

COASTAL PROTECTION AND RESTORATION AUTHORITY

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Management Letter
Issued March 6, 2023

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Coastal Protection and Restoration Authority



March 2023

Audit Control # 80220101

Introduction

As a part of our audit of the State of Louisiana's Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2022, we performed procedures at the Coastal Protection and Restoration Authority (CPRA) to provide assurances on financial information that is significant to the state's Annual Comprehensive Financial Report; evaluate the effectiveness of CPRA's internal controls over financial reporting and compliance; and determine whether CPRA complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the CPRA management letter dated June 8, 2022. The prior-year finding related to Noncompliance with Certain Subrecipient Monitoring Requirements has not been repeated in this report. CPRA management has actively pursued clarification with the federal government on this issue, which is currently under consideration by the U.S. Department of the Interior. As of February 28, 2023, the federal government has not provided clarification.

Current-year Finding

Inaccurate Annual Fiscal Report

CPRA submitted an inaccurate Annual Fiscal Report (AFR) to the Office of Statewide Reporting and Accounting Policy (OSRAP) for inclusion in the State of Louisiana's Annual Comprehensive Financial Report (ACFR). Failure to establish adequate controls over preparation of the AFR may cause errors requiring audit adjustments and increases the risk that material misstatements may occur and remain undetected, resulting in a misstatement in the state's ACFR.

Audit procedures identified errors in the Accrued (Unrecorded) Payables note disclosure in CPRA's AFR, resulting in a net understatement of \$11,934,205, as follows:

- CPRA understated the unrecorded payables in the note disclosure by \$15,336,842 due to the exclusion of certain invoices with delivery dates prior to June 30, 2022, but payments in fiscal year 2023. The understatement was corrected after auditors informed CPRA of the misstatement.
- Two of the four highest-dollar expenditure transactions from the period subsequent to year-end were inaccurately reported by CPRA as unrecorded payables, resulting in an overstatement of \$3,402,637.

CPRA did not adequately review its AFR before submitting it to OSRAP. Internal controls over financial reporting should include adequate procedures to record, process, and compile financial data needed to prepare an accurate and complete AFR. It should also include an effective review so that errors and omissions can be detected and corrected before submitting the AFR to OSRAP for inclusion in the state's ACFR.

Management should implement procedures to ensure its AFR is accurately prepared and ensure an adequate review of its AFR before submission to OSRAP. Management concurred that the noted errors occurred and outlined a plan of corrective action (see Appendix A).

Annual Comprehensive Financial Report – State of Louisiana

As a part of our audit of the ACFR for the year ended June 30, 2022, 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.

Based on the results of these procedures, we reported a finding related to Inaccurate Annual Fiscal Report, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, 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, 2022, we performed procedures 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 information submitted by CPRA to the Division of Administration's Office of Statewide Reporting and Accounting Policy on the status of

the prior-year finding for the preparation of the state's Summary Schedule of Prior Audit Findings.

Based on the results of these procedures, we did not report any findings. In addition, information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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.

The recommendation in this letter represents, in our judgment, 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,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

RJD:MK:BQD:EFS:aa

CPRA2022

APPENDIX A: MANAGEMENT'S RESPONSE



State of Louisiana

JOHN BEL EDWARDS
GOVERNOR

January 6, 2023

Mr. Michael J. "Mike" Waguespack, CPA
Legislative Auditor
Office of Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack:

RE: Audit Finding – Inaccurate Annual Fiscal Report

Per your request, I am writing to provide a response to the finding "Inaccurate Annual Fiscal Report" issued to the Coastal Protection and Restoration Authority (CPRA) in connection with your audit of financial statements for the State of Louisiana as of June 30, 2022.

We concur an error was made on the report. The understatement identified during the audit was due to technical errors in running the year-end report(s) and human error during the reporting research process. To address the issue, CPRA has strengthened its procedures and review processes to mitigate this error from recurring.

Candace Oby, Accountant Administrator, has revised CPRA's reporting procedures as follows:

- Updated and documented written procedures for running the year-end report to eliminate technical errors when running the report. The written procedures for executing the report used to extract the financial data for the Accrued Accounts Payable amounts have been updated to include visual screenshots and more detailed instructions to limit the chance of such technical errors.
- Updating internal processes that require the Accounts Payable Accountant and Accountant Supervisor to review outstanding invoices both semi-annually and annually to reduce the number of outstanding invoices that need to be researched during the year end procedures. Reducing the number of invoices that must be researched at year end will reduce the chance of errors occurring during the close-out processes for determining invoices that need to be included on the Accrued Accounts Payable note.

Executive Division

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Mr. Waguespack
January 6, 2023
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- A more detailed second level review of the financial reports used to provide information on the AFR has been added to internal procedures. The Accountant Administrator will review all backup reports and supporting documentation used in determining the amounts reported on the Accrued Accounts Payable note. This review will provide more internal control to ensure the most accurate information is reported and that technical errors are avoided.

We value the audit process and view it as an opportunity to discover ways to improve our business operations. If you should have any questions or need additional information, please contact Janice Lansing, Chief Financial Officer, at 225 342-7764 or janice.lansing@la.gov.

Sincerely,



Lawrence B. Haase
Executive Director

c: Janice Lansing, Chief Financial Officer
Candace Oby, Accountant Administrator

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Coastal Protection and Restoration Authority (CPRA) for the period from July 1, 2021, through June 30, 2022, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, 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 Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2022.

- 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 Annual Comprehensive Financial Report.
- We performed procedures on the status of a prior-year finding for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2022, as a part of the 2022 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 Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.