

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED OCTOBER 27, 2010

**LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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DARYL G. PURPERA, CPA, CFE

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This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Five copies of this public document were produced at an approximate cost of \$15.35. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3280 or Report ID No. 80080111 for additional information.

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Our procedures at the Louisiana Department of Agriculture and Forestry (LDAF) for the period July 1, 2006, through June 30, 2009, disclosed:

- LDAF does not have an effective internal audit function to examine, evaluate, and report on its internal controls, including information systems, and to evaluate policies and procedures that comprise controls.
- LDAF did not retain supporting documentation for travel and petty cash expenditures from its imprest account.
- The finding identified in our prior report on LDAF, dated September 25, 2007, relating to inadequate controls over the use of state-owned aircraft has been resolved by management.
- No significant control deficiencies or errors relating to cash in bank accounts, movable property, federal and self-generated revenues and receivables, intrafund transfers, payroll expenditures, and certain nonpayroll expenditures, including LaCarte purchase card transactions, professional services, and compliance with the Public Bid Law were identified.
- No significant control deficiencies or noncompliance that would require reporting under Office of Management and Budget (OMB) Circular A-133 for the Food Donation (CFDA 10.550) federal program for the fiscal year ended June 30, 2008, were identified.

This work did not constitute an audit under auditing standards; however, we did perform certain procedures related to compliance with federal laws and regulations in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133. This report is a public report and has been distributed to state officials. We appreciate the department's assistance in the successful completion of our work.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

July 23, 2010

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Department of Agriculture and Forestry for the period from July 1, 2006, through June 30, 2009.

- Our auditors obtained and documented a basic understanding of the Louisiana Department of Agriculture and Forestry's (LDAF) operations and system of internal controls, including internal controls over major federal award programs administered by the department, through inquiry, observation, and review of the department's policies and procedures documentation including a review of the related laws and regulations applicable to the department.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using LDAF's annual fiscal reports and/or system-generated reports and obtained explanations from department management for any significant variances.
- Our auditors reviewed the status of the finding identified in the prior year engagement. In our prior report on LDAF, dated September 25, 2007, we reported a finding relating to inadequate controls over the use of state-owned aircraft.
- Based on the documentation of LDAF's controls and our understanding of related laws and regulations, procedures were performed on selected controls and transactions relating to cash in bank accounts, movable property, federal and self-generated revenues and receivables, intrafund transfers, payroll expenditures, and nonpayroll expenditures, including LaCarte purchase card transactions, imprest account expenditures, professional services, and compliance with the Public Bid Law.
- Our auditors performed internal control and compliance testing, in accordance with OMB Circular A-133, on the Food Donation (CFDA 10.550) federal program for the fiscal year ended June 30, 2008, as a part of the Single Audit for the State of Louisiana.

- Our auditors prepared a Budgetary Comparison Schedule for LDAF for the fiscal year ended June 30, 2009, using the Annual Fiscal Report of LDAF and additional data in the Integrated Statewide Information System (ISIS), the state's accounting system. This schedule is presented as additional information but has not been subjected to auditing procedures.

Based on the application of these procedures, we have reported findings relating to an ineffective internal audit function and noncompliance with the record retention policy. The prior finding regarding inadequate controls over the use of state-owned aircraft has been resolved by management. We found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our procedures on the selected controls and transactions listed above that should be communicated to management. We found no significant control deficiencies or noncompliance that would require reporting under OMB Circular A-133 for the Food Donation (CFDA 10.550) federal program for the fiscal year ended June 30, 2008.

The following significant findings are included in this report for management's consideration:

Ineffective Internal Audit Function

LDAF does not have an effective internal audit function to examine, evaluate, and report on its internal controls, including information systems, and to evaluate policies and procedures that comprise controls. An effective internal audit function should provide management with assurances that the department's assets are properly safeguarded; internal controls are established and operating in accordance with applicable laws and regulations; and internal controls are sufficient to prevent or detect errors and/or fraud in a timely manner.

Our review of the internal audit function for the period of our engagement disclosed that although the department hired an internal auditor in January 2004, no internal audits were performed during fiscal years 2007, 2008, and 2009. Considering the department's revenues of \$98,398,971; \$102,699,627; and \$93,307,647 for fiscal 2007, 2008, and 2009, respectively, an effective internal audit function is needed to ensure that the department's assets are safeguarded and that management's policies and procedures are uniformly applied.

Management should take the necessary steps to ensure that an effective internal audit function is established and maintained to (1) examine, evaluate, and report on its internal controls, including information systems; (2) safeguard the department's assets; (3) ensure internal controls are established and operating in accordance with applicable laws and regulations; and (4) ensure internal controls are sufficient to prevent or detect errors and/or fraud in a timely manner. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

Noncompliance With Record Retention Policy

LDAF did not retain supporting documentation for travel and petty cash expenditures from its imprest account. Louisiana Revised Statute (R.S.) 44:412 requires that the head of each agency establish and maintain an active, continuing program for the economical and efficient management of the records of the agency, and R.S. 44:411.A(1) requires that the head of each state agency submit a record retention schedule to the state archivist. In addition, the Division of Administration has issued Policy and Procedure Memorandum (PPM) 49, the *Louisiana Travel Guide*, which includes documentation requirements for travel reimbursements.

Our review of LDAF's record retention policy disclosed that the policy previously approved by the state archivist expired in June 2003. LDAF has submitted a working draft to the state archivist and is awaiting approval. The department's record retention policy requires that documentation be maintained for a minimum of seven years.

Our review of expenditures from the travel and petty cash imprest account for fiscal years 2007, 2008, and 2009 disclosed that LDAF did not maintain supporting documentation for six of 50 transactions tested. The expenditures for the six transactions totaled \$51,073.

LDAF's failure to retain records to support expenditures increases the risk that improper payments, whether because of error or fraud, may be made and not detected timely. In addition, failure to retain documentation ensuring that travel reimbursements have been made in accordance with PPM 49 subjects the department to noncompliance with Louisiana laws.

LDAF management should strengthen its controls over travel and petty cash expenditures to ensure that records are retained in accordance with state laws. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 2).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. The findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by management.

While we did not perform an audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we did perform certain procedures related to compliance with federal laws and regulations in accordance with those standards. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

The Annual Fiscal Report of the Department of Agriculture and Forestry was 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.

This report is intended for the information and use of the department and its management and the Louisiana Legislature. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CLM:CGEW:BQD:THC:dl

DAF09

_____ BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

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UNAUDITED

**DEPARTMENT OF AGRICULTURE AND FORESTRY
AGENCY 160 - AGRICULTURE AND FORESTRY**

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

APPROPRIATED REVENUES:

	TOTAL BEFORE ADJUSTMENTS	AGENCY ADJUSTMENTS	ADJUSTED TOTAL	REVISED BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
General Fund - direct	\$54,604,087		\$54,604,087	\$54,605,171	(\$1,084)
Federal aid	12,848,519		12,848,519	14,683,460	(1,834,941)
General Fund - fees and self-generated	5,962,064		5,962,064	10,709,860	(4,747,796)
General Fund - interagency transfer (IAT)	7,159,452		7,159,452	14,066,542	(6,907,090)
Statutory dedications:					
Agricultural Commodity Dealers and Warehouse Fund				350,000	(350,000)
Agricultural Commodity Commission Self-Insurance Fund	1,242,985		1,242,985	1,242,985	
Apiary Fund	1,663		1,663	2,000	(337)
Boll Weevil Eradication Fund	1,555,405		1,555,405	1,785,377	(229,972)
Commercial Feed Fund	479,666		479,666	479,666	
Crop Pests and Diseases Fund	105,776		105,776	105,776	
Feed Commission Fund	146,369		146,369	198,506	(52,137)
Fertilizer Commission Fund	22,872		22,872	414,638	(391,766)
Forest Productivity Fund	3,034,857		3,034,857	3,034,857	
Forest Protection Fund	807,200		807,200	830,000	(22,800)
Grain and Cotton Indemnity Fund				534,034	(534,034)
Horticulture Commission Fund	920,982		920,982	924,312	(3,330)
Louisiana Agricultural Finance Authority Fund	12,000,000		12,000,000	12,000,000	
Livestock Brand Commission Fund	10,470		10,470	10,470	
Pesticide Fund	3,490,490		3,490,490	3,905,885	(415,395)
Petroleum & Petroleum Products Fund	5,390,622		5,390,622	5,390,622	
Seed Commission Fund	424,250		424,250	424,250	
State Emergency Response Fund	1,168,031		1,168,031	1,168,031	
Structural Pest Control Commission Fund	624,617		624,617	1,071,499	(446,882)
Sweet Potato Pests and Diseases Fund	96,142		96,142	315,107	(218,965)
Weights and Measures Fund	2,372,955		2,372,955	2,372,955	
2004 Overcollection Fund	336,397		336,397	336,397	
Total Appropriated Revenues	\$114,805,871	NONE	\$114,805,871	\$130,962,400	(\$16,156,529)

(Continued)

UNAUDITED

**DEPARTMENT OF AGRICULTURE AND FORESTRY
 AGENCY 160 - AGRICULTURE AND FORESTRY
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2009**

APPROPRIATED EXPENDITURES:

	MANAGEMENT AND FINANCE	MARKETING	AGRICULTURAL AND ENVIRONMENTAL SCIENCES	ANIMAL HEALTH SERVICES	AGRO- CONSUMER SERVICES
Salaries	\$6,239,603	\$2,033,669	\$5,163,228	\$6,298,120	\$3,496,259
Other compensation	117,753	27,099	119,677	602,115	163,492
Related benefits	5,737,226	498,392	1,579,915	2,011,094	1,057,440
Travel and training	52,083	9,976	38,766	36,131	18,275
Operating services	604,021	1,538,236	113,137	372,163	112,402
Supplies	377,105	105,120	275,678	6,125,765	216,891
Professional services	20,581	40,084	8,632	1,442	21,141
Other charges	19,042	1,865,021	8,185,494	91,780	
Capital outlay	343,149	7,553	6,494		
Debt services	15,000,000		11,005,403		
IAT	2,221,512	61,494	229,995	171,043	178,478
Auxiliary program					
Total appropriated expenditures before adjustments	30,732,075	6,186,644	26,726,419	15,709,653	5,264,378
System adjustments	(16,135)	(53,130)	(270,003)	(4,055)	(1,010)
Total Appropriated Expenditures	30,715,940	6,133,514	26,456,416	15,705,598	5,263,368
Revised Budget	31,695,292	7,082,646	28,891,399	23,688,506	5,497,731
Variance Favorable (Unfavorable)	\$979,352	\$949,132	\$2,434,983	\$7,982,908	\$234,363

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

Additional detail is available on request.

(Concluded)

<u>FORESTRY</u>	<u>SOIL AND WATER CONSERVATION</u>	<u>AUXILIARY ACCOUNT</u>	<u>TOTAL</u>
\$11,224,392	\$479,819	\$828,811	\$35,763,901
13,444	875	203,527	1,247,982
3,138,429	111,257	287,124	14,420,877
44,522	15,841	(346)	215,248
439,675	22,658		3,202,292
863,187	15,308		7,979,054
2,428			94,308
5,895,633	3,596,749	1,162	19,654,881
224,076			581,272
			26,005,403
1,233,052	13,136		4,108,710
		984,099	984,099
<u>23,078,838</u>	<u>4,255,643</u>	<u>2,304,377</u>	<u>114,258,027</u>
<u>(475,264)</u>	<u>(1,198)</u>	<u>(30)</u>	<u>(820,825)</u>
22,603,574	4,254,445	2,304,347	113,437,202
<u>23,078,844</u>	<u>5,898,372</u>	<u>5,129,610</u>	<u>130,962,400</u>
<u>\$475,270</u>	<u>\$1,643,927</u>	<u>\$2,825,263</u>	<u>\$17,525,198</u>

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



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY

MIKE STRAIN DVM

COMMISSIONER



July 8, 2010

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

**Agricultural &
Environmental
Sciences**
P.O. Box 3596
Baton Rouge,
LA 70821
(225) 925-3770
Fax: 925-3760

Dear Mr. Purpera:

Re: Ineffective Internal Audit Function

**Agro-Consumer
Services**
P.O. Box 3098
Baton Rouge,
LA 70821
(225) 922-1341
Fax: 923-4877

The Louisiana Department of Agriculture and Forestry is in receipt of the reportable audit finding pursuant to your letter dated May 27, 2010. The department concurs with the finding that it does not have an effective internal audit function.

**Animal Health
Services**
P.O. Box 1951
Baton Rouge,
LA 70821
(225) 925-3962
Fax: 925-4103

Significant budget constraints and a reallocation of human resources have limited the department's ability to fulfill the internal audit function. However, the department intends to fill this need in the current year to provide for the safeguarding of department assets.

Forestry
P.O. Box 1628
Baton Rouge,
LA 70821
(225) 925-4500
Fax: 922-1356

Sincerely,

Craig Gannuch
Assistant Commissioner for
Management and Finance

**Management
& Finance**
P.O. Box 3481
Baton Rouge,
LA 70821
(225) 922-1255
Fax: 925-6012

Marketing
P.O. Box 3334
Baton Rouge,
LA 70821
(225) 922-1277
Fax: 922-1289

**Soil & Water
Conservation**
P.O. Box 3554
Baton Rouge,
LA 70821
(225) 922-1269
Fax: 922-2577



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY

MIKE STRAIN DVM

COMMISSIONER



July 8, 2010

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

Agricultural & Environmental Sciences
P.O. Box 3596
Baton Rouge, LA 70821
(225) 925-3770
Fax: 925-3760

Dear Mr. Purpera:

Re: Noncompliance with Record Retention Policy

Agro-Consumer Services
P.O. Box 3098
Baton Rouge, LA 70821
(225) 922-1341
Fax: 923-4877

The Louisiana Department of Agriculture and Forestry is in receipt of the reportable audit finding pursuant to your letter dated June 15, 2010. The department concurs with the finding that it did not retain some supporting documentation for travel and petty cash expenditures from its imprest account.

Animal Health Services
P.O. Box 1951
Baton Rouge, LA 70821
(225) 925-3962
Fax: 925-4103

This finding occurred in the early part of the fiscal year prior to staffing and procedural changes. The travel and imprest accounting desk now retains all records pursuant to policy. The department will continue to maintain an efficient management of travel and imprest account records.

Forestry
P.O. Box 1628
Baton Rouge, LA 70821
(225) 925-4500
Fax: 922-1356

Sincerely,

Craig Gannuch
Assistant Commissioner for
Management and Finance

Management & Finance
P.O. Box 3481
Baton Rouge, LA 70821
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Fax: 925-6012

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Fax: 922-1289

Soil & Water Conservation
P.O. Box 3554
Baton Rouge, LA 70821
(225) 922-1269
Fax: 922-2577