

LOUISIANA INTERNATIONAL DEEP WATER  
GULF TRANSFER TERMINAL AUTHORITY

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
PROCEDURAL REPORT  
ISSUED DECEMBER 27, 2017

**LOUISIANA LEGISLATIVE AUDITOR  
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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Louisiana International Deep Water Gulf Transfer Terminal Authority

December 2017

Audit Control # 80170155

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### Introduction

The primary purpose of our procedures at the Louisiana International Deep Water Gulf Transfer Terminal Authority (LIGTT) was to evaluate certain controls that LIGTT uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds.

LIGTT was created by Act 699 of the 2008 Regular Legislative Session. LIGTT, as authorized by Louisiana Revised Statute 34:3491-34:3506, is a political subdivision of the State of Louisiana and possesses full corporate powers to plan, finance, develop, construct, license, regulate, supervise, operate, manage, maintain, and modify deep water terminal facilities to be constructed within its jurisdiction.

### Results of Our Procedures

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#### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the LIGTT procedural report dated November 23, 2016. We determined that management has resolved the prior-year findings related to Inadequate Oversight of Payroll, Inadequate Segregation of Duties over Cash Collections, Lack of Written Policies and Procedures, Noncompliance with Budget Law Requirements, and Noncompliance with State Travel Regulations.

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#### Current-year Finding

##### Inadequate Controls over Reporting Receivables and Payables

LIGTT inaccurately reported receivables and payables in the Annual Fiscal Report (AFR) for fiscal year 2017. The following misstatements were noted:

- LIGTT did not report a receivable for one monthly payment of \$20,000, 8% of total expected revenues, for the sub-lease of water bottoms, resulting in an understatement of accounts receivable.

- LIGTT did not report payables totaling \$11,389 for services rendered in June 2017 paid subsequent to June 30, 2017, resulting in an understatement of accounts payable. There were also expenditure transactions reported in fiscal year 2017 that should have been reported as payables in fiscal year 2016. The net effect of these misstatements is an understatement of fiscal year 2017 expenditures of \$2,483 and an overstatement of beginning net position of \$8,906.

Good internal controls over financial reporting should include adequate procedures to record, process, and compile financial data needed to prepare an accurate and complete AFR, and a review process that will identify preparation errors before submitting the AFR to the Division of Administration's Office of Statewide Reporting and Accounting Policy (OSRAP) for inclusion in the State's Comprehensive Annual Financial Report (CAFR).

LIGTT is not recording transactions in the accounting system in a manner that will allow the agency to properly account for revenue and expenditure accruals. Also, the preparer has not been adequately trained in accounting matters, and an effective review of the AFR was not conducted.

Failure to properly compile and review the AFR prior to submitting it to OSRAP for inclusion in the State's CAFR increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Management should strengthen its controls over the financial reporting process and ensure that the preparer is adequately trained and supervised. In addition, management should conduct a thorough review of the AFR to identify and correct errors before submitting it to OSRAP. Management concurred with the finding and outlined a plan of corrective action (See Appendix A).

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## Cash

LIGTT maintains an operating account, which is used for general operations. The president and treasurer of the board, as well as an administrative assistant, the only employee, have access to the account. The administrative assistant performs cash collection and disbursement functions on LIGTT's behalf, excluding bank reconciliations which are performed by a contracted accountant. The treasurer and president approve all expenditure transactions, with the exception of general office expenses. Recurring operating expenses such as monthly phone, Internet, utilities, or any fixed expense do not need approval unless the bill exceeds the normal range. The treasurer reviews the monthly bank reconciliations prepared by the contracted accountant.

Cash balances per book totaled \$170,708 at June 30, 2017. We performed procedures to reconcile cash transactions to LIGTT's general ledger, evaluated the segregation of duties, and reviewed the bank account reconciliations. No reportable exceptions were noted.

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## Revenue Collection

Approximately 99% of LIGTT's revenue collections are from a sub-lease of water bottoms to ABK LIGTT Development Partners, L.L.C. We agreed the revenue collected per the general ledger and bank statements to the lease agreement to ensure the appropriate amounts were collected in accordance with the lease agreement. During our procedures it was noted that one of the 12 monthly lease payments was not received as of June 30, 2017 for which a receivable was not reported in the 2017 AFR. An audit adjustment was proposed and accepted by management (see Current-year Findings section). No other reportable exceptions were noted.

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## Debit Cards

LIGTT has one debit card issued to the administrative assistant, which is used for travel and small purchases. We traced selected debit card purchases to supporting documentation and evaluated compliance with laws and regulations. No reportable exceptions were noted.

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## Travel Expenditures

Travel expenditures include conference travel for certain board members and the administrative assistant. Fiscal year 2017 travel expenditures totaled \$4,668 through June 30, 2017. We traced selected travel expenses to supporting documentation and evaluated compliance with laws and regulations. No reportable exceptions were noted.

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## Contracts

LIGTT contracted with a few entities to perform legal, accounting/administrative, and information technology services. LIGTT also has a lease with the State of Louisiana for water bottoms in the Gulf of Mexico. During our procedures it was noted that LIGTT had not accrued the cost of legal services rendered prior to June 30, 2017, totaling \$8,475. An audit adjustment was proposed and accepted by management (see Current-year Findings section). Fiscal year 2017 contract expenditures totaled \$130,940 through June 30, 2017, as adjusted. We traced selected contract payments to contract terms and evaluated compliance with laws and regulations. No other reportable exceptions were noted.

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## Payroll and Personnel

Approximately 20% of LIGTT's expenditures relate to payroll costs. LIGTT has only one employee, an administrative assistant, who was an hourly employee July 2016 through December 2016 and then changed to a salaried employee in January 2017. During our procedures it was noted that LIGTT had not accrued payroll costs for the month of June 2017

totaling \$2,772. An audit adjustment was proposed and accepted by management (see Current-year Findings section). We traced the employee's salary to the pay structure approved by the LIGTT board as well as evaluated controls over time and attendance records. No other reportable exceptions were noted.

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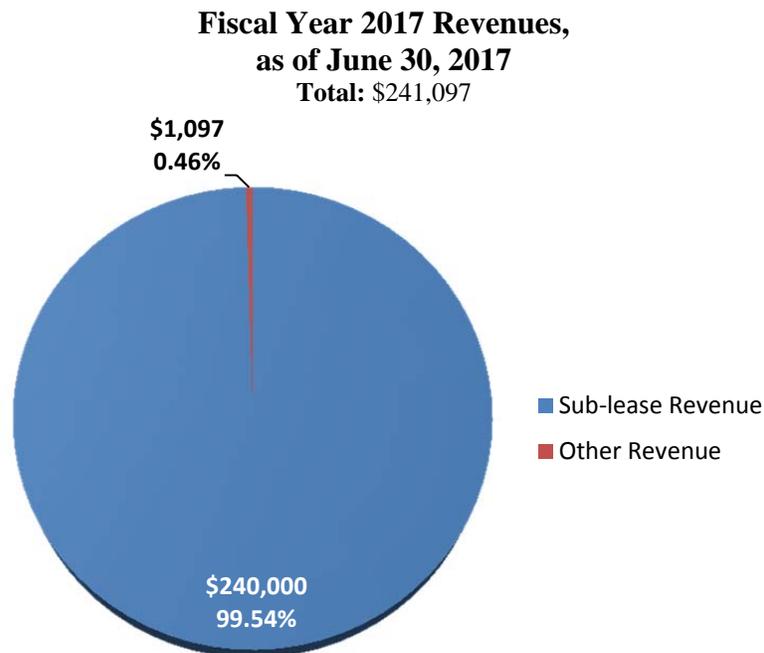
## Budget

LIGTT's budget for fiscal year 2017 was approved by the board and submitted to the Joint Legislative Committee on the Budget (JLCB). However, as reported in the LIGTT procedural report issued on November 23, 2016, by the Louisiana Legislative Auditor, the budget was not submitted timely to JLCB in accordance with the law. The budget provided indicated that revenues were less than 1% over budget, and expenditures were approximately 11% less than budget for the year ended June 30, 2017. We evaluated variances between budgeted amounts and actual revenues and expenditures for reasonableness. No reportable exceptions were noted.

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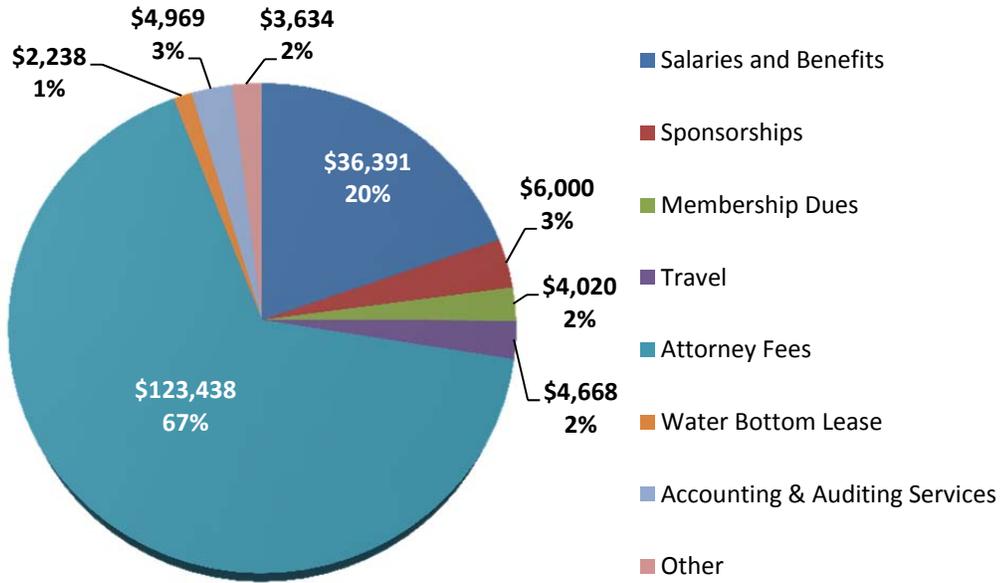
## Comparison of Activity between Years

We compared the most current and prior-year financial activity using LIGTT's general ledger, as adjusted, 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 LIGTT's fiscal year 2017 revenues and expenditures through June 30, 2017.



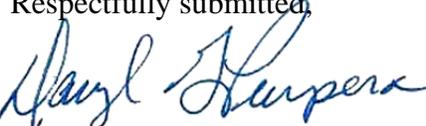
Source: LIGTT's General Ledger

**Fiscal Year 2017 Expenditures,  
as of June 30, 2017  
Total: \$185,358**



Source: LIGTT's 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,  
  
 Daryl G. Purpera, CPA, CFE  
 Legislative Auditor

AE:RR:BQD:EFS:ch

LIGTT 2017



## **APPENDIX A: MANAGEMENT'S RESPONSE**



**Louisiana International Deep Water  
Gulf Transfer Terminal (LIGTT) Authority**

P.O. Box 82152  
Baton Rouge, LA 70884  
225-239-5999 Office 844-270-1254 Fax

December 8, 2017

VIA HAND DELIVERY

Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, Louisiana 70804

**RE: Finding—Inadequate Controls over Reporting Receivables and Payables**

Dear Mr. Purpera:

Please accept this letter as the Louisiana International Gulf Transfer Terminal Authority's official response to the Louisiana Legislative Auditor's findings on reporting receivables and payables.

The Authority **concurs** with this finding. It was not the intent of the LIGTT Authority or its staff to omit or inaccurately report financial information to OSRAP or the Legislative Auditor. LIGTT Authority management worked diligently to correct all of the findings issued by the LLA for FY16. Had the error in our bookkeeping methods been discovered and brought to our attention at that time, we would have made every effort to correct it. We appreciate the efforts of the LLA and just as we did with the results of our last audit, view the findings as building blocks to develop stronger systems for the LIGTT Authority.

**Corrective Action Plan**

The Authority acknowledges the importance of maintaining and reporting accurate financial records, and plans to do so by implementing the following:

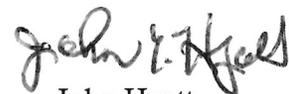
1. The LIGTT Authority accounting system has been changed and transactions will now be recorded by the administrative assistant, Crystal Hutchinson, to reflect accurate revenue and expenditure accruals. The CPA, Kelly Smith, will review all of the transactions in QB and make sure that everything is recorded accurately effective July 1, 2017.
2. In an effort to strengthen controls over the financial reporting, the LIGTT Authority will rely on its outside CPA, Kelly Smith, for consultation, thus preventing general bookkeeping errors and correcting the accounting methods used to satisfy the LLA for future fiscal years. The LIGTT Authority will also engage its CPA to review the AFR for errors and assist with preparation as needed.
3. LIGTT Authority management will thoroughly review the AFR and correct any errors prior to it being submitted to OSRAP.

Sincerely,



A.G. Crowe,  
*LIGTT President*

Sincerely,



John Hyatt,  
*LIGTT Treasurer*



## APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana International Deep Water Gulf Transfer Terminal Authority (LIGTT) for the period from July 1, 2016, through June 30, 2017. Our objective was to evaluate certain internal controls LIGTT uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. The scope of our procedures, which are 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 LIGTT's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. LIGTT's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LIGTT'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 LIGTT.
- Based on the documentation of LIGTT's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, revenue collection, debit cards, travel expenditures, contracts, payroll and personnel, and budget.
- We compared the most current and prior-year financial activity using LIGTT's general ledger and obtained explanations from LIGTT's management for any significant variances.

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