

DEPARTMENT OF MILITARY AFFAIRS
EXECUTIVE DEPARTMENT

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 16, 2019

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of Military Affairs



December 2019

Audit Control # 80190006

Introduction

As a part of the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, we performed procedures at the Department of Military Affairs (Department) to evaluate the effectiveness of the Department's internal controls over a major federal program and determine whether the Department complied with applicable laws and regulations. We also performed procedures for the period July 1, 2017, through June 30, 2019, to evaluate certain internal controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds.

Results of Our Procedures

Current-year Findings

Inadequate Controls over Salary Adjustments

The Department did not have adequate documentation to evidence a review of salary adjustments given on July 16, 2018, to 682 employees totaling \$1,053,337. A lack of adequate review increases the risk that employees may be paid improper amounts.

A test of 32 of these salary adjustments disclosed that two employees received the incorrect amounts, resulting in overpayments totaling \$1,281. Good internal control would require a review of all salary adjustment calculations prior to granting those adjustments. Management represented the salary adjustments were reviewed; however, there was no evidence of that review because the written policies do not require the retention of documentation for these types of adjustments.

Management should amend existing policies to require adequate documentation be maintained supporting all salary adjustment calculations and evidencing a review of those calculations prior to granting the adjustments. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 1-2).

Inadequate Controls over Fueltrac Purchases

The Department did not adequately monitor fuel and related purchases made on the Fueltrac credit card, thereby increasing the risk that fraud and abuse could occur without being detected.

FuelTrac purchases are required to be recorded on the applicable daily vehicle log and submitted for supervisor approval. A test of 75 Fueltrac card purchases paid during July 2017 through February 2019 revealed the following:

- Four (5%) of 75 purchases totaling \$129 were not included on the applicable vehicle log nor supported by receipts.
- Twenty-five (33%) of 75 purchases totaling \$1,001 were included on vehicle logs that did not have the supervisor's approval.
- Seven (9%) of 75 purchases totaling \$218 were not included on vehicle logs; however, receipts for the seven purchases were provided.
- Two (3%) of 75 purchases totaling \$59 did not have the driver's initials on the vehicle log.

Department policy requires that Fueltrac card purchases be recorded on the daily vehicle log, initialed by the driver, and reviewed and approved by the supervisor. Associated receipts are also to be provided and stapled to the back of the vehicle log. The Department has not placed sufficient emphasis on the need to comply with its policy and procedures manual that provides for uniform internal controls for Fueltrac card purchases to be applied department-wide.

The Department should ensure that employees are properly trained on these policies and procedures and should ensure proper monitoring is performed on Fueltrac purchases to ensure drivers are properly completing the logs and obtaining supervisory approvals. These procedures should include periodic reconciliations between the Fueltrac system and the vehicle logs to ensure completeness and to verify applicable receipts have been attached. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, pages 3-4).

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 the Department's major federal program, National Guard Military Operations and Maintenance (O&M) Projects (CFDA 12.401).

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

Other Procedures

In addition to the Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing the Department’s internal control and compliance with related laws and regulations over payroll expenditures, fuel card expenditures, state purchasing card expenditures, and travel expenditures.

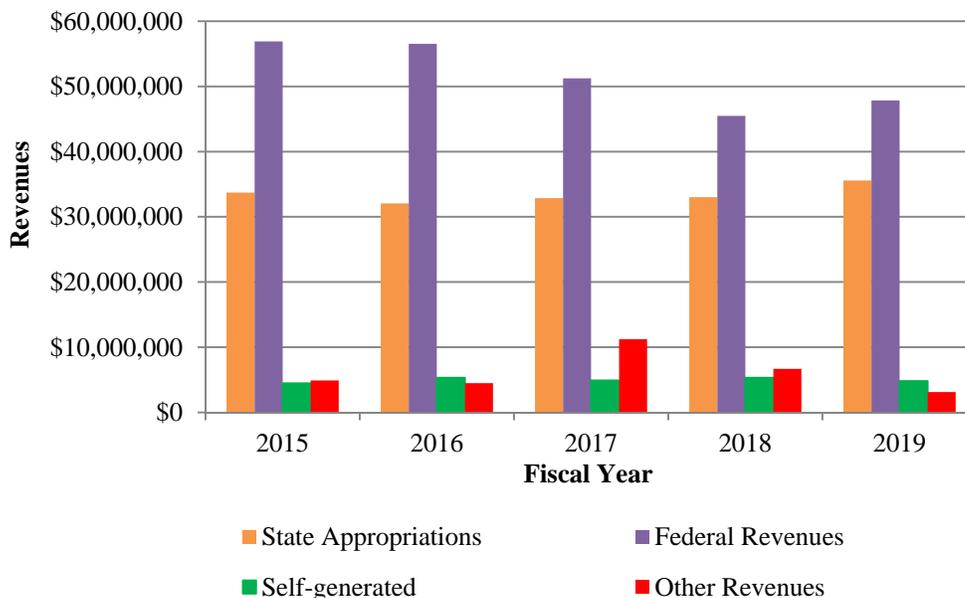
Based on the results of these procedures, we reported findings related to Inadequate Controls over Salary Adjustments and Inadequate Controls over Fueltrac Purchases, as described previously.

Trend Analysis

We compared the most current and prior-year financial activity using the Department’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from the Department’s management for any significant variances. We also prepared an analysis of the Department’s revenues and expenditures for fiscal years 2015 through 2019.

In analyzing the revenue trends of the Department over the past five years, we found that since 2015 the Department’s federal revenues decreased by 16% due to the Department receiving \$7.7 million in funding from the Environmental Protection Agency for the cleanup of M6 propellant at Camp Minden during fiscal year 2015.

**Exhibit 1
Five-Year Revenue Trend**



Source: Integrated Statewide Information System Reports

The recommendations in this letter represent, in our judgement, those most likely to bring about beneficial improvements to the operations of the Department. The 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.

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, stylized initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

EE:CLL:BQD:EFS:aa

SMD 2019

APPENDIX A: MANAGEMENT'S RESPONSES



STATE OF LOUISIANA

MILITARY DEPARTMENT

GILLIS W. LONG CENTER
5445 Point Clair Road
CARVILLE, LOUISIANA 70721

GLENN H. CURTIS
MAJOR GENERAL
THE ADJUTANT GENERAL

JOHN BEL EDWARDS
GOVERNOR

December 6, 2019

Mr. Daryl G. Purpera
Legislative Auditor
1600 N. 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Legislative Audit – Louisiana Military Department (LMD)

Mr. Purpera:

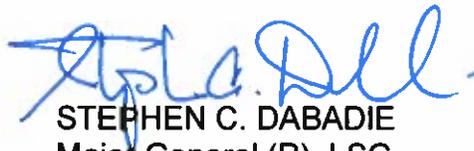
The Louisiana Military Department's (LMD) official response to the Legislative Audit letter dated December 3, 2019 concerning the Auditor finding of "inadequate controls over salary adjustments" follows:

1. LMD concurs with the finding that LMD did not have adequate documentation to evidence a review of salary adjustments given.
2. Additionally, LMD's assessment of this audit finding revealed that, while Employee Assistance Officer's (EAs) reviewed the salary adjustment calculations prior to inputting them into the LaGov HCM system, no final review was done to compare the salary adjustments *after* they were input into the LaGov HCM system versus the calculated adjustments. Therefore, LMD management is amending existing policies and procedures to implement additional controls to:
 - a. Review salary adjustment calculations prior to input;
 - b. Compare salary adjustment inputs to the calculations in order to mitigate improper payments in the future; and
 - c. Require adequate documentation be maintained to support all salary adjustment calculations and reviews.
3. Due to this finding, LMD conducted its own review of all 682 salary adjustments given on July 16, 2018. For this review, one of LMD's Budget Analysts provided a spreadsheet created from the ZP116 Payroll Report, this time adding the ZP 52 Payroll Report to calculate the proper salary adjustment for each employee. In order to review the adjustment given to the employee versus the one calculated,

LMD's Budget Analyst added columns to the original spreadsheet: a column with the adjustment amounts given, and a column to calculate the difference between the calculated adjustment and that given. The review showed 70 potential errors, which were then checked manually. Upon completion of the manual review, only 11 actual errors were found: the two (2) initial errors found by the LLA auditors, and 9 additional errors found by LMD. However, this review illustrated that the spreadsheet method of calculation did not entirely take into account circumstances where someone changed jobs and received a raise during the same pay period, or positions that are federally funded (partially or completely), or other issues that couldn't be accounted for in an Excel spreadsheet. Therefore, LMD believes that the best practice going forward is to move to the LaGov HCM system. However, because this will not happen immediately, LMD will update its policies and procedures as detailed below to address the issues in the interim.

4. To provide the most accurate payroll adjustments going forward, LMD's corrective action plan is as follows:
 - a. LMD will amend its policies and procedures to review salary adjustment calculations prior to input, as well as include a final review of the salary adjustment calculations to ensure the correct numbers have been input into the system prior to payment. These amendments shall also include the requirement to maintain adequate documentation supporting the completion of such calculations and reviews. LMD anticipates this action to be completed by December 20, 2019.
 - b. LMD will correct all errors found in the salary adjustments, including recoupment of overpayments and remitting payments for underpaid salary adjustments. LMD anticipates these actions to be completed by January 31, 2020.
 - c. LMD will input its administrative data into LaGov HCM to enable the Office of Technology Services (OTS) to automatically update our employees' pay in accordance with: Civil Service Guidelines, Market Based Adjustments, Governor mandated general increases, and any other pay changes. LMD anticipates these actions to be completed by July 1, 2020.
5. Point of contact for this memo and the corrective actions is SGM (Ret) Chad Anderson, Human Resources Manager at 225-319-4981 or email chad.j.anderson1.nfg@mail.mil.

Sincerely,



STEPHEN C. DABADIE
Major General (R), LSG
Director, Louisiana Military Department



State of Louisiana

JOHN BEL EDWARDS
GOVERNOR

LOUISIANA NATIONAL GUARD
OFFICE OF THE ADJUTANT GENERAL
6400 St. Claude Avenue
Jackson Barracks
New Orleans, LA 70117

GLENN H. CURTIS
MAJOR GENERAL
THE ADJUTANT GENERAL

September 26, 2019

Mr. Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, La 70804-9397

RE: Fueltrac Purchase Review – Louisiana Military Department (LMD)

Mr. Purpera:

The Louisiana Military Department (LMD) official response to the Louisiana Legislative Auditor's letter dated September 10, 2019, concerning the Fueltrac Purchases Review follows:

1. LMD concurs with the audit findings: **Inadequate Controls over Fueltrac Purchases**, while offering the comment that Needs Improvement on Controls over Fueltrac Purchases better defines the facts and circumstances leading to the findings.
2. LMD implemented the following Corrective Action Plan by each area of the findings. LMD anticipates completion of the action plan by December 31, 2019.
 - a. Insufficient Monitoring of fuel and related purchases July 2018 thru February 2019. Second Lieutenant Graham and Ms. Janette Percin shall review the 38 incomplete actions and take appropriate action to make corrections.
 - b. Insufficient emphasis on Daily Vehicle Log. During the course of the LLA audit LMD hired a new Fleet Manager, Ms. Janette Percin, with an effective date of August 6, 2019. Ms. Perrin will conduct a monthly audit of all vehicle logs and receipts to ensure compliance and completeness with the Fleet portion of the PPM and to take appropriate actions to prevent non-compliance.
 - c. Improvements in training. Based on initial findings during the course of the LLA audit, LMD developed a training class and began implementation as of July 31, 2019 for LMD vehicle operators. The LMD Fleet Manager will conduct one training class at each installation through December 2019 and annually thereafter, or more often as needed. The training class shall cover the Fleet PPM, Fueltrac program, proper use of a State fleet

September 26, 2019

Page 2

RE: Fueltrac Purchase Review – Louisiana Military Department (LMD)

vehicle, and the importance of correctly completing the Vehicle Daily Log/Safety Inspection Checklist with emphasis on operator responsibility for attention to detail and supervisor review/approval. The training class will outline the importance of operators recording all trips, mileage, location, receipts, and initialing the Daily Log.

d. Review of the Policy and Procedures Manual. After receiving the draft audit findings, the LMD Fleet Manager began a review of the current PPM. Appropriate changes to ensure clarity, improve compliance, and implement processes to reduce errors are currently being reviewed for implementation. The training classes will be modified, as needed, to cover any new changes to the PPM.

e. Audit Emphasis. The LMD Internal Audit Section shall conduct both scheduled and unscheduled Compliance reviews to validate compliance with the PPM and applicable law.

3. **Points of Contact:** The primary contact person for all corrective actions is 2nd Lieutenant William 'Chris' Graham, who can be reached at phone number 318-290-5934, or by email: william.c.graham.mil@mail.mil. The alternate contact person is Ms. Janette Percin, who can be reached at phone number 318-290-5783, or by email: Janette.percin.nfg@mail.mil.

The point of contact for this correspondence is the undersigned at (225) 255-8216.

Sincerely,



STEPHEN C. DABADIE
MAJOR GENERAL, LSG
Director, Louisiana Military Department

cf:

Brigadier General (R) Owen Monconduit
Colonel (R) Tim Chastain
Lieutenant Colonel (R) Donald Johnson
Second Lieutenant William Graham

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Military Affairs (Department) for the period from July 1, 2018, through June 30, 2019, to provide assurances on a major federal program 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 Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- We evaluated the Department'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 the Department.
- We performed procedures on the National Guard Military Operations and Maintenance (O&M) Projects (CFDA 12.401) 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 the Department's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the Department's management for significant variances.

In addition, we conducted certain procedures on payroll expenditures, fuel card expenditures, state purchasing card expenditures, and travel expenditures at the Department for the period from July 1, 2017, through June 30, 2019. Our objective was to evaluate certain controls the Department uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. 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 the Department and not to provide an opinion on the effectiveness of the Department'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 the Department's Annual Fiscal Report, 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 CAFR, upon which the Louisiana Legislative Auditor expresses opinions.