

DEPARTMENT OF THE TREASURY

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED NOVEMBER 25, 2020

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of the Treasury



November 2020

Audit Control # 80200039

Introduction

As a part of our audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020, we performed procedures at the Department of the Treasury (Treasury) to provide assurances on financial information that is significant to the state's CAFR; evaluate the effectiveness of Treasury's internal controls over financial reporting and compliance; and determine whether Treasury complied with applicable laws and regulations.

Results of Our Procedures

Comprehensive Annual Financial Report (CAFR) – State of Louisiana

As a part of our audit of the CAFR for the year ended June 30, 2020, we considered internal control over financial reporting and examined evidence supporting cash, investments, bonds, and unclaimed property.

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

Other Procedures

In addition to the CAFR procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing Treasury's internal control and compliance with related laws and regulations over the non-payroll operating expenditures.

Based on the results of these procedures performed, we did not report any findings.

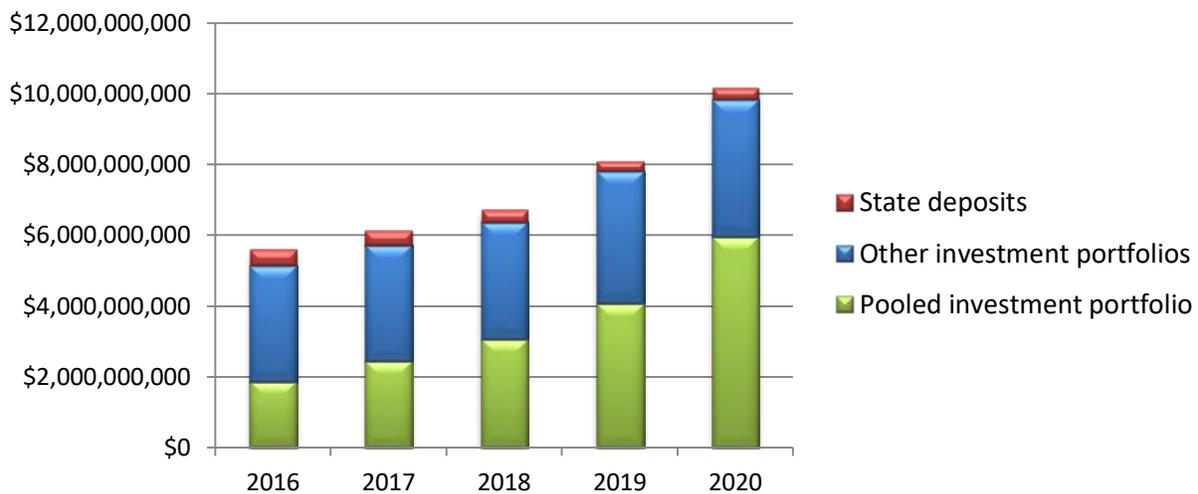
Trend Analysis

We compared the most current and prior-year financial activity using Treasury's Annual Fiscal Reports and/or system-generated reports and obtained explanations from Treasury's management for any significant variances.

We also prepared an analysis of state assets (Exhibit 1) and debt (Exhibit 2) that was managed by the Treasury during the five-year period ended on June 30, 2020.

The state’s assets managed by the Treasury, totaling \$10.2 billion for fiscal year 2020, has been increasing since fiscal year 2016. Cash in the General Fund, Capital Outlay Escrow Fund, and various dedicated funds that are not needed in the short-term are invested in the pooled investment portfolio. The state’s pooled investment portfolio has consistently increased since fiscal year 2017 due to operating surpluses. The increase in fiscal year 2020 largely resulted from the receipt of \$1.8 billion in Coronavirus Relief Funds as part of the federal CARES Act, which remained mostly unspent at June 30, 2020. The Treasury manages approximately 20 other investment portfolios totaling \$3.9 billion for fiscal year 2020. The funds managed in these other investment portfolios are either nonspendable (e.g., corpus of permanent funds) or the use is restricted to purposes specified by state law.

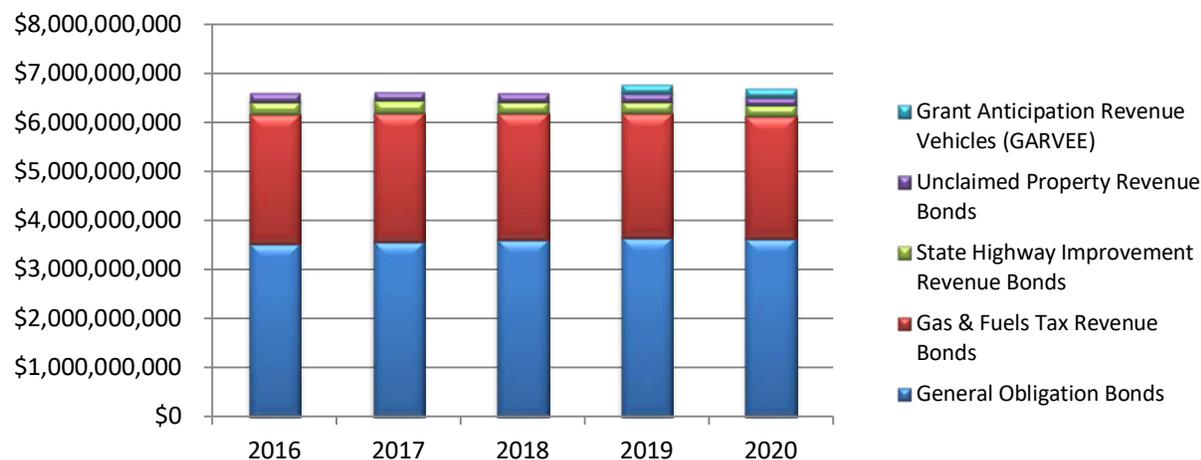
Exhibit 1
Treasury-Managed State Assets at Year End
Fiscal Years 2016-2020



Source: Treasury’s Annual GASB 40 Cash and Investment Letter

The state’s debt managed by the Treasury has remained at approximately \$6.7 billion from fiscal year 2016 to fiscal year 2020. Although debt service payments were made annually on the principal, new debt has been issued every year from fiscal year 2016 to fiscal year 2020.

**Exhibit 2
Treasury-Managed State Debt at Year End
Fiscal Years 2016-2020**



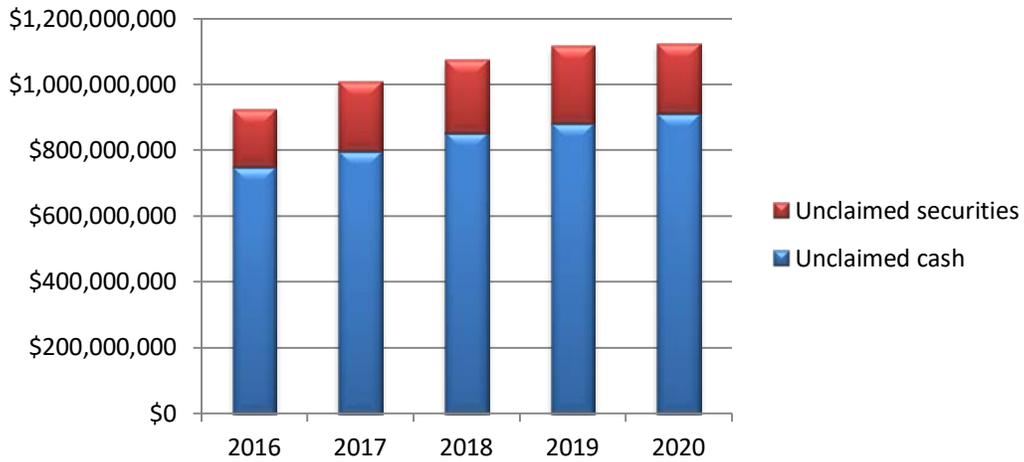
Source: CAFR and Treasury’s amortization schedules

We also prepared an analysis of the unclaimed properties on record at year-end over the last five fiscal years (see Exhibit 3). Cash and securities held by business associations, banking and financial organizations, and other legal entities that remain undelivered to its rightful owners after a prescribed time period are presumed abandoned and are required by state law to be remitted to the Treasury. The Treasury has record of \$911 million in unclaimed cash and \$213 million in securities that have been received from 1973 through fiscal year 2020 and remains unclaimed by the legal owners. During fiscal years 2016 through 2020, the abandoned cash remitted to the Treasury exceeded the amounts claimed by legal owners resulting in the annual increases, as shown in Exhibit 3.

Based on the Treasury’s analysis of historical claims and unclaimed cash receipts, the Treasury estimates \$214 million of the \$911 million in cash on record as of June 30, 2020, will be claimed by its legal owners. Since inception of the program through the end of fiscal year 2020, approximately \$894 million has been used by the state for various purposes as provided in Louisiana Revised Statute 9:165. On November 3, 2020, a constitutional amendment passed restricting the state’s future allowable uses of unclaimed money and creates the Louisiana Unclaimed Property Permanent Trust Fund, effective July 1, 2021.

The entire \$213 million in securities as of June 30, 2020, remain intact and are held by external investment companies

**Exhibit 3
Unclaimed Property at Year-End,
Fiscal Years 2016-2020**



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

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APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of the Treasury (Treasury) for the period from July 1, 2019, through June 30, 2020, 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 for the year ended June 30, 2020.

- We evaluated Treasury'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 Treasury.
- Based on the documentation of Treasury'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 compared the most current and prior-year financial activity using Treasury's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Treasury's management for significant variances.

In addition, we performed procedures on non-payroll operating expenditures. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at Treasury and not to provide an opinion on the effectiveness of Treasury'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 Treasury's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. Treasury's accounts are an integral part of the state of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.