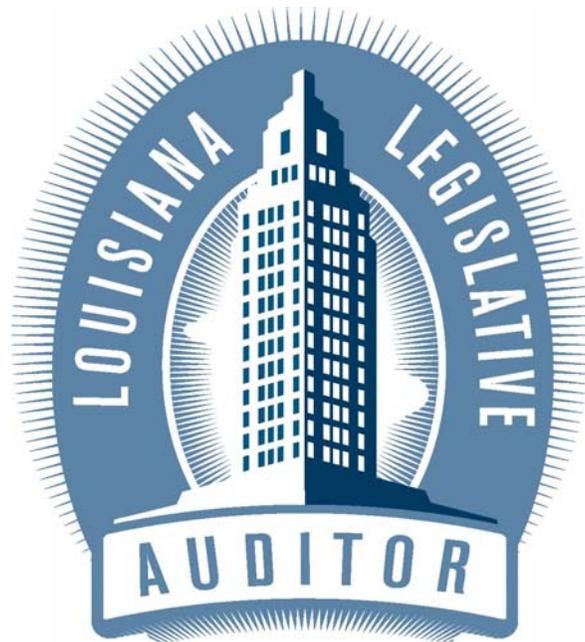


COASTAL PROTECTION AND RESTORATION AUTHORITY

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 18, 2019

**LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Coastal Protection and Restoration Authority

December 2019

Audit Control # 80190080

Introduction

As a part of our audit of the State of Louisiana’s Comprehensive Annual Financial Report (CAFR) and the Single Audit Report of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, we performed procedures at the Coastal Protection and Restoration Authority (CPRA) to provide assurances on financial information that is significant to the state’s CAFR; evaluate the effectiveness of CPRA’s internal controls over financial reporting and compliance; and determine whether CPRA complied with applicable laws and regulations.

Results of Our Procedures

Current-year Finding

Indirect Costs not Reported on the Schedule of Expenditures of Federal Awards

CPRA submitted inaccurate Schedule of Expenditures of Federal Awards (SEFA) information for the fiscal year ended June 30, 2019, by excluding approximately \$5.88 million of indirect cost expenditures from the total expenditures reported. Failure to properly compile SEFA information before submitting it to the Office of Statewide Reporting and Accounting Policy (OSRAP) for inclusion in the state’s Single Audit Report increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

CPRA was not aware that indirect cost expenditures were required to be reported within the SEFA information submitted to OSRAP. After this was brought to its attention, CPRA modified the template and instructions used to prepare the SEFA information to ensure that indirect costs will be identified and reported as required in future years.

Federal regulations state, “for reports prepared on a cash basis, expenditures are the sum of (1) cash disbursements for direct charges for property and services; (2) the amount of indirect expense charged; (3) the value of third-party in-kind contributions applied and (4) the amount of cash advance payments and payments made to subrecipients.” Note C of the SEFA provided by OSRAP that describes indirect costs states, “Indirect costs charged to federal grants and contracts by means of approved indirect cost rates are recognized as disbursements or expenditures in the SEFA.”

CPRA should ensure the newly established procedures to identify all indirect cost expenditures are performed and all applicable expenditures are reported to OSRAP for inclusion in the state's SEFA. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Comprehensive Annual Financial Report (CAFR) – State of Louisiana

As a part of our audit of the CAFR for the year ended June 30, 2019, we considered internal control over financial reporting and examined evidence supporting CPRA's capital outlay escrow fund nonpayroll expenditures and payables and amounts due to the U. S. Army Corps of Engineers.

The account balances and classes of transactions tested are materially correct.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2019, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on CPRA's major federal program, as follows:

- Coastal Wetlands Planning Protection and Restoration Act (Cost Share Agreements) (CFDA 15.U05)

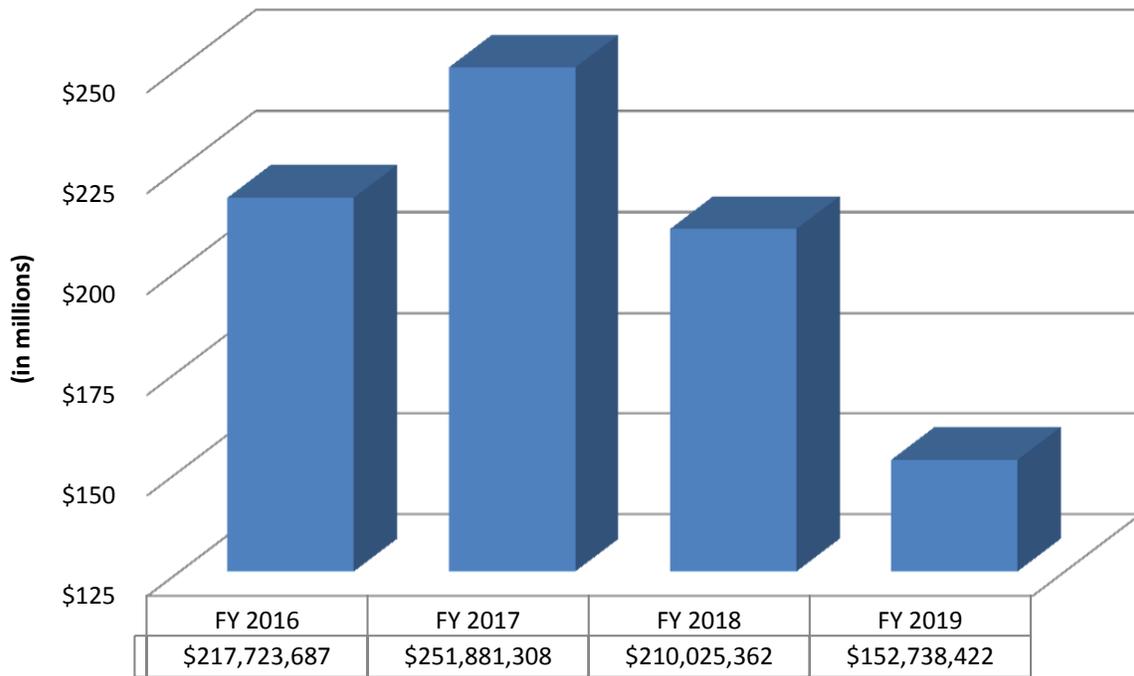
Those tests included evaluating the effectiveness of CPRA's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether CPRA complied with applicable program requirements.

Based on the results of these Single Audit procedures, we reported a finding related to Indirect Costs not Reported on the Schedule of Expenditures of Federal Awards.

Trend Analysis

We compared the most current and prior-year financial activity using CPRA's Annual Fiscal Reports and/or system-generated reports and obtained explanations from CPRA's management for any significant variances. We also prepared an analysis of capital outlay expenditures (Exhibit 1) over the past four fiscal years. Fluctuations in capital outlay expenditures are primarily attributed to the timing of construction cost. Capital outlay expenditures decreased by 27% over the past year, mainly the result of the construction completion of the Caillou Lake Headlands project in July 2018.

**Exhibit 1
Capital Outlay Expenditures, by Fiscal Year**



Source: Fiscal years 2016-2019 Annual Fiscal Reports

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

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

Respectfully submitted,

 Daryl G. Purpera, CPA, CFE
 Legislative Auditor

MK:CST:BQD:EFS:ch

APPENDIX A: MANAGEMENT'S RESPONSE



State of Louisiana

JOHN BEL EDWARDS
GOVERNOR

December 9, 2019

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

RE: Management Letter Audit
Indirect Cost not Reported on the Schedule of Expenditures of Federal Awards (SEFA)

As requested in your letter of December 2, 2019, I am responding to the finding "Indirect Costs (IDC) not Reported on the Schedule of Expenditures of Federal Awards (SEFA)." We concur that IDC expenditures were excluded from the SEFA, and immediately upon notification of this issue, the following corrective action was implemented by Denise Stafford, Accountant Administrator.

- Added the column "Billed COBI IDC (3a)" to the SEFA Reconciliation spreadsheet templet.
- Added instruction 3a to the SEFA preparation process to execute the ZFI1734 COBI Report for the current Fiscal Year, export the report to Excel, prepare a Pivot table on the Excel file using the Billed IDC column and Grant id numbers, and then add the Billed IDC to the SEFA Reconciliation Report.

While we acknowledge that the \$5,880,338 in IDC expenditures excluded from the SEFA was an error, it is important to note that the total federal expenditures were reported correctly on the Annual Fiscal Report. Furthermore, the IDC expenditures were spread over eleven federal programs, and irrespective of the IDC expenditures, two of CPRA's federal programs already exceeded \$30,000,000. As such, they were considered for audit under the Single Audit. The addition of the IDC expenditures increased those two program by \$1.6 million and \$1.5 million. The next largest federal program on the SEFA totaled \$7.5 million after the addition of the IDC expenditures. Therefore, we believe this could be considered a non-reportable finding because the error did not impact the programs that were chosen for the Single Audit and that the expenditures reported on the AFR are accurate.

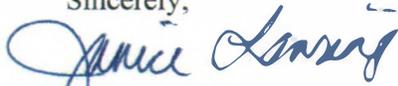
Executive Division

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Mr. Pupera
December 9, 2019
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We value the experience of the audit process and view it as an opportunity to discover ways to improve our business processes, particularly in relation to strengthening our controls over the financial reporting process of the SEFA. With the corrective action plan implemented, we should not have this error again on the SEFA.

Sincerely,

A handwritten signature in blue ink that reads "Janice Lansing". The signature is written in a cursive style with a large initial "J".

Janice Lansing
Chief Financial Officer

c: Bren Haase, Executive Director
Denise Stafford, Accountant Administrator
Michael Lacour, Internal Auditor

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Coastal Protection and Restoration Authority (CPRA) for the period from July 1, 2018, through June 30, 2019, to provide assurances on financial information significant to the State of Louisiana's Comprehensive Annual Financial Report (CAFR), and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the CAFR and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- We evaluated CPRA'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 CPRA.
- Based on the documentation of CPRA's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the CAFR.
- We performed procedures on the Coastal Wetlands Planning Protection and Restoration Act (Cost Share Agreements) (CFDA 15.U05) federal program for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- We compared the most current and prior-year financial activity using CPRA's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from CPRA's management for significant variances.

The purpose of this report is solely to describe the scope of our work at CPRA and not to provide an opinion on the effectiveness of CPRA'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 purposes.

We did not audit or review CPRA's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. CPRA's accounts are an integral part of the State of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.