

LOUISIANA CEMETERY BOARD
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JUNE 26, 2019

**LOUISIANA LEGISLATIVE AUDITOR
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BATON ROUGE, LOUISIANA 70804-9397**

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Louisiana Cemetery Board



June 2019

Audit Control # 80190100

Introduction

The primary purpose of our procedures at the Louisiana Cemetery Board (Board) was to evaluate certain controls that the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

Results of Our Procedures

We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of Board's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, licensing fees, credit cards, travel expenses, contracts, payroll and personnel, budget, and other compliance areas, including ethics.

Follow-Up on Prior-report Findings

We reviewed the status of the prior-report findings in the Board's Procedural Report dated July 11, 2018. We determined that management has resolved the prior-report finding related to Inadequate Segregation of Duties. The findings relating to Improper Expenses and Failure to Establish a Contract with a Vendor have not been resolved and are addressed again in this report.

Current-report Findings

Improper Expenses

For the second consecutive year, the Board charged the Board credit card for two lunches that appeared to have no public purpose. On May 4, 2018, and November 2, 2018, the Board spent \$116 and \$156, respectively, on lunches for Board members. The lunches occurred on the same dates as the biannual Board meetings. The Louisiana Constitution Article VII, Section 14(A)

generally prohibits state entities from loaning, pledging, or donating public funds, assets or property to persons, associations or corporations, public or private.

Louisiana Revised Statute (R.S.) 8:63 allows Board members to receive necessary traveling and other expenses directly related to the performance of their duties. However, based on the information reviewed, it was not evident that there was a public purpose when expending the funds, or that the Board received something of value in return.

The Attorney General, in *Opinion 08-0328*, explains that for an expenditure of public funds to be permissible under Article VII, Section 14(A), the public entity should ensure that there is a public purpose behind the expenditure, that the expenditure does not appear gratuitous, and that there is a reasonable expectation of some public benefits to the public entity in return for the expenditure. Based on the evidence provided by the Board, taking Board members to lunch does not appear to have a public purpose, appears gratuitous, and does not seem to provide something of value in return.

The Board should strengthen its procedures to ensure that all expenses are allowable. Management did not concur with the finding and stated the Board revised its policies and procedures manual to reference the authority to cover expenses of Board members directly related to the performance of their duties (see Appendix A, pages 1-2).

Additional Comments: We do not believe that payment of Board member lunches is directly related to the performance of any Board member's duties.

Failure to Establish a Contract with a Vendor

For the second consecutive year, the Board did not obtain an appropriate approved contract for a vendor that was paid \$1,896 for providing information technology (IT) services during fiscal year 2018. The current agreement lacks basic elements of a contract, including a contract termination date; a description of circumstances under which the contract can be terminated, either with or without cause; remedies for default; goals and objectives; a monitoring plan; and a statement giving the legislative auditor the authority to audit records of the individual or firm.

Failure to obtain written contracts or agreements for professional or consulting services increases the risk of misunderstandings and/or nonperformance of needed services without any protection for the Board, including remedies for default. Good internal controls require that an agreement between parties should be in writing, signed and dated, and provide clarity of actions required by both parties.

The Board should ensure all contracts or agreements for services are written and signed by appropriate persons, and all relevant terms are included. Management did not concur with the finding and stated that a contract is not required since the services are exempt from the state's procurement guidelines pursuant to the Governor's Small Purchase Executive Order (see Appendix A, pages 3-4).

Additional Comments: Management refers to the state's procurement guidelines, which address the necessity for a competitive bidding process, not the need for a contract. Good business practices require the Board to obtain a signed agreement to provide legal recourse to protect the Board if misunderstandings and/or nonperformance of needed services occur. In addition, without a signed contract, the Board could be susceptible to data loss or delays in data loss recovery in the event of a disaster.

Other Results of Our Procedures

Cash

The Board maintains an operating account used for general operations and an investment account. The operating account balance totaled \$36,534, and the investment account balance totaled \$433,916 at December 31, 2018. We performed procedures to reconcile cash transactions to the Board's general ledger, evaluated the segregation of duties between Board staff, and confirmed the timely preparation of bank account reconciliations. No exceptions were noted.

Licensing Fees

Approximately 78% of the Board's revenue collections were from annual licensing fees in fiscal year 2018. We traced selected licenses that were granted to supporting documentation to ensure the appropriate fees were collected in accordance with the fee schedule established by the Board. No exceptions were noted.

Credit Cards

The Board has a credit card used by the director for general office supplies, travel, and administrative expenses. We traced selected credit card purchases to supporting documentation and evaluated the purpose of the purchases and compliance with laws and regulations. We further confirmed the timely review of credit card statements. During our review, we noted that the Board did not ensure that all expenses were allowable when expenses occurred (see Current-report Findings section).

Travel Expenses

Travel expenses include conference travel for the Board's director, compliance investigator and Board attorney, as well as reimbursement of travel expenses for Board members to attend meetings. Fiscal year 2018 travel expenses totaled \$9,946. We traced selected travel expense reimbursements to supporting documentation and evaluated compliance with laws and regulations. No exceptions were noted.

Contracts

The Board contracted with entities to perform leasing, legal, IT, and accounting services. Fiscal year 2018 contract expenses totaled \$68,010. We traced selected contract payments to contract

terms and evaluated compliance with laws and regulations. During our review, we noted that the Board did not have an adequate contract on file for a vendor (see Current-report Findings section).

Payroll and Personnel

Approximately 77% of the Board's expenses relate to payroll costs for fiscal year 2018. Board personnel include the director, compliance investigator, and the assistant to the director. We traced selected employees' salaries to contract terms or pay structure and evaluated controls over time and attendance records. No exceptions were noted.

Budget

The Board annually adopts a budget by majority vote of its Board members. Revenues budgeted for the year ended December 31, 2018, were approximately 10% lower than the previous year because of a reduction in anticipated fine revenues; expenses were budgeted 1% higher than the previous year. We confirmed the adoption of the Board's budget and evaluated variances between budgeted amounts and actual revenues and expenses for reasonableness. No exceptions were noted.

Other Compliance Areas

We evaluated evidence to determine if required ethics training was completed by selected Board members and employees. We determined the Board members and employees completed the required annual ethics training. No exceptions were noted.

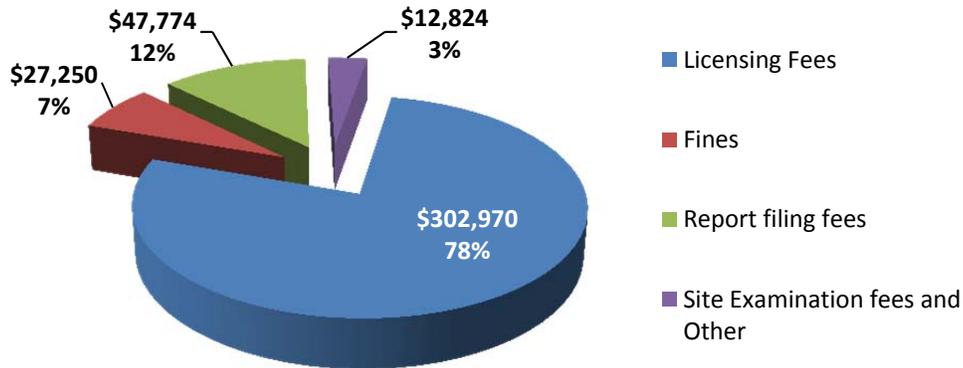
We reviewed the Board minutes for fiscal year 2018 and determined that the Board met (with a quorum) at least twice in accordance with R.S. 8:65. No exceptions were noted.

We accessed the Board's online information included in the Louisiana Division of Administration's boards and commissions database and determined that Board meeting notices and minutes were submitted for all meetings during the fiscal period. In addition, we obtained the budget information for the current fiscal period and determined that the information agreed with the budget information contained in the database. No exceptions were noted.

Comparison of Activity between Years

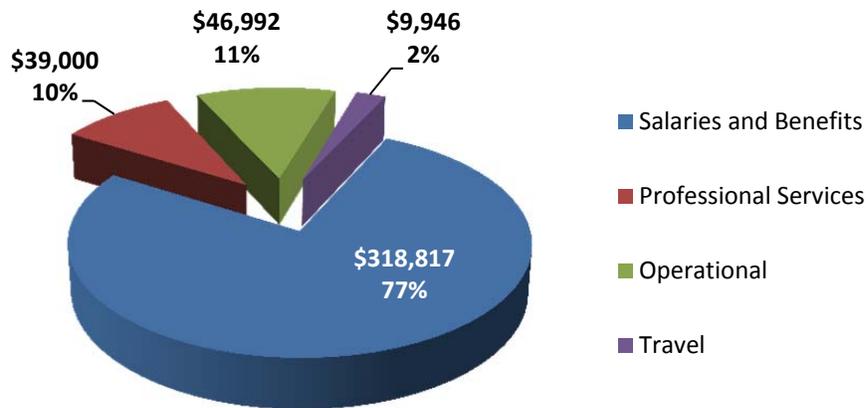
We compared the most current and prior-year financial activity using the Board's general ledger and other system generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. The following charts show the Board's revenues and expenses through December 31, 2018.

Fiscal Year 2018 Revenues
Total: \$390,818



Source: Board General Ledger

Fiscal Year 2018 Expenses
Total: \$414,755



Source: Board General Ledger

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

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

KML:ETM:RR:EFS:aa

APPENDIX A: MANAGEMENT'S RESPONSES



John Bel Edwards
Governor

STATE OF LOUISIANA

LOUISIANA CEMETERY BOARD

3445 N. CAUSEWAY BOULEVARD, SUITE 509
METAIRIE, LOUISIANA 70002
TELEPHONE 504-838-5267 TOLL FREE 1-866-488-5267 FAX 504-838-5289

Lucy L. McCann
Director

May 24, 2019

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

Re: Engagement for year ending December 31, 2018

Dear Mr. Purpera:

This will serve as our official response to the following finding: ***“Improper Expenses”***.

We do not concur with this finding.

This finding references La. R.S. 8:63 and Attorney General Opinion 08-0328 as support that the funds expended, a total of \$272, were prohibited under the Louisiana Constitution Article VII, Section 14(A) because *“Based on the evidence provided by the Board, taking board members to lunch does not appear to have a public purpose, appears gratuitous, and does not seem to provide something of value in return.”*

The interpretation of the above referenced laws and opinion can be subjective and for the reasons recited below we respectfully disagree with your office’s interpretation of same.

As you know, La. R.S. 8:63 states: *“The members of the board shall receive no compensation but shall receive necessary traveling and other expenses directly related to the performance of their duties.”* Further, Attorney General Opinion 08-0328 addresses the *“use of public funds to host strictly social gatherings for city employees”*. The meals that were the subject of this finding were not in the course of a social gathering. The meals occurred on the same dates as scheduled Board meetings, which are required by law, and Board members in attendance were present in their official capacity as it relates to the performance of their duties and are therefore, in our opinion, authorized by statute as “other expenses”.

As we have previously indicated, the Louisiana Cemetery Board makes every effort to conduct its meetings in the most efficient manner possible, trying to limit its meetings to one day rather than two days when possible, which limits the overall expenses of the Board and thus provides “something of value in return”.

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For these reasons we disagree with your assertion that these expenditures violated Article VII, Section 14(A) of the Louisiana Constitution, which prohibits state entities from loaning, pledging, or donating public funds, assets or property to persons, associations or corporations, public or private, because they are authorized by La. R.S. 8:63.

Regarding concerns expressed about strengthening our procedures, as we have previously indicated, the Board revised its Policies and Procedures manual to reference the authority granted to the Board under La. R.S. 8:63 to cover expenses of board members directly related to the performance of their duties.

Trusting this response is sufficient for your purposes, we remain.

Your very truly,

LOUISIANA CEMETERY BOARD

A handwritten signature in blue ink, appearing to read 'Lucy L. McCann', written in a cursive style.

Lucy L. McCann

Director

LLM



John Bel Edwards
Governor

STATE OF LOUISIANA

LOUISIANA CEMETERY BOARD

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Lucy L. McCann
Director

May 24, 2019

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

Re: Engagement for year ending December 31, 2018

Dear Mr. Purpera:

This will serve as our official response to the following finding: ***“Failure to Establish a Contract with a Vendor”***.

We do not concur with the above referenced finding.

This finding states the Board did not *“obtain an appropriate approved contract for a vendor that was paid \$1,896 for providing information technology services”*.

As previously advised, we have reviewed the Office of State Procurement’s policies and we are of the opinion these services do not require a contract. Additionally, the Office of State Procurement recently confirmed that purchases related to information technology services, less than \$5,000 annually, are exempt from the procurement guidelines pursuant to the Governor’s Small Purchase Executive Order. Because these services are exempt from the procurement guidelines a contract is not required.

To the extent that the finding suggests that the agreement in place with the vendor is not appropriate and increases the risk, misunderstandings and/or nonperformance of needed services without any protection for the Board including remedies for default. The Board’s legal counsel has expressed an opinion that the current agreement is clear and unambiguous. Further, in the event of a breach, the Board can enforce the Agreement through a Petition for Specific Performance or for Damages for Breach of Contract.

For these reasons we disagree with your assertion that the Board did not obtain an appropriate contract with the vendor providing information technology services, as such contract is not required by the state’s procurement guidelines.

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Trusting this response is sufficient for your purposes, we remain.

Your very truly,

LOUISIANA CEMETERY BOARD

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Lucy L. McCann
Director

LLM

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana Cemetery Board (Board) for the period from January 1, 2018, through December 31, 2018. Our objective was to evaluate certain internal controls the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review the Board's Annual Fiscal Report, and accordingly, we do not express opinions on that report. The Board's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Board.
- Based on the documentation of the Board's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, licensing fees, credit cards, travel expenses, contracts, payroll and personnel, budget, and other compliance areas, including ethics.
- We compared the most current and prior-year financial activity using the Board's general ledger and other system generated reports and obtained explanations from the Board's management for any significant variances that could potentially indicate areas of risk.

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