

DEPARTMENT OF MILITARY AFFAIRS  
EXECUTIVE DEPARTMENT  
STATE OF LOUISIANA



MANAGEMENT LETTER  
ISSUED JUNE 4, 2008

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

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

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LOUISIANA LEGISLATIVE AUDITOR  
STEVE J. THERIOT, CPA

April 22, 2008

**DEPARTMENT OF MILITARY AFFAIRS**  
**EXECUTIVE DEPARTMENT**  
**STATE OF LOUISIANA**  
New Orleans, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2007, we considered the Department of Military Affairs' internal control over compliance with requirements that could have a direct and material effect on a major federal program and tested the department's compliance with laws and regulations that could have a direct and material effect on major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Report of the Department of Military Affairs is not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on the Department of Military Affairs for the year ended June 30, 2006, we reported findings relating to inaccurate and incomplete annual fiscal report, noncompliance with procurement and suspension and debarment requirements, and noncompliance with reporting requirements. The findings relating to noncompliance with procurement and suspension and debarment requirements and noncompliance with reporting requirements have been resolved by management. The finding relating to inaccurate and incomplete annual fiscal report is addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. The finding included in this management letter that is required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2007.

**Inaccurate and Incomplete Annual Fiscal Report**

The Department of Military Affairs did not submit an accurate and complete Annual Fiscal Report (AFR) to the Division of Administration for the fiscal year ended June 30, 2007. As authorized by Louisiana Revised Statute 39:79, the commissioner of

administration through the Division of Administration's Office of Statewide Reporting and Accounting Policy (OSRAP) prescribes the content and format for the preparation of each agency AFR, which is then used in the compilation of the state's Comprehensive Annual Financial Report (CAFR). Good internal control includes establishing a process to ensure that these financial statements are accurately prepared and reviewed. However, the department's AFR submitted to OSRAP on August 30, 2007, included the following errors:

- Schedule 8, "Schedule of Expenditures of Federal Awards," was understated by \$56,938,418.
- Schedule 8-4, "Schedule of Non-State Subrecipients of Major Federal Programs," was overstated by \$2,701,276.
- Schedule 8-5, "Schedule of State Agency Subrecipients of Federal Programs," was overstated by \$10,004,060.

Management did not ensure that its AFR was properly prepared and reviewed for errors and misclassifications. Failure to submit an accurate AFR can delay the compilation and issuance of the state's CAFR and the state's Single Audit Report. Furthermore, misstatements from errors or fraud may occur and remain undetected in these reports.

Management should ensure that its AFR is properly prepared and reviewed to identify and correct errors before submitting it to OSRAP. Management concurred with the finding and outlined corrective action (see Appendix A).

The recommendation in this letter represents, in our judgment, that most likely to bring about beneficial improvements to the operations of the department. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the department should be considered in reaching decisions on courses of action.

This letter is intended for the information and use of the department and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA  
Legislative Auditor

CVR:WDG:PEP:dl

MILITARY07

Management's Corrective Action  
Plan and Response to the  
Finding and Recommendation





## DEPARTMENTS OF THE ARMY AND AIR FORCE

JOINT FORCE HEADQUARTERS-LOUISIANA  
OFFICE OF THE ADJUTANT GENERAL  
CAMP BEAUREGARD  
PINEVILLE, LOUISIANA 71360

LANG-SMD

March 10, 2008

Mr. Steve J. Theriot, CPA  
Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

**REFERENCE FINDING: Inaccurate and Incomplete Annual Fiscal Report**

Dear Mr. Theriot:

The Department of Military Affairs concurs with the finding.

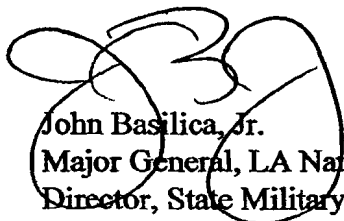
The following comments are provided concerning our corrective actions.

- Schedules 8, 8-4, and 8-5 have been corrected, signed, and resubmitted. The Department of Military Affairs appreciates the technical assistance provided by the Legislative Auditor's office.
- The Department of Military Affairs is in the process of hiring an Internal Auditor to strengthen its internal control process and management team.
- The Department of Military Affairs will schedule and conduct additional training for its fiscal personnel (including managers) involved in preparing the Annual Fiscal Report as the section has experienced attrition of its most senior fiscal employees.
- Future documents/schedules/reports will be reviewed more thoroughly by senior managers before submitting to OSRAP.
- Point of contact for this finding is COL John P. Catalanotte, (504) 278 8071.

The Department of Military Affairs acknowledges the seriousness of inaccurate reporting and regrets the errors cited. However, it should also be noted that at no time was there any intent to deceive or intentionally misrepresent the fiscal status of the agency. We are committed to eliminating future errors in subsequent reports.

If you have any questions or require further information, please contact COL John P. Catalanotte, Fiscal Manager, at (504) 278 8071.

Sincerely,



John Basilica, Jr.  
Major General, LA National Guard  
Director, State Military Department

*"Strength is the Foundation of the Louisiana Guard"*