

DEPARTMENT OF STATE
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of State



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Introduction

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

Results of Our Procedures

We evaluated DOS'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 DOS'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 election day expenditures, commercial revenues, payroll expenditures, travel, professional service contracts and leases, and the Elections Compliance Unit.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in DOS's procedural report dated July 11, 2018. We determined that management has resolved the prior-report finding related to Inadequate Controls and Lack of Written Policies over the Filing of Annual Reports.

Election Day Expenditures

DOS is responsible for making payments and reimbursements associated with election day expenditures, which consist of costs incurred in direct relation to preparing for, working during, or closing out one of the designated specific election days. We obtained an understanding of DOS's controls over payments for and reimbursements of election day expenditures. Based on our review of election day expenditures for selected elections and parishes, DOS had adequate controls to ensure that election day expenditures were approved, had sufficient documentation to support the expenditures, and that expenditures complied with state laws and regulations.

Commercial Revenues

The Commercial Division of DOS provides the business community services in regards to business filings, which includes the collection of fees. We obtained an understanding of DOS's policies and procedures over commercial business filings, including the collection of fees and processing times associated with the filings. Louisiana Revised Statute 49:222 lists the various business filings and fees collectible for each by DOS. We performed procedures on a sample of businesses with initial filings during fiscal years 2019 and 2020 to determine if the filing fees were properly collected. We also performed procedures to determine if DOS timely processed business filings when expedited fees were paid. Based on our results of our procedures, DOS collected fees according to statute and the filings were processed timely.

Payroll Expenditures

Salaries and related benefits comprised approximately 34% of DOS's expenditures in fiscal year 2019. We obtained an understanding of DOS's controls over the time and attendance function and reviewed selected employee time sheets and leave records. Based on the results of our procedures, DOS had adequate controls in place to ensure the timely review and approval of employee time statements, overtime, and leave requests, that employees were paid the amounts authorized, and that leave taken was properly accounted for.

Travel

Travel expenditures at DOS included field travel for election personnel, executive staff travel, and travel to events and conferences for varying departments within DOS. Travel expenditures totaled \$329,230 for fiscal years 2019 and 2020, through April 3, 2020. We obtained an understanding of DOS's controls over travel expenditure reimbursements and authorizations and performed procedures to determine whether travel expenditures were made in accordance with applicable state laws and regulations. Based on the results of our procedures, DOS had adequate controls to ensure that travel expenditures were approved and made for proper business purposes, sufficient documentation was maintained to support the expenditures, and expenditures complied with state laws and regulations.

Professional Service Contracts and Leases

The majority of DOS's professional service contracts are for software consulting services related to elections and commercial services. DOS has one major lease associated with the rental of early voting machines. We performed procedures to determine whether payments were made in accordance with applicable procurement laws and regulations. Based on the results of our procedures, DOS had adequate controls in place to ensure that professional service contracts and leases were properly approved, related expenses were in accordance with the terms of the contract or lease, and were made in accordance with applicable laws.

Elections Compliance Unit

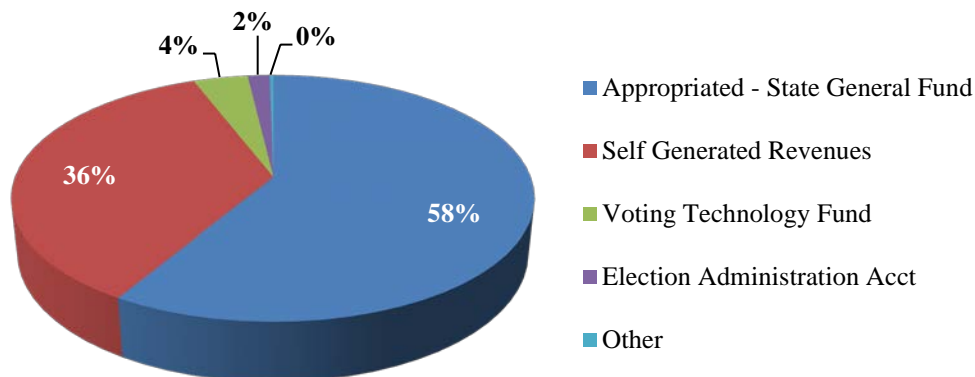
The Elections Compliance Unit (ECU) at DOS is tasked with documenting and investigating voting irregularities that are reported by voters, candidates, registrars of voters, clerks of court, and the general public. We obtained an understanding of the policies and procedures in place over the handling of allegations submitted to the ECU at DOS, including the state laws related to voting. Based on our review of selected ECU case files, DOS is handling the allegations in accordance with its policies and procedures and state law.

Trend Analysis

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

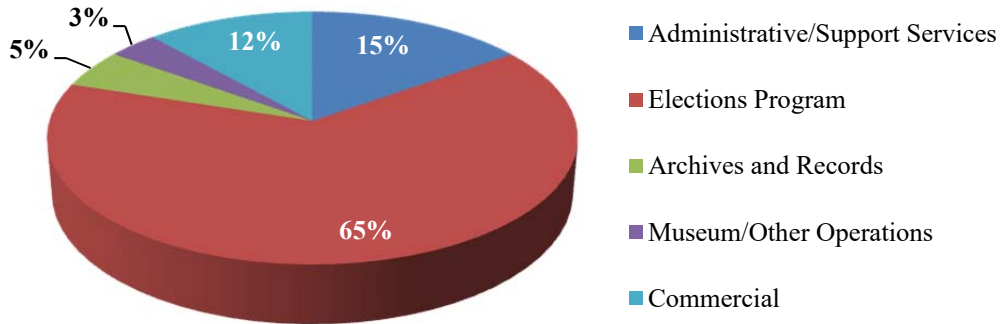
DOS is primarily funded with state general fund appropriations and self-generated revenues. The self-generated revenues primarily consist of fees chargeable to businesses filing with DOS and the billing of local governments for their portion of election expenses. The following charts show DOS’s sources of revenues and expenditures for fiscal year 2020.

Exhibit 1
Fiscal Year 2020 Sources of Revenues
Total: \$79,763,674




Source: 2020 DOS Schedule of Revenue and Expenditures

Exhibit 2
Fiscal Year 2020 Sources of Expenditures
Total: \$79,330,266



Source: DOS 2020 Schedule of Revenue and Expenditures

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

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DOS 2020

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of State (DOS) for the period from July 1, 2018, through June 30, 2020. Our objective was to evaluate certain controls DOS uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and 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 DOS's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. DOS's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated DOS'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 DOS.
- Based on the documentation of DOS's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures on selected controls and transactions relating to election day expenditures, commercial revenues, payroll expenditures, travel, professional service contracts and leases, and the Elections Compliance Unit.
- We compared the most current and prior-year financial activity using DOS's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from DOS'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 DOS and not to provide an opinion on the effectiveness of DOS'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.