

LOUISIANA SEAFOOD PROMOTION
AND MARKETING BOARD



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
DECEMBER 18, 2013

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

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DARYL G. PURPERA, CPA, CFE

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THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 18, 2013

The Honorable Jay Dardenne
Office of the Lieutenant Governor
1051 North Third Street
Baton Rouge, Louisiana 70802

Dear Lieutenant Governor Dardenne:

Pursuant to your request, we performed an analysis of certain processes and transactions of the Louisiana Seafood Promotion and Marketing Board (Board). Our procedures were conducted to (1) gain an understanding of internal control over the procurement and disbursement processes for the British Petroleum (BP) Deepwater Horizon oil spill monies, compare those practices to best practices, and report on any significant weaknesses; (2) review a sample of travel reimbursements for Board staff and contractors for compliance with state travel regulations; and (3) verify ending cash balances at June 30, 2013, by reviewing the schedule of receipts and disbursements for BP monies in the Louisiana Wildlife and Fisheries Foundation account and in the State Treasury.

Our procedures consisted primarily of inquiries of management and the examination of selected financial transactions, records, and other documentation. The scope of our work was significantly less than an audit conducted in accordance with *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as managements' and a contractor's responses. This report is intended primarily for the information and use of the Office of Lieutenant Governor's management and the Louisiana Legislature. This is a public report and copies have been delivered to the appropriate public officials.

We would like to express our appreciation to the management and staff of the Board, their contractor (Gregory C. Rigamer & Associates, Inc.), the Louisiana Department of Wildlife and Fisheries, and the Office of the Lieutenant Governor for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

ETM:BQD:THC:ch

LSPMB 2013

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana Seafood Promotion and Marketing Board

December 2013

Audit Control # 80130150

Background

A memorandum of understanding (MOU) was executed between BP Exploration and Production, Inc. (BP), the Louisiana Department of Wildlife and Fisheries (LDWF), and the Louisiana Office of Lieutenant Governor to design and implement programs to mitigate the negative effect on Louisiana's tourism and seafood industries as a result of the Deepwater Horizon oil rig explosion on April 20, 2010.

The MOU states, in part, that the LDWF and BP agreed that the Louisiana Wildlife and Fisheries Foundation (Foundation) and the Louisiana Seafood Promotion and Marketing Board (Board), a State board under the LDWF, would develop and implement a "Seafood Marketing Program." BP agreed to provide \$30,000,000 through the Foundation to fund the Seafood Marketing Program. The MOU specifies that the funds should be "directed to the Board to develop, implement, and administer the Seafood Marketing Program" and would be "subject to review and approval by LDWF."

Act No. 228 of the 2013 Regular Session transferred the administrative functions of the Board from the Department of Wildlife and Fisheries to the Department of Culture, Recreation and Tourism, effective July 1, 2013.

At the request of the Lieutenant Governor, we have completed a procedural report to address three objectives regarding the activity of the Louisiana Seafood Promotion and Marketing Board, as of June 30, 2013. Our procedures were not conducted under *Government Auditing Standards*. Accordingly, we do not provide any assurance on the financial information of the Board because the limited procedures do not provide us with sufficient evidence to provide any assurance. Responses from the Lieutenant Governor, LDWF, Gregory C. Rigamer & Associates, Inc., and Ewell M. Smith, former executive director of the Board, are attached to this report as Appendix A. The current chairman of the Board was given the opportunity to respond, but did not provide a response.

Objectives and Methodology

Our three objectives were as follows:

Objective 1 - Procurement and Disbursements: To gain an understanding of internal control over the procurement and disbursement processes for the BP monies, compare those processes to best practices, and report on any significant weaknesses noted.

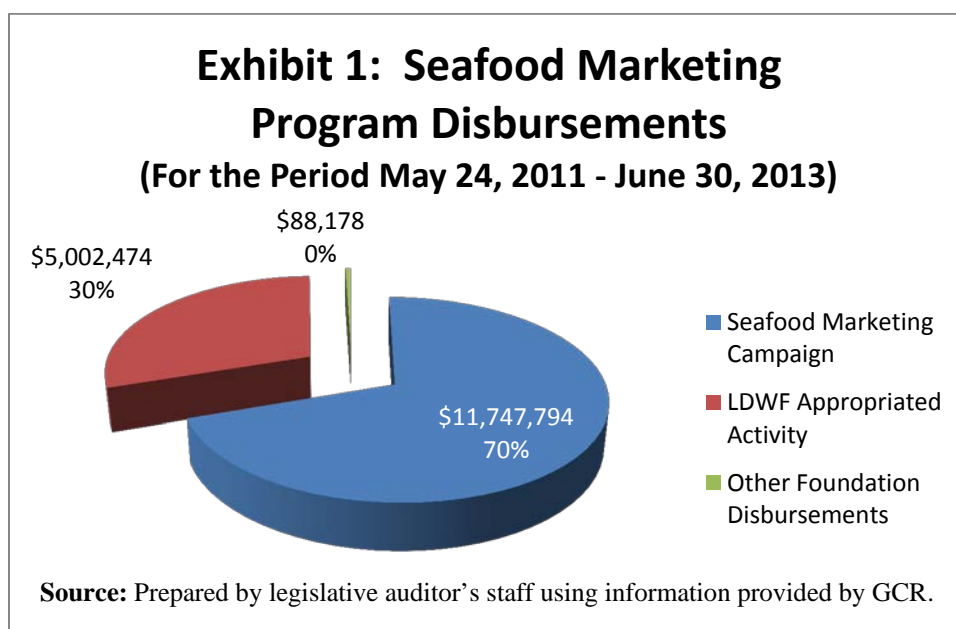
Objective 2 - Travel Reimbursements: To review a sample of travel reimbursements for Board staff and contractors for compliance with state travel regulations.

Objective 3 - Cash Balances, Receipts, and Disbursements: To verify ending cash balances at June 30, 2013, by reviewing the schedule of receipts and disbursements for BP monies in the Louisiana Wildlife and Fisheries Foundation account and in the State Treasury.

Objective 1 - Procurement and Disbursements

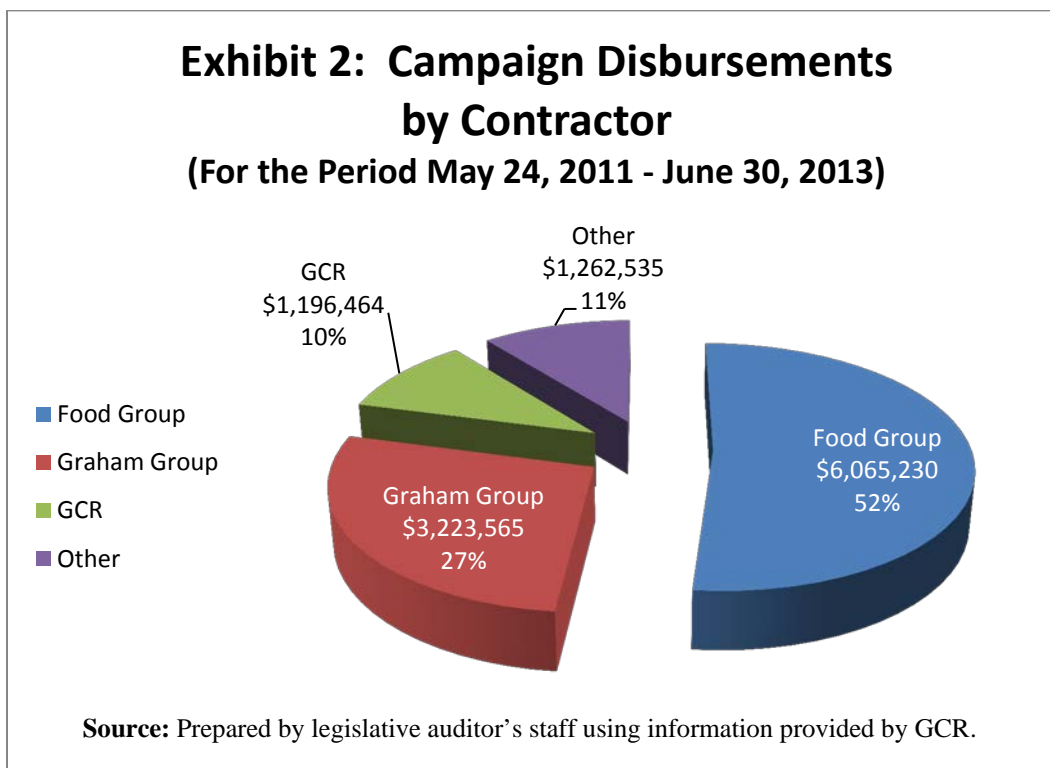
Objective: To gain an understanding of internal control over the procurement and disbursement processes for the BP monies, compare those processes to best practices, and report on any significant weaknesses noted.

BP agreed to provide \$30 million through the Louisiana Wildlife and Fisheries Foundation (Foundation) to fund the Seafood Marketing Program. The Louisiana Department of Wildlife and Fisheries (LDWF), the Board, and the Foundation executed a professional services contract with Gregory C. Rigamer & Associates, Inc. (GCR) to provide strategic planning, industry research, and project management for a \$15 million Seafood Marketing Campaign (Campaign). The contract allowed GCR to enter into agreements with subcontractors to provide marketing and advertising services, subject to the oversight and approval of the Board. In addition, LDWF was appropriated \$12.4 million for administrative fees and support of the Campaign, and the remaining \$2.6 million was for Campaign-related expenses paid through the Foundation, but not through GCR. Total disbursements for the Seafood Marketing Program were \$16,838,446, as of June 30, 2013, as shown in Exhibit 1.



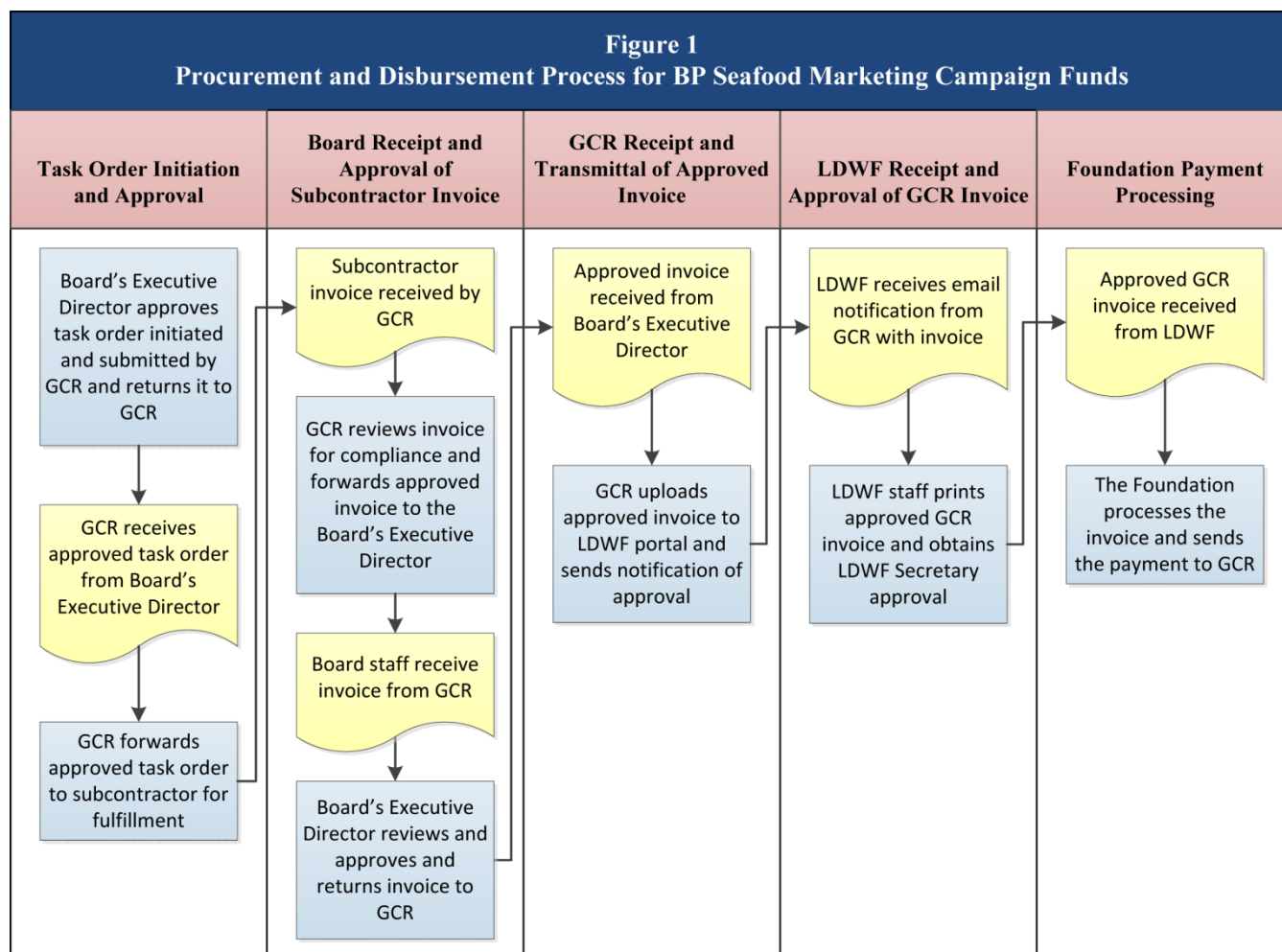
SEAFOOD MARKETING CAMPAIGN

The Campaign consists of professional services, including advertising and marketing research, which total \$11,747,794 through June 30, 2013, and represent 70% of total project expenses. The contracted project manager, GCR, executed separate agreements with subcontractors, including The Food Group, The Graham Group, Inc., and Newsroom Ink, LLC (Newsroom) as allowed by the contract.



The MOU with BP specifies that the Foundation will receive and hold the funds disbursed by BP and distribute the funds under the written instruction of the LDWF and the Board to designated recipient entities. The Foundation is required to make the payments within seven days of receipt of written instructions, which includes an invoice verified by both LDWF and the Board.

GCR issued directives or performance-based objectives to its contractors (Graham Group, The Food Group, and Newsroom) as “task orders” executed by authorized agents of GCR and the Board. Task orders (e.g., advertising campaigns, online and print media placements, coordination of promotional events) each include a project estimate and a narrative detailing the scope of the project. These were to be submitted to GCR at least 14 days prior to the desired project start date. Each task order required approval by the subcontractor's account manager, the contract manager (GCR), and the executive director of the Board. All work by GCR's contractors was performed at the direction of GCR and under the supervision of GCR; however, the Board retained the ultimate oversight and approval authority over work performed by GCR's contractors. No payments were made by the Foundation to GCR without Board and LDWF approval. The following flowchart depicts the task order process and transaction flow for related payments for goods and services under the Seafood Marketing Campaign:



Inadequate Controls over Disbursement of Campaign Funds

The following control weaknesses (**auditor findings**) in this process were identified as of June 30, 2013:

1. **The Board's Executive Director had the ability to initiate task orders and approve invoices without additional oversight.** The Board's contract with GCR did not require the Board members to review or approve task orders and subcontractor payments.
2. **GCR did not adequately monitor its subcontractors to ensure that requests for reimbursement were in accordance with contract provisions and/or approved task orders.** We noted the following:
 - GCR requested reimbursements for expenses incurred by The Graham Group after the closing dates of task orders. GCR billed the Board \$128,579 for expenses coded to eight closed task orders. The risk exists that reimbursements to other subcontractors were made for expenses incurred after task orders were closed.

- GCR requested reimbursement for expenses incurred by Newsroom for administrative services totaling \$35,800 that were not substantiated with time sheets. The contract requires work to be detailed in increments of one-quarter of an hour and substantiated by time sheets. These administrative service charges also included reimbursements totaling \$20,000 in travel time, which was not provided for in the contract between GCR and Newsroom.

In addition, Newsroom submitted invoices for 143 writing service hours at a rate of \$125 per hour instead of \$100 per hour as specified in its contract with GCR and related rate schedule, resulting in overbillings of \$3,575.

GCR responded, in part, “Although Newsroom Ink did not provide detailed timesheets, it provided a monthly invoice reporting package that included a summary of hours billed by each employee...” See GCR response at Appendix A, pages 4-11.

The auditors note that the GCR contract language requiring that work be detailed in increments of one-quarter of an hour and substantiated by time sheets indicates more detail was needed than a monthly summary.

3. **GCR increased task order budgets without obtaining approval from the Board’s Executive Director.** Our review of a task order summary prepared by GCR disclosed three instances in which GCR increased the maximum allocation for certain task orders without proper approval resulting in incurred expenses exceeding the previously approved budgets.

- The Food Group task order 3D, approved for \$93,000 (maximum allocation), had accrued expenses totaling \$174,213, as of February 28, 2013. GCR increased the maximum allocation for this task order by \$100,000 to \$193,000 as documented in its task order summary, as of March 31, 2013, without obtaining approval from the Board’s Executive Director.
- The Food Group task order 8A, approved for \$32,000 (maximum allocation), had accrued expenses totaling \$33,345, as of October 31, 2012. GCR increased the maximum allocation for this task order by \$30,000 to \$62,000 as documented in its task order summary, as of February 28, 2013, without obtaining approval from the Board’s Executive Director.
- The Food Group task order 10A, approved for \$88,000 (maximum allocation), had accrued expenses totaling \$129,706, as of July 31, 2013. GCR increased the maximum allocation for this task order by \$42,000 to \$130,000 as documented in its task order summary, as of July 31, 2013, without obtaining approval from the Board’s Executive Director.

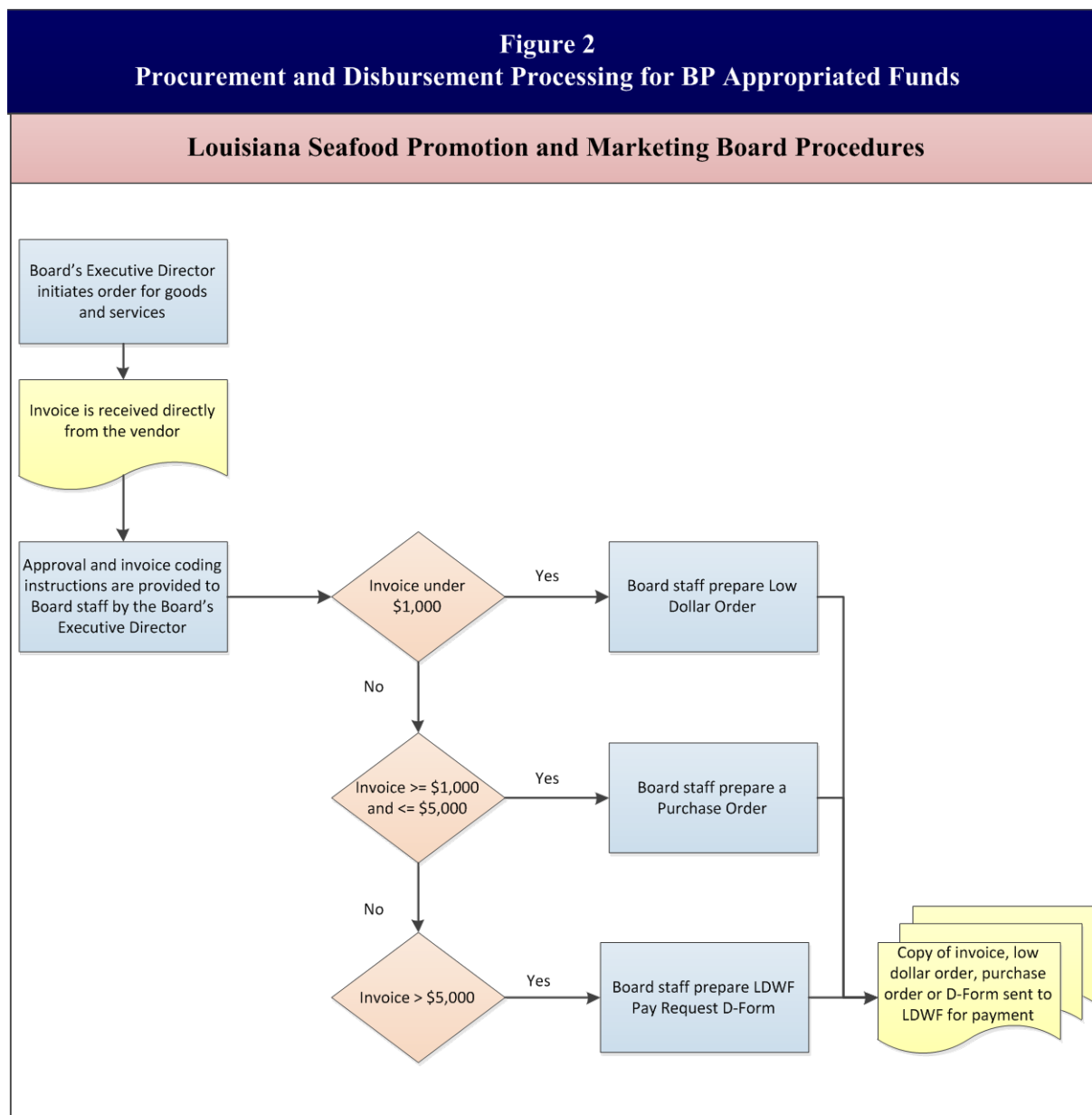
GCR responded, in part, that its contract with the Board and LDWF does not specify how subcontractor activities should be managed by GCR. Task orders with estimated completion dates and/or budgetary amounts were not required under the GCR contract; however, they were part of GCR's management process. GCR noted that payments for invoices were approved by LSPMB and LDWF, including those mentioned by the auditors. See GCR response at Appendix A, pages 4-11.

The Lieutenant Governor sent a letter to GCR on September 30, 2013, terminating its contract effective November 2, 2013.

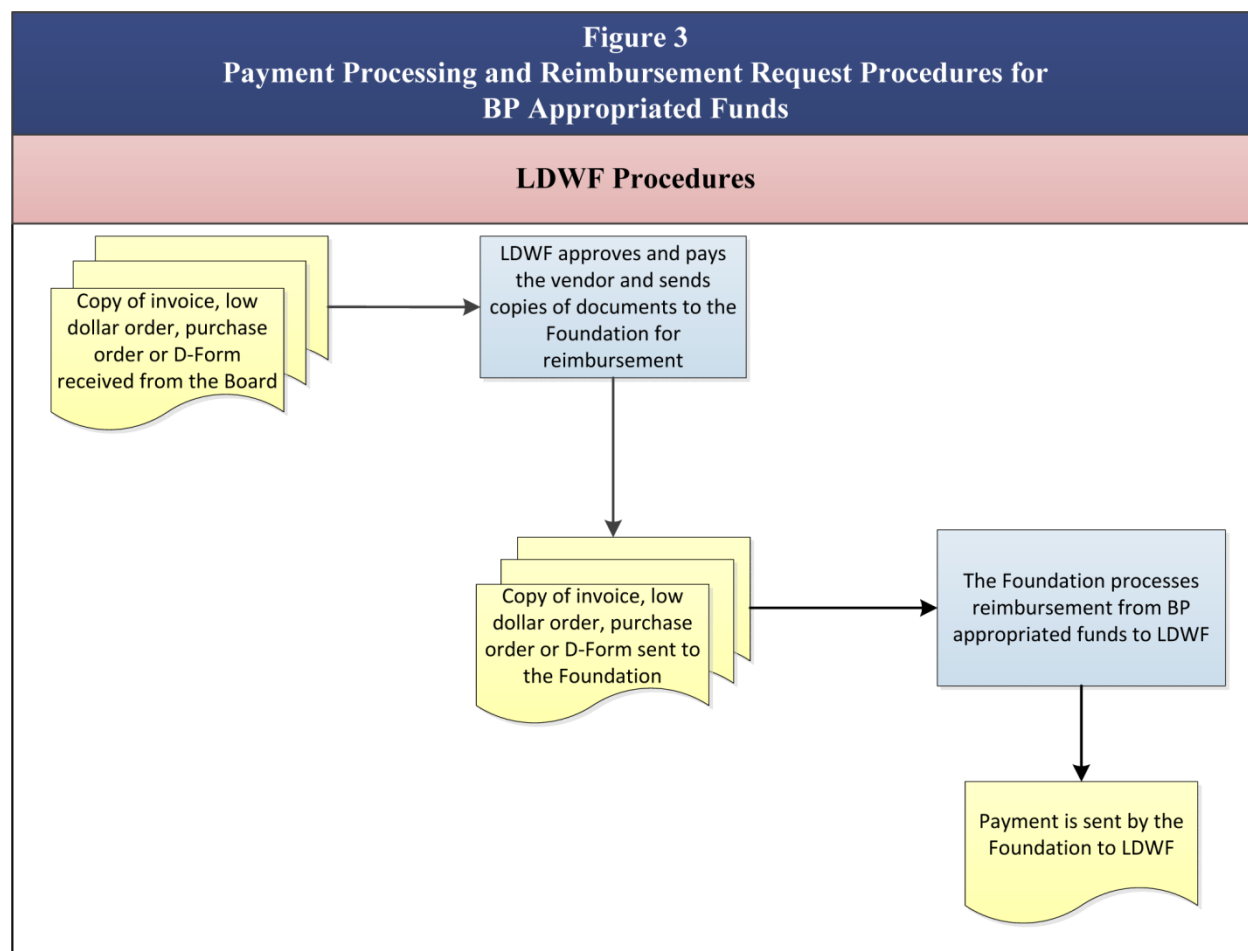
Recommendation 1: Good budgetary practices would require a formal process for documenting approval for amended task order budgets and the rationale for paying expenses incurred after the closing dates of task orders. We recommend a thorough compliance review be performed for all contract payments and recoupment of those amounts, if any, charged in violation of contract terms.

EXPENDITURES PAID FROM APPROPRIATED FUNDS

Expenditures paid from appropriated revenue totaled \$5,002,474 through June 30, 2013, and represent 30% of total project expenses. These expenses are paid through the LDWF, which is reimbursed with BP funds from the Foundation. The following flowchart depicts the transaction flow at the Board for purchases of goods and services paid for with BP appropriated funds.



The following flowchart depicts the transaction flow of the responsibilities of LDWF and the Foundation upon receipt of documentation submitted by the Board.



The following control weaknesses (**auditor findings**) in this process were identified as of June 30, 2013:

4. **The Board's Executive Director had the authority to initiate orders for goods or services with no requirement to provide justification (documentation) for the purpose, type of service, and/or quantity of goods ordered.** The risk exists that the executive director could make unauthorized and/or unsupported purchases, creating obligations of LDWF, without adequate oversight. In addition, such payments could violate the terms of the BP MOU if it is later determined the disbursements were not properly authorized.
5. **LDWF did not require documentation to ensure receipt of goods from third parties and Board staff did not obtain receiving reports evidencing receipt of goods.** The risk exists that funds could be disbursed for goods that were not ordered or received.
6. **LDWF did not submit contracts, with limits of \$20,000 or greater, to the Office of Contractual Review (OCR) for approval as required by law.** As an entity under the Office of Fisheries within the LDWF, the Board is subject to Title 34 of the Louisiana Administrative Code for professional, personal,

consulting, and social service contracts. LDWF processes and monitors all contracts. The Director of State Purchasing granted LDWF special purchase delegated authority up to \$20,000 and all contracts with limits greater than \$20,000 must be submitted to OCR for approval. LDWF and the Board did not submit any \$20,000+ contracts executed by the Board to OCR for approval.

7. **The board staff did not ensure that formal contracts were executed or final reports obtained for sponsorship agreements.** Board policy requires any entity awarded funding to submit a final report within 30 days following the event to include specific information on media coverage, attendance, and any generation of trade leads. Sponsorship requests were approved by the LDWF Secretary without evidence of a signed contract or final report.
8. **The Board's Executive Director approved payments for sponsorships in excess of limits previously authorized by the Board.** A review of sponsorships disclosed that costs for sponsorships significantly exceeded the costs approved by the Marketing Sponsorship Committee and/or the Board. On March 29, 2012, the Board adopted policies and procedures to address professional services, marketing proposals, travel, and sponsorship requests.

Board policy for events that require a commitment of resources exceeding \$10,000 requires approval by the Marketing/Sponsorship Committee. Events requiring a commitment of resources greater than \$50,000 that receive a favorable recommendation from the Marketing/Sponsorship Committee require approval by the Board.

- The Board approved a \$200,000 sponsorship for Super Bowl XLVII held in New Orleans on February 3, 2013. The sponsorship was initiated as a task order to a subcontractor's agreement for the payment to be made from the Campaign funds. However, several additional task orders were issued and additional expenses incurred totaling \$419,325 with Director approval, but without approval from the Board or the Marketing/Sponsorship Committee.
- The Marketing/Sponsorship Committee approved a \$30,000 sponsorship for Emeril Lagasse's November 2012 Carnivale du Vin. The \$30,000 sponsorship fee was paid to the Emeril Lagasse Foundation from the BP funds appropriated in LDWF's budget. However, an additional task order was added by the Director to the subcontractor's agreement and additional expenses totaling \$9,463 were incurred without approval from the Marketing/Sponsorship Committee.

GCR responded, in part, that the report incorrectly indicates that task orders for campaign activities related to sponsorships required prior approval from the Marketing Sponsorship Committee and/or the Board. See GCR response at Appendix A, pages 4-11.

Although Board approval was not specifically required on task orders under the GCR contract, the absence of this contract requirement effectively circumvented Board approval, as provided for in the Board's sponsorship policy. This prevented the Board from effectively managing all funds awarded under sponsorship agreements.

9. **The Board staff and LDWF did not maintain adequate records to account for promotional merchandise associated with a sponsorship advertising agreement with the New Orleans Saints.**

The LDWF Secretary executed a sponsorship advertising agreement with the New Orleans Louisiana Saints, L.L.C. (Saints) on September 27, 2012. As part of the contract, the Saints received \$650,000. Among other advertising and promotional benefits, the Board received the following:

- 16 Superdome Club Passes
- 2 Parking Passes
- 16 Season Tickets
- 100 Lithograph Footballs
- 10 Autographed Drew Brees Footballs
- 2 Autographed Drew Brees NFL Helmets
- 1 Autographed Jonathan Vilma Helmet

The Board also received an additional \$15,000 in Saints jerseys and Nike Golf Polo shirts as promotional merchandise. LDWF maintained some limited records for the receipt and disbursement of passes and season tickets; however, no records were maintained for the receipt and disbursement of the lithograph footballs, autographed footballs, autographed helmets, and promotional merchandise, or the remaining merchandise on hand.

Based on available records, the 16 Superdome Club passes and season tickets (for six home games) were distributed as follows:

Louisiana Seafood Promotion and Marketing Board
Exhibit 3: Distribution of Saints Tickets, Club Passes, and Media Passes
2012 Season
UNAUDITED

	Week 5	Week 9	Week 10	Week 12	Week 15	Week 17	Total
Club passes and season tickets (16 allotted per game)							
Chefs and guests	12	4	2	3	2	8	31
Contractor	2	1	1		1	1	6
Board staff	1	1		1	1	1	5
Board member		1	1				2
Promotional	1		2	2	2	4	11
Task forces (shrimp, oyster, crab)		3			2	2	7
LDWF - tickets not used		3					3
Retailer and guests			10	10	4		24
Fisherman and guest					2		2
Supplier and guest					2		2
Unknown		3					3
Total	16	16	16	16	16	16	96
Media pass holders (2 allotted per game)							
Board staff	1			1	1	1	4
Chef	1	1	1	1	1	1	6
Contractor		1	1				2
Total	2	2	2	2	2	2	12

Source: Prepared by legislative auditor's staff using information provided by LDWF.

Recommendation 2: We recommend that CRT, as the new administrator, require proper authorization of purchases and require proper supporting documentation to evidence the purpose of the disbursement and receipt of goods and/or deliverables, where applicable, prior to approval for payment. In addition, CRT should ensure that contracts for professional, personal, consulting, and social services that involve an expenditure of public funds shall be handled in accordance with applicable state law. Lastly, we recommend that CRT and the Board develop and implement procedures for authorizing and monitoring sponsorships.

Recommendation 3: We recommend that CRT develop and implement procedures to track, manage, and account for all benefits negotiated through any sponsorship agreement to ensure that benefits (e.g., tickets, passes, footballs, helmets) are not used to enrich Board members and staff beyond their statutory compensation, but are used by the agency in a manner that serves the public and governmental purposes of the agency, in accordance with the Louisiana Constitution, Article VII, Section 14.

Objective 2 - Travel Reimbursements

Objective: To review a sample of travel reimbursements for Board staff and contractors for compliance with State Travel Regulations.

The BP MOU and the Board travel policies require compliance with the *Louisiana Travel Guide*, also known as *Policies and Procedures Manual* (PPM) 49. Each quarter, the Board is contractually obligated to submit a Quarterly Report to BP, which includes a certification statement signed by the Secretary of LDWF, the Board's Executive Director, the Board Chairman, and the LWFF Executive Director that reimbursement for travel expenses has been in accordance with PPM 49.

In June 2012, the LDWF Secretary requested and received delegated authority from the Division of Administration to approve, on a case-by-case basis, reimbursements to the Board's Executive Director, Board staff, fisheries advisors, industry representatives, and board members for actual expenses incurred for marketing purposes. The request for delegated authority explained, "Often times the travel costs exceed the state allowable rates due to the nature of trade shows, their locations, and the costs that are typically associated with those events." However, the LDWF was to ensure that "appropriate and sufficient justification and documentation" was provided for these exceptions and that "all relevant state guidelines" were followed. Because of this authority, the Board did not require GCR to include stipulations in its contracts with subcontractors that payments for travel expenses should be paid in accordance with State Travel Regulations. Although the LDWF secretary has the authority to approve reimbursements for actual expenses incurred, LDWF and the Board did not ensure that sufficient justification was documented and maintained.

Our review of 10 subcontractor invoices disclosed the following exceptions (**auditor findings**):

10. Subcontractor reimbursements totaling \$1,917 paid for mileage traveled were not supported with detail describing areas traveled and odometer readings. In addition, the mileage reimbursement rates were reimbursed at different rates with no documented justification or explanation.
11. Alcohol purchases totaled \$881. PPM 49 prohibits reimbursement for alcohol purchases.
12. The Board reimbursed The Food Group for expenses incurred by one of its employees for a limousine service charge of \$278, exceeding the taxi equivalent charge of \$47 by \$231.

GCR responded, in part, that the limousine service charge was for two Town Cars to transport food journalists, LSPMB staff and Food Group employees to and from five restaurants participating in a "Dine Around" event in New York City. See GCR response at Appendix A, pages 4-11.

However, the support provided to the auditors indicates the \$278 was for chauffeured transportation for one passenger from Chatsworth, California to LAX Airport in Los Angeles, California, and the return trip back with an extra charge for a 1.5 hour flight delay.

13. The Board reimbursed The Food Group for “Economy Plus Seat” flight upgrade charges totaling \$428 incurred by The Food Group employees.
14. The Board paid \$83 for a \$23 restaurant bill, which resulted in a \$60 tip without documentation of justification.

Our review of 25 Board travel reimbursements disclosed no violations of PPM 49.

Recommendation 4: We recommend that CRT and the Board ensure that travel reimbursements are only allowed in accordance with State Travel Regulations.

Objective 3 - Cash Balances, Receipts, and Disbursements

Objective: To verify ending cash balances of the Board at June 30, 2013, review schedule of receipts and disbursements for BP monies in the Louisiana Wildlife and Fisheries Foundation account and in the State Treasury. This schedule was prepared based on reports provided by GCR.

The activity disclosed in the schedule of receipts and disbursements as shown in Exhibit 4 properly reconciles to the ending cash balances of the Board in the Foundation's bank account at June 30, 2013.

Louisiana Seafood Promotion and Marketing Board Exhibit 4: Schedule of BP Receipts and Disbursements Through June 30, 2013 UNAUDITED	
Project receipts:	
BP deposits	\$20,000,111
Interest income	80,642
Total project receipts	\$20,080,753
Project disbursements:	
Professional services:	
Advertising	\$9,731,308
Research	1,218,714
Media relations	300,656
Sponsorships	225,000
Other professional services	272,116
Total professional services	\$11,747,794
LDWF appropriated expenses*	5,002,474
Foundation administrative expenses**	87,982
Bank fees	196
Total project disbursements	\$16,838,446
Excess of receipts over disbursements	\$3,242,307
Expenses not reimbursed by the Foundation as of 6/30/13	2,069,576
Cash balance, as of June 30, 2013***	\$5,311,883

*Includes \$2,069,576 of expenses not reimbursed by the Foundation as of June 30, 2013. These expenses have been reimbursed by the report date.

**Excludes outstanding April - June Foundation administrative expenses totaling \$9,326.

***We confirmed that there were no funds in the State Treasury due to the Board at June 30, 2013.

Source: Prepared by legislative auditor's staff using information provided by GCR.

APPENDIX A

Lieutenant Governor's Response - A.1
Wildlife and Fisheries' Response - A.2
GCR Inc.'s Response - A.4
Former Executive Director of the Board
Ewell M. Smith's Response - A.12

Office of the Lieutenant Governor
State of Louisiana

JAY DARDENNE
LIEUTENANT GOVERNOR



P. O. Box 44243
BATON ROUGE, LOUISIANA 70804-4243
(225) 342-7009

November 25, 2013

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

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Dear Daryl:

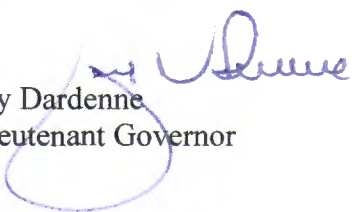
On July 24, our office commissioned the LLA to review and analyze certain processes and transactions of the Louisiana Seafood Promotion and Marketing Board prior to the LSPMB's transfer to the Department of Culture, Recreation and Tourism, effective July 1, 2013. We appreciate your report and recommendations.

We are pleased to inform you that the OLG/DCRT has already adopted procedures that resolve all of the weaknesses identified in your report. These administrative procedures reflect the new law and are consistent with the procedures that govern all OLG/DCRT agencies.

Also as recommended in your report, our office has already initiated a full compliance review of all contract payments prior to the transfer of LSPMB to this department. If that review reveals funds were paid in violation of contract terms, our office will initiate recoupment.

Thank you for affirming our efforts.

Very truly yours,


Jay Dardenne
Lieutenant Governor

JD/RD/dnn



BOBBY JINDAL
GOVERNOR

State of Louisiana
DEPARTMENT OF WILDLIFE AND FISHERIES
OFFICE OF SECRETARY

ROBERT J. BARHAM
SECRETARY

December 9, 2013

Daryl Pupera, CPA, CFE
Director
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Louisiana Seafood Promotion and Marketing Board Audit Report

Dear Mr. Pupera,

This letter is in response to the above mentioned audit report. Please find our response to your findings below.

Objective 1: Inadequate Controls Over Disbursements of Campaign Funds and Expenditures

Generally, to the extent that there was a lack of controls or oversight on behalf of the Department of Wildlife and Fisheries, or its Secretary, in execution of governance of this contract, it is due to the fact that the Louisiana Seafood Promotion and Marketing Board was a subsidiary branch of the Department, who had retained certain authorities by virtue of their "Type II" transfer under La. R.S. 36:802. Type II transfer agencies continue to exercise all of the powers, duties, functions, and responsibilities provided by their creation related to policymaking, rulemaking, etc. These powers and functions are exercised independently of the Secretary, who is responsible for the implementation and execution of the policies and decisions of the Type II transfer agency.

The Board had approved the terms of the contract with GCR, which gave the Executive Director authority to administer the contract in accordance to the provisions contained therein and pursuant to the agreement made between LDWF, LWFF, and BP. As determined by the Attorney General of Louisiana the funds governed by this agreement were private and subject to the contract itself and not subject to traditional state purchasing guidelines. (See AG Opinion 12-0223)

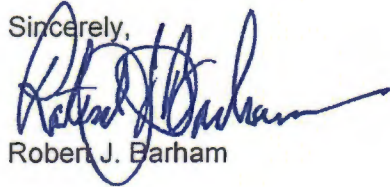
The Department recognized the potential for confusion of exercising oversight to a quasi-autonomous entity transferred under an agency via Type II transfer. For that reason, LDWF proposed Senate Bill 184 in the 2013 Regular Legislative Session that would make the LSPMB an advisory branch of the Department (pursuant to La. R.S. 36:901). While that particular legislation failed to ultimately pass, the LSPMB was moved to the Office of CRT and more stringent oversight language was included.

Objective 2: Travel Reimbursements

The Department agrees with these findings. Our fiscal section had several correspondences with the LSPMB and GCR on the proper forms, regulations, procedures, and guidelines for approving travel and entertainment expenditures. LSPMB and GCR were counseled and failed to comply with Department recommendations.

We appreciate the opportunity to respond to the findings. We look forward to working with your Office in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert J. Barham", with a long horizontal flourish extending to the right.

Robert J. Barham



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November 27, 2013

VIA EMAIL

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804
Email: dpurpera@lla.la.gov

Reference: Louisiana Legislative Auditor Report on Louisiana Seafood
Promotion and Marketing Board

Dear Mr. Purpera:

Thank you for the opportunity to provide additional information and comments regarding a draft of your report on the Louisiana Seafood Promotion and Marketing Board ("LSPMB"). We note that GCR has complied fully with all requests from your office during and after the term of our contract, and we will continue to assist upon request.

Overview

From May 9, 2011 until November 2, 2013, GCR provided certain Project Management and Research functions for LSPMB for a seafood marketing campaign involving a portion of the BP funding allocated to LSPMB. GCR and LSPMB made transparency and coordination a primary objective of the campaign activities from the start. GCR set up an online communication and research portal to provide LSPMB members and staff with easy access to financial and activity reports. Also, LSPMB was located in the same building as GCR, and therefore, GCR coordinated with LSPMB members and staff on a daily basis, usually in-person. Campaign activities and expenses were actively monitored and, in addition to routine daily communication, the LSPMB Executive Director, GCR Project Manager and agency account managers held formal weekly team meetings to review the status of all initiatives. Further, GCR has diligently responded to numerous requests over the life of the contract from the Legislative Auditor's office, LSPMB, Department of Wildlife and Fisheries ("LDWF"), State Legislators, and the Department of Culture, Recreation, and Tourism ("CRT").



Significantly, GCR's project management and research performance was formally evaluated and reviewed by LSPMB staff and the Board's Marketing Sponsorship Committee on July 8, 2013. GCR was awarded a score of 8 out of 10 for its work under the contract through June 30, 2013.

We note the following facts and supporting details specific to auditor findings:

Monitoring of Subcontractors – Closed Task Orders

Under authority provided in GCR's contract with LSPMB and LDWF, GCR entered into agreements with subcontractors to provide services. Significantly, the prime contract does not specify a method of how GCR would manage its subcontractors' activities. As a result, GCR decided to hold formal weekly team meetings with the LSPMB Executive Director and subcontractor agency account managers to review the status of all initiatives, in addition to daily informal communications. Also, GCR determined that it would issue task orders and placed references to task orders in its subcontracts to provide GCR with a contractual method to control its subcontractors. Task orders, and any estimated completion dates or budgetary amounts therein, are not limitations upon GCR under its' contract with LSPMB, but they were one part of GCR's internal management methods.

GCR also decided to include LSPMB's Executive Director in the task order process to ensure transparency and provide a record of the awareness of LSPMB prior to initiating the activities, with the knowledge that GCR, the LSPMB staff, and the subcontractors would work closely together to accomplish campaign goals. In addition, it was noted that further monitoring and evaluation of subcontractor activities would occur when presented with subcontractors' monthly invoices, subject to the approval of LSPMB and LDWF. We note that GCR prepared over 250 task orders during the course of the contract. Payments for invoices were approved by LSPMB and LDWF, including those covering the few instances identified in the audit report of billing for activities beyond the initial deadlines or budgetary amounts set in the task orders.

As noted in the table attached as Exhibit A, there were two reasons for which billing occurred beyond the initial deadline for completion of the eight task orders identified in the report: (1) initial task order activities were completed below budget and the task order continued to be utilized to accommodate additional LSPMB requests for similar services; or (2) the initial deadline was a short period of time and the task was completed behind that schedule. Seven of



the eight were completed within budget, with the other task order only exceeding that amount by \$94.18. In fact, when combined, they were completed at \$22,845 under budget.

Because GCR's contract with LSPMB did not require task orders or enforcement of task order close dates, these billings were in accordance with GCR's prime contract. The work was discussed at formal weekly meetings, the work associated with these billings was reviewed and accepted by GCR and LSPMB, and the invoices were approved by LSPMB and LDWF. In light of this supervision, task orders typically were not amended for the sole purpose of updating the few instances of surpassed task order completion dates.

Monitoring of Subcontractors – NewsRoom Ink Services

NewsRoom Ink was engaged following Hurricane Isaac at LSPMB's request to draw attention to the storm's impacts on Louisiana's seafood industry and communities because of its prior knowledge and experience writing about the seafood industry for LSPMB. NewsRoom Ink's activities were directed by LSPMB's Executive Director. NewsRoom Ink primarily was responsible for generating articles for publication on LSPMB's LouisianaSeafoodNews.com website, and NewsRoom Ink interviewed persons and companies in locations around Louisiana as part of that process. Although NewsRoom Ink did not provide detailed timesheets, it provided a monthly invoice reporting package that included a summary of hours billed by each employee, a list of stories written and posted to LouisianaSeafoodNews.com, Google analytics for the site, and back up documentation for actual expenses incurred. Analyses of NewsRoom Ink's invoices (including hours billed by employee) were performed by the GCR Project Manager and revealed the following:

- Over the course of NewsRoom Ink's contract, 165 stories were posted to LouisianaSeafoodNews.com. On a cumulative basis, this equates to \$1,000 of gross cost per story for newsroom services. Competitive proposals reviewed by LSPMB indicated comparable offers in the market of \$1,500 per story or more.
- The most active NewsRoom Ink employee was its founder. Over the course of its contract, NewsRoom Ink's founder averaged billings of 52 hours per month. This represents an average of 6.5 eight-hour days per month. In addition, the highest number of hours billed by the founder in any one month, eighty hours, occurred in January 2013. This represents a 50% utilization rate (assuming 160 possible billable hours in one month).



- LSPMB and industry representatives noted in conversations with the GCR Project Manager the high quality and volume of NewsRoom Ink's deliverables.

Monitoring of Subcontractors – Task Order Budgets

There were three task orders identified in the audit report as having an initial budget that was increased without approval from LSPMB's Executive Director. As noted above in the section regarding closed task orders, task orders, and any estimated completion dates or budgetary amounts therein, are not an element of GCR's contract with LSPMB, but they were one part of GCR's internal management methods. In addition to task orders and weekly formal meetings discussing all initiatives, further monitoring and evaluation of subcontractor activities would occur when presented with subcontractors' monthly invoices, subject to the approval of LSPMB and LDWF. Payments for invoices were approved by LSPMB and LDWF, including those covering the few instances identified in the audit report of billing for activities beyond the initial budgetary amounts in the task orders.

Nevertheless, we provide the following additional information about these task orders:

Food Group Task Order 3D – Trade Media Placements:

This task order was issued in September 2012 with a budget of \$93,000. In October 2012, a related task order, Food Group Task Order 64 - Grocery Store Marketing Program, was issued with a budget of \$110,000. Both task orders were executed by the Board's Executive Director. However, the Executive Director subsequently requested that some charges related to task order #64 (grocery store marketing) be placed under task order 3D (trade media) because he believed that they were better characterized as trade media. Thus, GCR notes that, although it did not amend task orders 3D and 64 to adjust the budget amounts, the Board's Executive Director approved these itemized tasks and initial budgets when approving task orders 3D and 64. Thus, in this instance, LSPMB's Executive Director was aware of the tasks, directed the change, and approved the initial budgeted amounts and the invoices related to the work. While a documentation revision was in order, we note that the combined task order budgets were not exceeded.

Food Group Task Order 8A – Chef’s Council Management:

This task order was issued in March 2012 with a budget of \$32,000. This task order was subject to reporting errors. An Agency Report incorrectly lists Task Order 8A with a budget of \$62,000. In total, \$59,651.83 of actual expenses were approved and paid for Chef’s Council Management activities under Task Order 8A. In this instance, the GCR Project Manager failed to document an amendment to the Task Order and as a result, the budget for Task Order 8A was reported incorrectly. The Chef’s Council project was reviewed favorably by the Board, monitored closely by the LSPMB staff, and received subsequent task orders for expanded activities totaling \$192,165.00 of new task order commitments in addition to Task Order 8A. While errors occurred in the reporting of Task Order 8A budget, the associated work was ordered by LSPMB and actively monitored. Further, project deliverables and expenses were favorably reviewed and accepted by LSPMB and LDWF.

Food Group Task Order 10A – 2013 Boston Seafood Show Planning and Execution:

This task order was issued in November 2012 with an approved budget of \$88,000. Also budgeted in the same task order were \$92,500 of trade show advertising and booth-related expenses that were expected to be paid directly by LSPMB. Combined, the approved budgeted expenses totaled \$180,500. Due to administrative challenges associated with billing advertising and booth-related expenses directly to LSPMB, The Food Group incurred costs at the direction of LSPMB staff that were originally anticipated to be paid directly by LSPMB. In total, The Food Group incurred \$129,706.24 of Task Order 10A expenses. The task order (including all tasks and budgets listed therein) were approved by LSPMB’s Executive Director, and therefore, GCR views this as approval was obtained but an amendment to the task order was in order to reflect the shift in the allocation within the task order. We note that the associated work was ordered by LSPMB, actively monitored, and the invoices approved by LSPMB and LDWF. Further, the total cost estimate within the task order was not exceeded.



Sponsorships and Approval of Payments

The audit report indicates that task orders for campaign activities related to Sponsorships were subject to prior approval by the Marketing Sponsorship Committee and/or the Board. This is not correct.

We note that LSPMB's contract with GCR was approved by the Board in 2011, prior to the Board's March 29, 2012 adoption of policies and procedures. Thus, GCR's prime contract preceded the adoption of the policies, but it still constitutes an approved contract that met the procedural requirements of an award by an RFP process. Further approval of any expenditure under GCR's contract for (or related to) a sponsorship was not required under Board policies and procedures, nor did the Board request additional approval.

In addition, we note that the task orders cited in the report for activities related to Super Bowl XLVII and Emeril's 2012 Carnivale Du Vin were not part of the sponsorships. Specifically, they were advertising and promotional activities issued in response to Sponsorship commitments to activate on and leverage Board sponsorship investment decisions. Accordingly, they were correctly issued in accordance with the normal procedures for any tasks under the campaign.

Travel Reimbursements

GCR notes that LSPMB vigorously defended its autonomy and right to conduct special events without limitations imposed by PPM 49. LSPMB staff provided copies of exemptions approved by the Commissioner of Administration as examples of that authority. Hard costs incurred by GCR and its subcontractors represented actual expenses that were directed by LSPMB's Executive Director and documented in a manner deemed sufficient by LSPMB at the time the work was performed and billed.

We note that three of the items identified in the report relate to a special event in New York City and Task Order 42 (Direct to Chef NYC Pilot). These items were: alcohol purchases, limousine services, and a restaurant tip.

Food Group Task Order 42: Direct to Chef NYC Pilot:

This promotion was in June of 2012 and involved 22 participating restaurants and chefs in New York City that agreed to highlight and promote Louisiana shrimp on their menus. Also, a delivery truck of a New York distributor was



wrapped in Louisiana Seafood advertising. As part of the promotion's launch, Food Group and LSPMB staff conducted a "Dine Around" event and invited New York food journalists to tour participating restaurants and sample Louisiana shrimp menu items to generate publicity around the restaurant promotion. To execute the Dine Around event, one Food Group employee reserved two Town Cars (not limousines) for the purpose of transporting food journalists, LSPMB staff and Food Group employees to and from five of the participating restaurants. The car service was hired because of the impracticality of using taxis to travel to five separate locations in one night while ensuring that time deadlines could be met.

In addition, some of the restaurants provided Louisiana shrimp menu items to Dine Around participants free of charge. In one case, a \$60 tip was provided to fairly compensate restaurant employees who served numerous free Louisiana seafood items to Dine Around participants to reflect the actual cost of the meal and avoid under-tipping. Alcohol was purchased for Dine Around participants in the presence of LSPMB staff. This promotion and its Dine Around launch event generated at least nine headline articles about Louisiana shrimp, Louisiana's seafood industry and new menu items featuring Louisiana shrimp in participating New York City restaurants. Social media including Facebook and Twitter were also employed by LSPMB and the participating restaurants to promote the program. In total, The Food Group reported that over 3 million media impressions and over 365,000 social media impressions were generated by the promotion. Also, The Food Group reported that four restaurants confirmed their intentions to permanently include Louisiana shrimp on their respective menus.

Thank you again for allowing us to provide additional information,

A handwritten signature in blue ink, appearing to read "Joe Doherty", with a stylized flourish at the end.

Joseph P. Doherty
President and CEO
GCR Inc.

cc: Thomas H. Cole, CPA, Director of Financial Audit, Louisiana Legislative Auditor (via email to tcole@lla.la.gov)

Edward T. Martin, CPA, Audit Manager, Financial Audit Services,
Louisiana Legislative Auditor (via email to EMartin@lla.la.gov)

EXHIBIT A

EXPENSES CODED TO EIGHT CLOSED GRAHAM GROUP TASK ORDERS								
Task Order No.	Effective Date	Description of Task	Task Order Budget	Task Order Due Date	Completion Date	Final Billing	Unused Budget	Description of Activity
9	8/19/11	Louisiana Origins Creative Statewide Campaign - Creative Development	\$45,000.00	11/30/11	5/31/13	\$43,137.62	\$1,862.38	Initial deliverables completed below budget. Remaining budget used for similar deliverables as requested by LSPMB.
10	8/19/11	Splash Creative National Campaign	30,000.00	11/30/11	3/31/13	29,990.50	9.50	Initial deliverables completed below budget. Remaining budget used for similar deliverables as requested by LSPMB.
21	10/6/11	Interactive - Redesign Website	25,000.00	12/31/11	4/30/12	24,961.43	38.57	Project completed within budget but behind schedule.
26A	4/2/12	Public Relations - Apr - June 2012	15,000.00	9/30/12	12/31/12	14,879.00	121.00	Initial deliverables completed below budget. Remaining budget used for similar deliverables as requested by LSPMB.
27	12/13/11	Photography	31,000.00	3/31/12	5/31/12	11,740.01	19,259.99	Project completed within budget but behind schedule.
33	2/1/12	Fitness Challenge	75,000.00	4/30/12	6/30/12	75,094.18	(94.18)	Project completed over budget and behind schedule.
37	4/3/12	Statewide TV Production & Media	720,000.00	8/1/12	1/31/13	718,399.72	1,600.28	Initial deliverables completed below budget. Remaining budget used for similar deliverables as requested by LSPMB.
49	9/25/12	Branded Signage	4,000.00	11/1/12	2/28/13	3,952.81	47.20	Project completed within budget but behind schedule.
TOTALS:			\$945,000			\$922,155	\$22,845	

December 17, 2013

Executive Director response to Preliminary Draft of the Legislative Audit requested by the Lieutenant Governor regarding the Louisiana Seafood Promotion and Marketing Board.

Regarding the Executive Director's ability to sign off on task orders (page 4), it is important to note that the Board hired GCR to help a seafood board staff of four people provide oversight and manage \$30 million dollars and manage two marketing agencies under the most extreme crisis circumstances. The Board embraced the Task Order process under the Marketing Campaign established by GCR to help expedite processes and enable the staff to take massive action quickly and execute a sustained-over time and very aggressive crisis approach to address the concerns the American public had about eating seafood from Louisiana and Gulf waters. The staff and agencies acted with an absolute sense of urgency that never let up. Even today, if the concern is at just 10%(do not have the latest number), ten percent of a 2 billion dollar industry is a \$200 million dollar issue that needs to still be aggressively addressed. A 5% concern is still a huge impact today. The staff was addressing a 90% + national concern about the safety of Louisiana seafood. The Marketing Campaign helped address that concern using a sustained and very aggressive crisis approach.

Regarding page 7, item 4, the process of procurement was a well-established process by the Department of Wildlife and Fisheries used by the Board the past decade.

Regarding Super Bowl promotions page 8, we operated within the "15m Marketing Campaign" to activate the sponsorship the Food Group vetted and brought to the board. Following the Food Group's presentation to the Board, the Food Group understood they would be operating under the Marketing Campaign to activate the sponsorship. Executive Director reviewed the options then GCR reviewed the options brought forth by the Food Group. GCR initiated the Task Order for Super Bowl activation using the task order system GCR developed. All parties involved, GCR, Food Group and the Executive Director saw that this fit squarely within the overall Marketing Campaign. If any initiative did not meet the requirements of the campaign, GCR was authorized to deny any task order. With the GCR's understanding that this was part of the Marketing Campaign following a presentation to the Board by the Food Group, GCR initiated a task order to be signed off on by the Executive Director and the Food Group.

All the agencies and seafood board staff saw this as an opportunity to position the Louisiana Seafood Brand at the highest level in the brand's history. In 2009, the Saints won the Super Bowl which marked the "Come back of New Orleans" following Hurricane Katrina. Following the BP Oil spill, 90% of America was concerned about eating Louisiana Seafood; our Marketing Campaign team saw this as a similar opportunity using the Super Bowl to put the explanation point on the brand of Louisiana Seafood letting the world know it was back strong. In addition, the Seafood Board and staff saw this as an opportunity to further leverage the Saints agreement initiated by the Department of Wildlife and Fisheries. In the fall of 2012, the Secretary initiated a contract with the New Orleans Saints to market Louisiana Seafood and leverage the power of the NFL. That season marketing Louisiana Seafood with the Saints and the Louisiana Seafood signage in the Superdome set the stage to fully leverage the Super Bowl.

While a task order for Super Bowl activation was signed off on and initiated by GCR, many of the elements come together later and evolve as the event nears to leverage efforts. The last meeting of the old board was in November of 2012. The old Board members all expired December 31, 2012. Super Bowl was in February. The new Board was not appointed till March 2013. The new Board was briefed on the Super Bowl marketing initiatives and other marketing activities under the Marketing Campaign. GCR, the marketing agencies and the staff provided reports, which were all approved by the new Board.

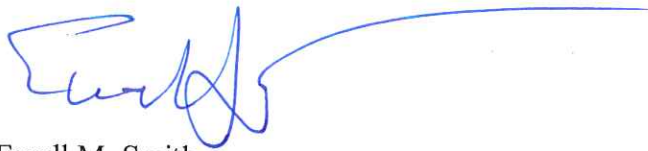
Carnival du Vin was activated by a task order initiated by GCR under the Marketing Campaign. Same as above.

The 15m Marketing Campaign was part of the "Seafood Marketing Program". That program was signed off on by the Board, the Lieutenant Governor, the Secretary of Wildlife and Fisheries, and BP. Staff provided updates to the board on events to happen via email and board reports were made by staff and agencies on finances(GCR) and programs in the works and programs that were executed(marketing agencies) at board meetings. All programs initiated by a task order by GCR had to fit the mission of the Marketing Campaign.

Regarding Saints inventory, the Secretary of Wildlife and Fisheries entered into a New Orleans Saints agreement of the Board to market Louisiana Seafood. Wildlife and Fisheries staff placed the order for goods that were first delivered to and received by Wildlife and Fisheries. Then those items were delivered to the Seafood Board. All the promotional items received from Wildlife and Fisheries by the Seafood Board DCRT took possession of. The Saints ticket distribution process was established by the Department of Wildlife and Fisheries and the distribution of who would use tickets for promotions was approved in advance by Wildlife and Fisheries.

Regarding page 11 and travel, GCR's responsibility was to make sure sub-contractors were in compliance (page 4 flow chart).

Submitted by:



Ewell M. Smith