currently being charged.

In addition, 2,185 Rosedown visits were for students in school groups, and the students were charged a special admission fee of \$4 for tours of the main plantation home. Management could not provide evidence of approval for the \$4 fee.

- The Bayou Segnette State Park did not charge the admission fee contained in the LAC for 77 visits, resulting in \$102 in uncollected revenue. This noncompliance occurred because OSP personnel failed to remove old admission fees from the point of sale system when the fees changed.

OSM management should establish a written agreement with the Foundation and establish written policies and procedures to ensure that monies due from the Foundation are timely billed and collected. OSP management should ensure that fees currently being charged at all state parks and historic sites are in compliance with the fees contained in the LAC. Management concurred in part with the finding and provided a plan of corrective action. Management noted that the incorrect adult admission fee (\$15) was promulgated for the Rosedown Plantation and Historic Site and a management decision was made to proceed with the intended admission fee (\$12). In addition, management explained that while Louisiana Revised Statute (R.S.) 56:1693 exempts any school child who is on a field trip conducted as part of the curriculum of school from paying the general admission charge, a special admission fee (\$4) to Rosedown for students in school groups was approved many years ago. Management also indicated that it will ensure that fees currently being charged will be approved in writing (see Appendix A, pages 6-9).

Additional Comments: The admission fee of \$15 per adult is currently promulgated in the LAC. Management mentions in its response that LAC Title 25, Part IX, Chapter 5, Section 500(E) provides that the assistant secretary may approve a discount or surcharge for the standard admission fee. This LAC section applies to admission fees in association with special events and uses. The standard admission fee for Rosedown Plantation and Historic Site is not related to a special event or use.

Management could not provide evidence of approval for the \$4 fee and the practice of charging \$4 per student may contradict R.S. 56:1693 that exempts students on a field trip from paying an admission fee during certain months of the year.

Weaknesses in Controls over Payroll

CRT employees did not follow established payroll policies and procedures for certification and approval of time sheets, and CRT management did not maintain evidence of prior approval of leave and overtime requests. These control weaknesses increase the risk of payroll error and/or fraud and may result in a loss of state and/or federal funds.

A test of 35 time sheets for July 1, 2016, to January 31, 2018, disclosed the following:

- Two (6%) were certified by the employee after payroll was processed and had posted to the financial records. One was certified nine days after posting and the other 299 days after posting.
- Eight (23%) were approved by the supervisor from one to 75 days after payroll was processed and had posted to the financial records.
- One (3%) was not approved by the supervisor.

- For 19 time sheets that showed leave was taken, 11 (58%) lacked evidence of prior approval to take leave.
- For 12 time sheets that showed overtime was earned, six (50%) lacked evidence of prior approval to work overtime.

Based on the results of the test above, we performed a review of payroll system reports for the time period July 1, 2016, through January 31, 2018, which disclosed the following:

- 926 (4%) of 20,939 time sheets were not certified by the employee.
- 1,813 (9%) of 20,939 time sheets were not approved by the supervisor.
- 4,767 (23%) of 20,939 time sheets were approved by the supervisor from one to 378 days after payroll was processed and had posted to the financial records.
- 1,816 (11%) of 16,848 annual leave requests, 830 (11%) of 7,739 sick leave requests, and 1,697 (17%) of 10,284 requests to work overtime that employees submitted to be electronically approved by a supervisor were automatically approved by the system after no action was taken by supervisors to approve or reject the requests before the system deadline.

CRT's payroll policies and procedures require employees to complete a time sheet and the employee and supervisor to sign it as certification of its accuracy; advance approval to use annual, sick, or compensatory leave; and advance approval to work overtime for which compensatory leave is earned. CRT management did not ensure that employees followed established payroll policies and procedures for certifying and approving time sheets and did not update those policies to reflect that it had switched from a manual certification and approval system for time sheets and leave and overtime requests to an electronic system. While CRT's policies don't require the advance approval for leave or overtime to be in writing, without written approval there is no evidence that advance approval was given and that policies are being followed.

CRT management should emphasize compliance with established policies and procedures through employee training, guidance, and oversight; update policies and procedures in a timely manner to reflect current practices; and ensure that evidence is maintained to support advance approval of leave and overtime requests. Management concurred in part with the finding and provided a plan of corrective action. Management stated that situations may occur that prevent certification and/or approval of time sheets and leave requests prior to the processing of payroll. Management did not concur with the lack of evidence regarding leave and overtime noting written prior approval was not required. Management indicated in its response that its policy will be revised to reflect current practice (see Appendix A, pages 10-13).

Additional Comments: For the exceptions related to the 35 time sheets tested, none of those exceptions included situations in which evidence was provided indicating circumstances that could have prevented timely certification or approval of time sheets. In the review of payroll

system reports, the number of exceptions indicates that the lack of timely approval did not occur on an occasional basis.

Weakness in Controls over LaCarte Expenditures

CRT employees failed to obtain prior authorization to make purchases using the LaCarte purchasing card. In a review of 46 LaCarte expenditure transactions for the period July 1, 2016, to January 5, 2018, 22 (48%) lacked evidence of prior authorization to purchase.

CRT policy requires employees to obtain prior approval on a request for purchase authorization form or via email. Failure to obtain proper approvals before purchases are made increases the risk that fraudulent or unauthorized purchases could be made.

Management should ensure that all purchases have been properly approved and that employees follow established policies and procedures. Management concurred in part with the finding and provided a plan of corrective action. Management stated that some employees have the authority to make purchases up to a specified limit without written prior approval (see Appendix A, pages 14-15).

Additional Comments: There was no evidence to show that authority to make purchases without written prior approval was granted to the employees included in our review. As noted in management's response, the authority given was not formally documented in a policy or memorandum.

Cash

OLG/CRT maintains various bank accounts for managing funds collected by the Office of State Parks. We obtained an understanding of OLG/CRT's controls over the bank account reconciliation process and reviewed all bank reconciliations for the period July 2016, through November 2017. Based on the results of our procedures, OLG/CRT had adequate controls in place to ensure timely preparation, review and approval of bank reconciliations.

William R. Irby Trust

We obtained an understanding of LSM's controls over the administration of the Irby Trust, including controls related to commercial rental revenue, expenditures, the apartment designated for LSM use, and budgets.

We reviewed selected commercial rent receipts during the period July 2016, through January 2018. Based on the results of our procedures, LSM had adequate controls to ensure that commercial rent receipts were accurately calculated, adequately supported, and collected timely.

We performed a test of expenditures during the period July 1, 2016, through February 28, 2018, to determine whether purchases were properly authorized, adequately supported, and in

compliance with applicable policies and regulations. Based on the results of our procedures, except as noted in the Current-report Findings section, LSM had adequate controls in place over Irby purchases and complied with applicable policies and regulations.

The Irby administrative apartment is designated for LSM use to provide accommodations for public and museum-related purposes. We reviewed documentation related to guest stays to determine whether LSM complied with applicable policies and regulations. Based on the results of our procedures, guest stays were not properly authorized and the purposes for the stays were not documented as required by LSM policy (see Current-report Findings).

A review of LSM Board of Directors (Board) meeting minutes disclosed that the Irby budgets for fiscal years 2017 and 2018 were presented to the Board for approval after the start of each fiscal year (see Current-report Findings).

Seafood Marketing Program Expenditures

We obtained an understanding of OLG/CRT's controls over Seafood Marketing Program (Program) expenditures. We performed a test of Program expenditures during the period July 1, 2016, through February 2, 2018, to determine if purchases were properly authorized, adequately supported, and in compliance with applicable laws and regulations. Based on the results of our procedures, OLG/CRT did not follow established internal control policies and procedures related to the review and approval of Program expenditures in addition to failing to formalize a contract or agreement for professional or consulting services (see Current-report Findings).

Admission Fees

We obtained an understanding of CRT's Office of State Museums (OSM) and Office of State Parks (OSP) controls over the collection of admission fees at state museums and state parks and historic sites. We reviewed system generated sales reports for all state museums and select state parks and historic sites. Based on the results of our procedures, except as noted in the Current-report Findings section, OSM and OSP had adequate controls in place to ensure admission fees at state museums and state parks and historic sites were accurately collected and complied with applicable policies and regulations.

Payroll Expenditures

OLG/CRT salaries and related benefits totaled approximately \$38 million and \$37 million, respectively, for fiscal years 2017 and 2018. We obtained an understanding of OLG/CRT's controls over payroll processing and reviewed selected employee time statements and leave records during July 1, 2016, to January 31, 2018. In addition, we analyzed system reports to determine the timeliness of leave approvals and time sheet certifications and approvals. Based on the results of our procedures, CRT employees did not follow established payroll policies and

procedures for certification and approval of time sheets, and CRT management did not maintain evidence of prior approval of leave and overtime requests (see Current-report Findings).

LaCarte Expenditures

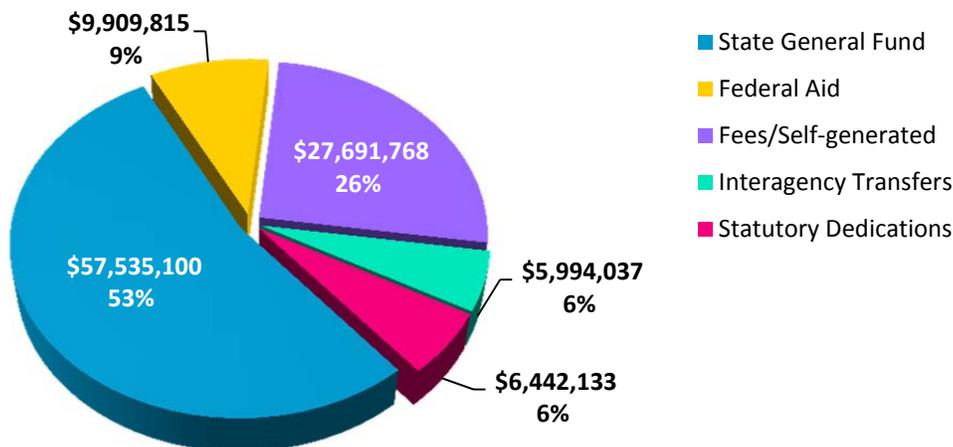
OLG/CRT participates in the state of Louisiana’s LaCarte purchasing card program. We obtained an understanding of OLG/CRT’s controls over LaCarte purchases. We analyzed LaCarte card transaction listings for the period July 1, 2016, through January 5, 2018, and reviewed selected transactions to determine whether OLG/CRT obtained prior approval to purchase, purchases were made for proper business purposes, sufficient documentation was maintained to support purchases, and transactions were properly reviewed and recorded. Based on the results of our procedures, except as noted in the Current-report Findings section, OLG/CRT had adequate controls in place over LaCarte purchases and complied with applicable policies and regulations.

Trend Analysis

We compared the most current and prior-year financial activity using OLG/CRT’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from OLG/CRT’s management for any significant variances. We also prepared an analysis of OLG/CRT’s fiscal year 2018 revenues and expenditures.

As shown in Exhibit 1, OLG/CRT’s main sources of revenue consist of state general funds and fees/self-generated revenue. The majority of fees/self-generated revenue is for the Office of Tourism from sales and use tax collected by the Louisiana Tourism Promotion District. These funds are collected and deposited into the State Treasury by the Department of Revenue.

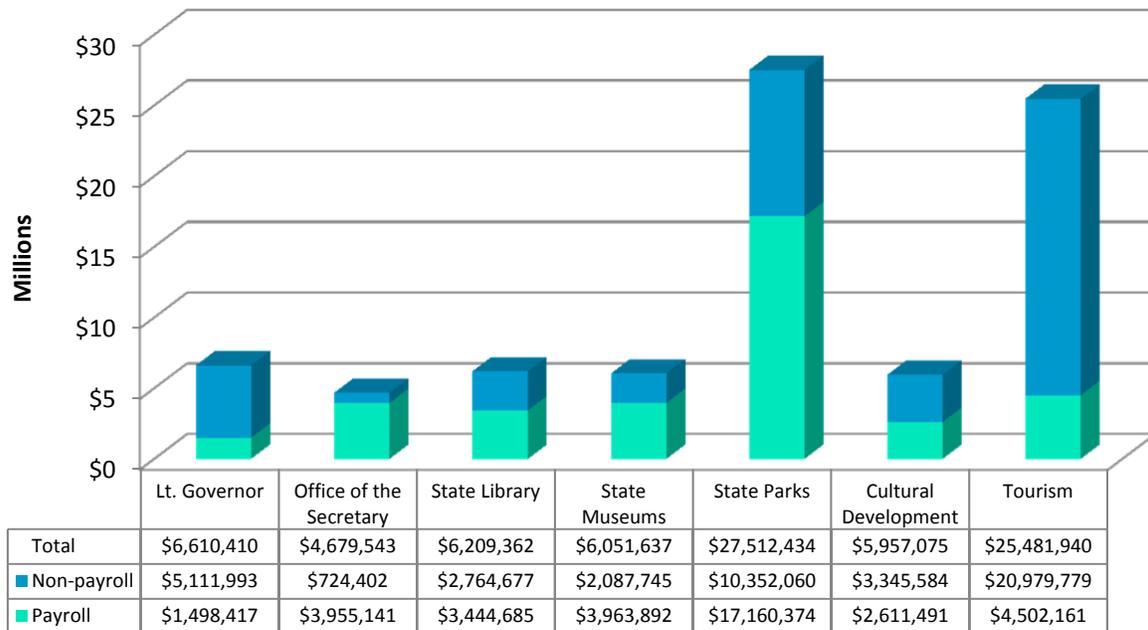
Exhibit 1
Total Fiscal Year 2018 Revenue by Appropriation Type
Total: \$107,572,853



Source: Integrated Statewide Information System Reports

Exhibit 2 shows OLG/CRT’s fiscal year 2018 total expenditures by agency. OSP and Office of Tourism make up the majority of OLG/CRT’s total expenditures. Approximately \$19 million (75%) of the Office of Tourism’s expenditures are related to marketing and advertising costs.

Exhibit 2
Total Fiscal Year 2018 Expenditures by Agency



Source: Integrated Statewide Information System Reports

Under Louisiana Revised Statute 24:513, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

JP:CRV:RR:EFS:aa

APPENDIX A: MANAGEMENT'S RESPONSES



BILLY NUNGESSER
LIEUTENANT GOVERNOR

State of Louisiana
OFFICE OF THE LIEUTENANT GOVERNOR

POST OFFICE BOX 44243
BATON ROUGE, LA 70804

August 21, 2018

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

Re: Weaknesses in Controls over William R. Irby Trust

Dear Mr. Purpera,

As per your request on August 15, 2018, please accept this letter as our official response to the audit findings referenced above.

Finding 1: The Louisiana State Museum (LSM) Director did not authorize guests to stay in the administrative apartment and did not maintain a log documenting the purpose for guest visits as required by LSM policy.

Response: We concur in part with this finding. Due to budget issues, the Museum implemented a layoff plan shortly after the start of fiscal year 2017 that included the layoff of a permanent employee responsible for maintaining the log and approval forms of the administrative apartment in the Lower Pontalba building. Unfortunately, after the employee's separation, the log and approval forms could not be located and the responsibility was not assigned to another Museum employee. In addition, during fiscal years 2017 and 2018, the Museum lacked a director for several periods. However, LSM did maintain an Outlook calendar with the dates and names of guests who stayed in the apartment.

As corrective action, the administrative apartment procedures will be revised giving control and approval authority for use of the apartment to the Museum Director or his/her designee. In addition, an employee has been assigned the responsibility for maintaining approval forms and the log. All requests for use of the apartment are to be submitted to this employee and/or the Assistant Museum Director. The employee will ensure that all approval forms are properly signed prior to the use of the apartment. To assist the employee, a new approval form has been created in a database that will include fields for the name of the person using the apartment, the purpose, and the date of arrival and departure. Completion of the form will automatically populate a log.

Finding 2: Twelve (40%) of 30 expenditures tested for the period July 1, 2016 to February 28, 2018 lacked evidence of prior authorization to purchase. In addition, three of the 12 expenditures were made without a purchase order.

Response: We concur with this finding. As corrective action, a memorandum has been issued to all procurement staff reiterating that purchase requests must be submitted and approved prior to purchase. In addition, the new Business Manager has been instructed to review all purchases prior to payment for pre-approved purchase requests, as well as approved purchase orders and/or contracts when required and notify management of any issues noted. The Internal Auditor will also conduct periodic tests of purchases for proper pre-approvals, purchase orders, and/or contracts. Management will be notified of any employees who repeatedly fail to obtain the necessary approvals, purchase orders, and/or contracts to ensure the appropriate corrective action is taken. Corrective action may include, but is not limited to, counseling or disciplinary action of the employee and/or removal of the employee's procurement responsibilities.

Finding 3: A \$228 invoice that was not related to the Irby Trust was incorrectly posted to accounts payable in the Irby financial records. CRT identified and corrected the error after documentation was requested by the auditor.

Response: We concur with this finding. The invoice was posted in error in June 9, 2017, by the former Museum Business Manager but never paid. The invoice was a Museum related expense that was paid by the Museum Foundation. The Internal Auditor noted the outstanding invoice shortly after the former Business Manager's separation and alerted staff in February 2018. However, the invoice was not reversed until April 30, 2018, after the LLA's request for Irby documentation. As corrective action, the new Business Manager will review aged accounts payables on a monthly basis and resolve any issues noted.

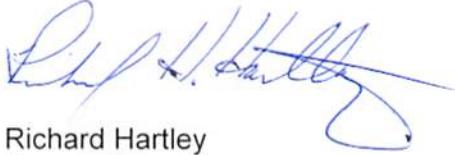
Finding 4: The Irby budget for fiscal years 2017 and 2018 were presented to and approved by the board on September 12, 2016 and October 23, 2017 respectively, after the July 1 start of each fiscal year.

Response: We concur with this finding. However, the Museum Board was fully aware that budgets would not be presented for approval until after the start of the fiscal year, because final budgets could not be projected until expected rent rate increases were approved by the Board for residential units located in the Lower Pontalba building. For fiscal year 2017, the Board met and approved a 25% residential rent rate increase on June 13, 2016. The Board did not meet again until September 12, 2016, at which time the final fiscal year 2017 budget was approved. For fiscal year 2018, the Board met and approved the suspension of a 10% residential rent rate increase on June 8, 2017, and approved a new residential rent rate study. The Board met on September 18, 2017, and approved new residential rent rates based on the study, which was completed in August 2017. The Board met again on October 23, 2017, at which time the final fiscal year 2018 budget was approved. As corrective action, the Museum Director will submit a temporary standstill budget for Board approval based on the prior year's budget should issues arise that prevent the accurate projection of a new fiscal year budget. Once the new fiscal year budget can be accurately projected, an amended budget will be submitted for Board approval.

Mr. Daryl G. Purpera, CPA, CFE
August 21, 2018
Page 3

Thank you for the opportunity to respond to these findings. If we can be of further assistance, please do not hesitate to contact our office.

Sincerely,



Richard Hartley
Deputy Secretary



BILLY NUNGESSER
LIEUTENANT GOVERNOR

State of Louisiana
OFFICE OF THE LIEUTENANT GOVERNOR

POST OFFICE Box 44243
BATON ROUGE, LA 70804

October 18, 2018

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

Re: Weaknesses in Controls over Seafood Marketing Program Expenditures

Dear Mr. Purpera,

As per your request on October 9, 2018, please accept this letter as our official response to the audit findings referenced above.

Our response in regards to your review of Louisiana Seafood Marketing and Promotion Board (Board) expenditures during the period July 1, 2016 to February 2, 2018, are as follows:

Finding 1: The board continued to procure professional and consulting services totaling \$82,831 from two vendors identified in the prior procedural report without the initiation of a formal contract or agreement.

Finding 2: 167 (86%) invoices lacked evidence of prior approval to initiate the purchases. The Board's administrative policy requires project approval for all expenditures before they are incurred.

Finding 3: Of the 167 invoices that lacked evidence of prior approval, 37 (22%) invoices totaling \$141,724, relating to 25 different projects, were paid without obtaining the required quotes or formal contract or agreement with the vendor.

Response: We concur with these findings. Following the resignation of the Board's Executive Director and Assistant Executive Director in June 2017, the DCRT Internal Auditor conducted an audit of the Board to ensure that corrective action had been implemented to resolve the Legislative Auditor's findings in its September 21, 2016, procedural audit report of DCRT. The internal audit scope covered the period July 1, 2016 through June 30, 2017, and a report was issued on October 31, 2017. The audit revealed the same issues found during the Legislative Auditor's current audit engagement, which began in December 2017.

Upon the issuance of the internal audit report, the Board immediately began implementing corrective action. However, corrective action was not fully implemented until January 30, 2018. Therefore, all expenditures included the Legislative Auditor's current audit engagement were initiated prior to full

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implementation of corrective action. The corrective action implemented is as follows and should fully resolve all findings:

- One of the vendors identified in the Legislative Auditor's prior procedural audit, current procedural audit has been approved as a sole source vendor by the Office of State Procurement, and approved purchase order agreements have been issued.
- Concept approvals for all events and projects managed by the Board are now obtained on Project Summary Requests submitted in DCRT's OnBase database.
- Concept approvals for all events and projects managed by DCRT's contracted marketing agencies are obtained on written Task Orders.
- All Project Summary Requests and Task Orders include purpose and description of the event or project, benefits of the event or project, work or services to be performed, and estimated budgets.
- The Board and DCRT now follow the State's procurement policies and procedures. Quotes are no longer required for small purchases under \$5,000. When required, quotes are properly obtained and documented.
- All contracts for professional and consulting services are required to be reviewed and approved by the DCRT Contract/Grant Reviewer and DCRT General Counsel. Contracts and agreements are not approved unless accompanied by an approved Project Summary Request or Work Order. A routing slip with their approvals must be completed. The routing slip must accompany the contract or agreement for final approval and signature by the Chief of Staff.
- The Board now tracks all events and projects in a Project database ensuring the following:
 - Proper approvals of concepts,
 - Properly approved contracts or agreements, when required,
 - Properly documented quotes, when, required, and
 - Expenditures do not exceed approved budgets.

Thank you for the opportunity to respond to these findings. If we can be of further assistance, please do not hesitate to contact our office.

Sincerely,



Richard Hartley
Deputy Secretary



BILLY NUNGESSER
LIEUTENANT GOVERNOR

State of Louisiana
OFFICE OF THE LIEUTENANT GOVERNOR

POST OFFICE BOX 44243
BATON ROUGE, LA 70804

October 23, 2018

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

Re: Weaknesses in Controls over Admissions Fees

Dear Mr. Purpera,

As per your request on October 22, 2018, please accept this letter as our official response to the audit findings referenced above.

Our response in regards to your review of admission fees for the Wedell-Williams Aviation and Cypress Sawmill Museum from March 1, 2016 to June 30, 2018 are as follows:

Finding 1: OSM did not have a written agreement with the Wedell-Williams Memorial Foundation (Foundation), which agreed in December 2013 to pay the costs of the admission fees so that admission to the museum could remain free to the public, and did not have written procedures in place to ensure that the Foundation was billed timely.

Finding 2: Supporting documentation for all nine payments made by the Foundation that were reviewed did not include evidence of the check receipt date.

Response: We concur with this finding. Although the Office of the State Museum (OSM) did not have a written agreement with the Foundation regarding the Foundation's payment of the Museum's admission fees, or written procedures for the timely billing of the Foundation and documenting the receipt date of payment, an employee was given the task of reconciling admissions to the Museum and invoicing the Foundation. However, without procedures requiring a specific billing cycle, the employee given the task took it upon himself to invoice the Foundation in quarterly cycles as time permitted.

As corrective action, the responsibility for invoicing the Foundation has been reassigned to the OSM Business Manager and procedures are being written that require timely monthly billing of the Foundation. In addition, upon the Internal Auditor's recommendation and prior to notification of the LLA finding, OSM implemented a check log documenting the date all checks are received in office, as well as the payee and the amount. OSM will also enter into an agreement with the Foundation regarding their continued payment of admission fees.

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Our responses in regards to your review of admission fees for five state parks and two historic sites from July 1, 2016 to May 31, 2018 are as follows:

Finding 3: The Rosedown Plantation and Historic Site did not charge the admission fee contained in the LAC for 9,536 visits, resulting in \$28,186 in uncollected revenue. The noncompliance occurred because OSP personnel updated admission fees, effective March 1, 2017, in the point of sale system for proposed fee changes that were not promulgated in the LAC.

Finding 4: In addition, 2,185 Rosedown visits were for students in school groups, and the students were charged a special admission fee of \$4 for tours of the main plantation house. Management could not provide evidence of approval for the \$4 fee.

Response: We do not concur with these findings. In July 2016, the Office of State Parks (OSP) began the process of amending its rules in Title 25 of the LAC, which included amended fees for all State Parks and State Historic Sites. Initial revisions changed the adult admission fees from \$10 to \$15 at Rosedown Plantation and State Historic Site (Rosedown). However, the proposed fee was revised to \$12 after concerns were brought to OSP's attention that a \$15 fee would be too high and could negatively affect Rosedown's riverboat customer base. Unfortunately, OSP inadvertently submitted the incorrect version of the amended rules to the Legislative Fiscal Office, the Legislative oversight committees, and the State Register, which resulted in the promulgation of the incorrect \$15 admission fee. The effective date of the new fee schedule was March 1, 2017.

The error was caught on February 13, 2017, by OSP Director of Operations and Facilities Cliff Melius after the new fees had already been submitted for promulgation. This left only 11 days until the effective date of the newly promulgated fees. The process of promulgating rules within the LAC takes a minimum of four months. La. R.S. 49:953 does provide for the promulgation of emergency rules. However, the emergency rule-making process should only take place when a current rule or lack thereof poses an imminent peril to public health, safety, or welfare.

Given the time constraints and after meetings held with Mr. Melius, then Assistant Secretary Robert Barham, and Deputy Assistant Secretary Brandon Burris, the management decision was made to proceed with the \$12 fee as intended, but implementing the fee in accordance with LAC Title 25, Part IX, Chapter 5, Section 500(E). This section provides that the assistant secretary may approve a discount or surcharge for the standard admission fee. To charge \$12 as intended rather than \$15 as promulgated, the assistant secretary approved a discount to the regular fee. In addition, promulgating the correct \$12 fee was not considered due to the lengthy process and time involved in promulgating LAC rules. The process of promulgating a correction for one admission fee would be an unwarranted, inefficient, and wasteful use of state resources, particularly when the LAC clearly provides for the assistant secretary's approval of a discounted fee.

Although specific approval for the \$12 fee was not in writing, agency-wide emails with the correct \$12 fee copied to Mr. Barham, a February 23, 2017 press release regarding the new fees, and public postings of the new \$12 fee on the OSP website, as well as the entrance of Rosedown corroborate the approval of the \$12 fee. Additionally, the assistant secretary's approval will only be given in writing for waivers, discounted fees, or other special fees when requested by organizations and such special fees are not publicly posted and/or advertised. Special and/or promotional fees that are publicly posted on the OSP website and/or advertised are not approved in writing by the assistant secretary. We consider the public posting and advertisement of such fees sufficient to corroborate the assistant secretary's approval. For example, for the months of October and November, the Lt. Governor and the OSP has announced discounted rates of up to 45% at State Parks located in the central and northern part of the state as a promotional effort. The promotion has been advertised and publicly posted on the website. but the assistant secretary's approval of the promotion is not in writing.

Of the 11,721 total visits, 9,536 were for regular adult admissions that were correctly charged the approved \$12 fee, and 2,185 were for school groups of students between 4 – 17 years of age that were charged a \$4 fee for tours of the main plantation that was approved as a special admission fee many years ago.

La. R.S. 56:1693 and LAC Title 25, Part IX, Chapter 5, Section 502(C) exempts any school child who is on a field trip conducted as part of the curriculum of the school and any classroom teacher, parent, bus driver, and any other person accompanying a school child on such a field trip from paying the general admission charge to any OSP site, including parks, museums, and related facilities.

In order to promote the educational value of our State Historic Sites and consistent with the provisions above, school groups are also not charged general admission fees at any State Historic Site, including Rosedown. At Rosedown, school groups are admitted free to the site, which includes the historical gardens and numerous historical outbuildings. However, students in school groups are charged a special \$4 admission fee for tours of the main plantation home itself. Guides, security, and small groups are necessary to protect the home's furnishings and accessories, many of which are fragile and irreplaceable. The following notice below is posted on OSP's website:

"Free admission is provided to all sites for school groups (including bus driver and chaperones) on field trips. Field trip must be arranged in advance with park staff.

Note: Free admission to Rosedown Plantation for school groups is limited to self-guided grounds and garden tours only. Field trip tours of the main plantation house require a \$4 per student charge. (Teachers/chaperones are admitted free to the main plantation house while accompanying a scheduled field trip group when the students tour the house.)"

Again, the special \$4 fee is publicly posted and sufficient to corroborate the assistant secretary's approval. However, Assistant Secretary Gene Reynolds will ensure that approval of the special \$4 school group fee is in writing, as well as the \$12 adult admission fee.

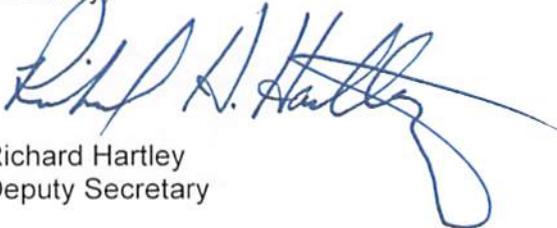
Finding 4: The Bayou Segnette State Park did not charge the admission fee contained in the LAC for 77 visits, resulting in \$102 in uncollected revenue.

Response: We concur with this finding. The new fees in Title 25 required changes to all product codes in OSP's Active Works point-of-sale system as of the March 1, 2017, effective date. Old rates for each product code had to be deactivated and new rates entered. Because of the large number of product codes for each State Park and State Historic Site, this was a huge undertaking requiring the assistance of technical support from Active Works. All new rates were entered for each product code, including the new \$3 rate for day-use admission to Bayou Segnette. Unfortunately, the old day-use admission rates at Bayou Segnette were not properly deactivated and were not caught in the review of rate changes conducted by staff at the Reservation Center and Bayou Segnette. However, we must commend the staff at Bayou Segnette in that of the 62,399 day-use admissions sold resulting in \$187,077 in revenue, only 77 were inadvertently charged the older rates at a loss of \$102.

As corrective action, the old rates have been deactivated.

Thank you for the opportunity to respond to these findings. If we can be of further assistance, please do not hesitate to contact our office.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard A. Hartley", with a large, stylized flourish at the end.

Richard Hartley
Deputy Secretary

Cc:



BILLY NUNGESSER
LIEUTENANT GOVERNOR

State of Louisiana
OFFICE OF THE LIEUTENANT GOVERNOR

POST OFFICE BOX 44243
BATON ROUGE, LA 70804

August 21, 2018

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

Re: Weaknesses in Controls over Payroll

Dear Mr. Purpera,

As per your request on August 14, 2018, please accept this letter as our official response to the audit findings referenced above.

Our responses in regards to your review of 35 timesheets between July 1, 2016 and January 31, 2018 are as follows:

Finding 1: Two (6%) were certified by the employee after payroll was processed and had posted to the financial records. One was certified 9 days after and the other 299 days after.

Finding 2: Eight (23%) were approved by the supervisor from one to 75 days after payroll was processed and had posted to the financial records.

Finding 3: One (3%) was not approved by the supervisor.

Response: We concur in part with these findings. The findings relate to timesheets in LaGov's Cross Application Timesheet (CATS) application. The Department of Culture, Recreation and Tourism's (DCRT) Human Resources and Office of Management and Finance departments began using CATS in approximately July 2016. Through the first half of fiscal year 2017, CATS was implemented in the remaining DCRT agencies and departments. By January 1, 2017, all DCRT agencies and departments were using CATS. We agree that timesheets should be certified by employees and approved by supervisors prior to the processing of payroll. However, situations may occur that prevent certification and approval of timesheets prior to processing payroll. For example, many of our Parks and Welcome Centers are located in rural areas with poor internet service. When the internet is down, timesheets cannot be certified and/or approved. Various other situations occur that also prevent the certification and approval of timesheets prior to the processing of payroll. Although these situations may occur, the occurrences should only happen on an occasional basis. As CATS is in its infancy within DCRT,

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adequate controls were not implemented to ensure that timesheets were properly certified and approved when possible prior to the processing of payroll.

As corrective action, ZP241 and ZT20 payroll reports are now being monitored on a monthly basis by Human Resources. Notifications are sent to the appropriate timekeeper to resolve any issues noted. Employees and supervisors are now required to justify the reason timesheets were not properly certified and/or approved in the note section of the timesheet. The Internal Auditor will also monitor payroll reports and notify appropriate management of any employees and/or supervisors who continually fail to properly certify or approve timesheets.

Finding 4: For 19 time sheets that showed leave was taken, 11 (58%) lacked evidence of prior approval to take leave.

Finding 5: For 12 time sheets that showed overtime was earned, 6 (50%) lacked evidence of prior approval to work overtime.

Response: We do not concur with these findings. DCRT Attendance and Leave Policy, PPM #42, does require pre-approval of leave. However, written prior approval is not required due to difficulties in obtaining written prior approval for unplanned leave situations. For unexpected and unscheduled situations in which an employee needs to use annual or sick leave, the employee must notify his/her supervisor (or designee) of the intended absence within no less than fifteen (15) minutes of the employees scheduled reporting time. Typically, notifications are made by phone, but may be made by text message, email, and/or voicemail depending upon the supervisor. Although currently not specifically stated in the policy, upon approving leave, the supervisor certifies that the employee obtained the proper prior approval as required by policy. Leave is not approved for employees who take leave without prior approval. In addition, employees who take leave without prior approval are subject to Non-disciplinary Removals per the DCRT Unscheduled Absenteeism Policy, PPM #20.

The DCRT Attendance and Leave Policy, PPM #42, also requires that compensatory time (K-time) be requested in advance. However, written prior approval for K-time is not required. Our State Parks are open 24/7. State Parks, State Museums, and Welcome Centers are open on holidays. Our Park and Museum police and maintenance crews are on-call 24/7 in the event of emergencies. Employees in the majority of DCRT agencies are required to work at night and on weekends for events promoted by their agencies. Most K-time worked by DCRT employees is scheduled by their supervisors as needed and as a requirement of the employees' job responsibilities. K-time is not typically requested by employees. Although currently not specifically stated in the policy, upon approving K-time, the supervisor certifies that the employee was either scheduled to work K-time as part of their job responsibilities or obtained the proper prior approval as required by policy.

Manual and/or electronic timesheets used prior to CATS contained an "Approval to Earn Compensatory Time" section with a "Justification (Required)" or "Assignment (Required)" column for K-time. Employees were required to complete the column with descriptions for the assignment or business need of the K-time. Prior to the LLA audit, employees were not required to include a "Note" on K-time

requests with a description for the assignment or business need of K-time in CATS. However, Human Resources' now requires the "Note" be included on all K-time requests.

The DCRT Attendance and Leave Policy, PPM #42 will be revised to state specifically that upon approving leave and K-time, the supervisor certifies that the employee obtained the proper prior approval in accordance with PPM #42.

Our responses in regards to your review of payroll system reports for the period July 1, 2016 through January 31, 2018, are as follows:

Finding 6: 926 (4%) of 20,939 time sheets were not certified by the employee.

Finding 7: 1,813 (9%) of 20,939 time sheets were not approved by the supervisor.

Response: We concur with these findings. The findings relate to timesheets in LaGov's CATS application. As discussed above, upon implementation of CATS within DCRT, adequate controls were not implemented to ensure that timesheets were properly certified and approved when possible prior to the processing of payroll.

As corrective action, ZP241 and ZT20 payroll reports are now being monitored on a monthly basis by Human Resources. Notifications are sent to the appropriate timekeeper to resolve any issues noted. Employees and supervisors are now required to justify the reason timesheets were not properly certified and/or approved in the note section of the timesheet. The Internal Auditor will also monitor payroll reports and notify appropriate management of any employees and/or supervisors who continually fail to properly certify or approve timesheets.

Finding 8: 4,767 (23%) of 20,939 time sheets were approved by the supervisor from one to 378 days after payroll was processed and had posted to the financial records.

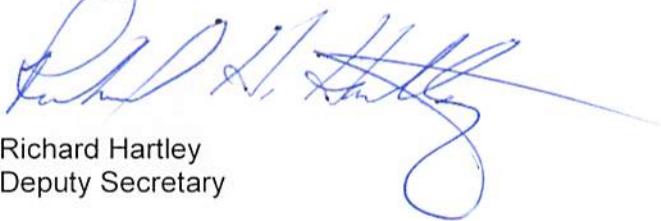
Finding 9: 1,816 (11%) of 16,848 annual leave requests, 830 (11%) of 7,739 sick leave requests, and 1,697 (17%) of 10,284 requests to work overtime that employees submitted to be electronically approved by a supervisor were automatically approved by the system after no action was taken by supervisors to approve or reject the requests before the system deadline.

Response: We concur in part with these findings. The findings relate to timesheets in LaGov's CATS application. As discussed above, we agree that timesheets should be certified by employees and approved by supervisors prior to the processing of payroll. However, situations may occur that prevent certification and approval of timesheets prior to processing payroll. Although these situations may occur, the occurrences should only happen on an occasional basis. These same situations may also prevent the approval of leave and/or K-time. Upon implementation of CATS within DCRT, adequate controls were not implemented to ensure that timesheets were properly certified and approved when possible prior to the processing of payroll.

As corrective action, ZP241 and ZT20 payroll reports are now being monitored on a monthly basis by Human Resources. Notifications are sent to the appropriate timekeeper to resolve any issues noted. Employees and supervisors are now required to justify the reason timesheets were not properly certified and/or approved in the note section of the timesheet. If leave or K-time is not approved or denied prior to processing payroll, it will be automatically approved in CATS. Supervisors are now required to justify the reason leave and/or K-time was not properly approved either as a "Note" on the employee's timesheet or on a prior period adjustment form used to correct leave or K-time that should have been denied. The Internal Auditor will also monitor payroll reports and notify appropriate management of any employees and/or supervisors who continually fail to properly certify or approve timesheets.

Thank you for the opportunity to respond to these findings. If we can be of further assistance, please do not hesitate to contact our office.

Sincerely,



Richard Hartley
Deputy Secretary



BILLY NUNGESSER
LIEUTENANT GOVERNOR

State of Louisiana
OFFICE OF THE LIEUTENANT GOVERNOR

POST OFFICE BOX 44243
BATON ROUGE, LA 70804

September 14, 2018

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

Re: Weaknesses in Controls over LaCarte Expenditures

Dear Mr. Purpera,

As per your request on July 6, 2018, please accept this letter as our official response to the audit finding referenced above.

Finding 1: Department of Culture, Recreation, and Tourism (CRT) employees failed to obtain prior authorization to make purchases using the LaCarte purchasing card. In a review of 46 LaCarte expenditure transactions for the period July 1, 2016, to January 5, 2018, 22 (48%) lacked evidence of prior authorization to purchase.

Response: We concur in part with this finding. We do concur that 22 of the transactions tested lacked written prior approval. However, CRT does not have a policy requiring written prior approval of purchases made with the LaCarte P-card. Policies requiring written prior approval are at the agency level and may depend upon the agency employee involved. Many of our employees, particularly managerial employees, have the authority to make purchases up to a specified limit without approval. All agencies should have a policy in place requiring written prior approval be maintained along with other supporting documentation for purchases that exceed the employee's purchasing authority limit.

All LaCarte P-card purchases are reviewed and certified by a minimum of four individuals other than the cardholder to ensure that all transactions are properly authorized, for official state business, and in accordance with applicable policies and procedure. Upon review, any exceptions noted are immediately addressed.

Of the 22 transactions cited, eight were made by the Administrative Assistant for the Office Lieutenant Governor/Office of the Secretary (OLG/OS), and 11 were made by the Administrative Coordinator for the Office of Tourism (OT). The OLG/OS Administrative Assistant purchases for the Lieutenant Governor, the Chief of Staff, the Deputy Secretary and support of the OLG/OS administrative offices. The DCRT Deputy Secretary reviews and approves all of the Administrative Assistant's p-card transactions providing the certifications discussed above as required by the LaCarte P-Card policy. The OT Administrative

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Coordinator purchases for the OT Assistant Secretary, Deputy Assistant Secretary, Administrative Program Specialist, and the support of the OT administrative office. The Deputy Assistant Secretary reviews and approves all the Administrative Coordinator's p-card transactions providing the certifications discussed above as required by the LaCarte P-Card policy. Both of these employees were given the authority to make purchases without written prior approval. However, the authority given was not formally documented for either cardholder.

Of the 22 transactions, three were made by the Tour Supervisor for the Pearl River Welcome Center. The Welcome Centers are in OT's operating budget, and Welcome Center cardholders were given the authority to make purchases up to \$300 without prior written approval by a former OT Deputy Assistant Secretary during a March 2012, Welcome Center staff meeting. However, once again, the authority given was not formally documented in a policy or memorandum

As corrective action, the authority given to both OLG/OS Administrative Assistant and OT Administrative Coordinator has been formally documented. The authority allows each to make purchases on behalf of their agencies up to \$5,000 without other written prior approval.

In addition, management within each DCRT agency will review its procurement policies and procedures and ensure:

- Its procurement policies and procedures require written prior approval be maintained with other supporting documentation when such prior approval is required.
- Procedures are implemented to ensure that purchasing authority and spending limits for each employee are properly documented and reviewed on at least an annual basis.
- At a minimum, the agency's procurement policies and procedures adhere to CRT's procurement policies and procedures, as well as the State's LaCarte policies and procedures, and
- Employees with purchasing authority are fully aware of the agency's procurement policies and procedures, including requirements for written prior approval.

Thank you for the opportunity to respond to these findings. If we can be of further assistance, please do not hesitate to contact our office.

Sincerely,

A handwritten signature in blue ink, appearing to read "Richard Hartley", is written over a light blue horizontal line.

Richard Hartley
Deputy Secretary

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Office of Lieutenant Governor (OLG) and Department of Culture, Recreation, and Tourism (CRT) for the period from July 1, 2016, through June 30, 2018. Our objective was to evaluate certain controls OLG/CRT uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the OLG/CRT's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The OLG/CRT's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated OLG/CRT's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to OLG/CRT.
- Based on the documentation of OLG/CRT's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, William R. Irby Trust, the Seafood Marketing Program expenditures, admission fees, payroll expenditures, and LaCarte expenditures.
- We compared the most current and prior-year financial activity using OLG/CRT's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from OLG/CRT's management for any significant variances that could potentially indicate areas of risk.

The purpose of this report is solely to describe the scope of our work at OLG/CRT and not to provide an opinion on the effectiveness of OLG/CRT's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purpose.