

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JULY 24, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Department of Agriculture and Forestry

July 2019

Audit Control # 80190033

Introduction

The primary purpose of our procedures at the Louisiana Department of Agriculture and Forestry (LDAF) was to evaluate certain controls LDAF uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide accountability over public funds.

Results of Our Procedures

We evaluated LDAF'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 LDAF'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, movable property, state purchasing card expenditures, travel expenditures, fuel card expenditures, and payroll expenditures. In addition, we performed procedures on certain statutory dedications related to Act 530 of the 2018 Regular Legislative Session.

Cash

LDAF maintains an operating account and six other bank accounts. The cash balance at June 30, 2018, per LDAF's Annual Fiscal Report, was \$61,262. We obtained an understanding of LDAF's controls over the bank accounts, evaluated the segregation of duties, and reviewed bank statements, bank reconciliations, and selected transactions. Based on the results of our procedures, LDAF had adequate controls in place to ensure timely preparation, review and approval of bank reconciliations.

Movable Property

We performed procedures to determine if LDAF complied with applicable state laws and regulations for tracking and reporting movable property. We also obtained and reviewed the Certifications of Annual Property Inventory submitted to the Louisiana Property Assistance Agency on May 23, 2018, to determine if inventory was performed timely and did not result in

an excessive amount of unlocated property. Based on the results of our procedures, unlocated property reported by LDAF was not excessive and movable property was properly tracked and reported as required by state laws and regulations.

State Purchasing Card Expenditures

LDAF participates in the state of Louisiana's LaCarte purchasing card program for general office supplies and administrative expenses. We obtained an understanding of LDAF's controls over access to and use of these cards.

We analyzed LaCarte card transaction listings for the period July 1, 2017, through December 31, 2018, and reviewed selected transactions. Based on the results of our procedures, LDAF had adequate controls to ensure that purchases were approved and made for proper business purposes; sufficient documentation was maintained to support purchases; and purchases were properly reconciled to invoices and receipts.

Travel Expenditures

We obtained an understanding of LDAF's policies and procedures over travel expenditures. We analyzed travel expenditures for the period July 1, 2017, through December 31, 2018, and reviewed selected transactions. Based on the results of our procedures, LDAF had adequate controls in place to ensure travel expenditures were approved and made for proper business purposes; sufficient documentation was maintained to support travel expenditures; and travel expenditures were properly reconciled to invoices and receipts.

Fuel Card Expenditures

LDAF uses fuel cards (Voyager) to purchase fuel and pay for minor vehicle repairs and maintenance, such as oil changes or replacement of car batteries and windshields. We obtained an understanding of LDAF's policies and procedures for fuel card use and reviewed a listing of all fuel cards maintained by LDAF. We reviewed selected transactions for the period July 1, 2017, through December 31, 2018, and examined supporting documents, including GPS logs, vehicle logs, and system reports, to determine if controls were in place to ensure payments were reasonable and authorized. Based on the results of our procedures, we determined that LDAF had adequate controls in place over fuel card expenditures.

Payroll Expenditures

Salaries and related benefits comprised approximately 71% of LDAF's expenditures in fiscal year 2018. We obtained an understanding of LDAF's controls over the time and attendance function and reviewed selected employee time statements and leave records. Based on the results

of our procedures, LDAF had adequate controls in place to ensure timely review and approval of employee time statements and leave requests, employees were paid the amounts authorized, and leave taken was properly accounted for.

Statutory Dedications

In accordance with Act 530 of the 2018 Regular Legislative Session, we also performed procedures on certain statutory dedications for fiscal years 2017 and 2018, as described below, to determine if the fees charged cover the costs associated with the service established by statute.

Forest Protection Fund

Louisiana Revised Statute (R.S. 3:4321) creates the Forest Protection Fund. The primary objectives of this fund are the detection, suppression, and prevention of wildfires in Louisiana forest lands by maintaining a system of fire towers and airplanes to detect wildfires as soon as possible. This fund also inspects, maintains, and repairs the fleet of fire detection aircraft. There are 18.9 million acres of land under fire protection by the agency. Louisiana’s wildfire occurrence is “high” by regional and national standards. The state protection system involves approximately 106 wildland firefighters equipped with trucks, tractor-plows, and two-way radios. These trained professional crews are employed year-round.

The forest protection annual assessment is eight cents per acre on each acre of timberland in the state to be paid by the owners thereof. The monies in the fund shall be expended by LDAF for the acquisition and maintenance of equipment for the protection of forest lands from damage by fire or other causes and only in the amounts appropriated annually by the legislature. All unexpended and unencumbered monies in the fund at the end of the fiscal year shall revert to the Louisiana Agricultural Finance Authority (LAFA).

Exhibit 1 Forest Protection Fund						
Fiscal Year	Beginning Balance	Assessment Fees	Agency Warrants	Other Transfers	Increase (Decrease) in Fund Balance	Ending Balance
2017	\$0	\$810,130	(\$609,008)	(\$201,122)	\$0	\$0
2018	\$0	\$824,560	(\$806,606)	\$0	\$17,954	\$17,954
Source: Prepared by legislative auditor’s staff using information from the Statewide Accounting System.						

As shown in Exhibit 1 above, the fees exceeded the warrants drawn by LDAF in fiscal years 2017 and 2018 by \$201,122 and \$17,954, respectively. In fiscal year 2017, LDAF incorrectly warranted \$200,000 from the Structural Pest Control Commodities Fund instead of the Forest Protection Fund as shown in Exhibit 2. This resulted in an excess balance of \$200,000 in the Forest Protection Fund, which the State Treasury then incorrectly transferred to the State General Fund. The remaining balance of \$1,122, which should have reverted to LAFA in accordance with R.S. 3:4321, was incorrectly

transferred to the State General Fund by the State Treasury. In fiscal year 2019, the State Treasury properly returned \$201,122 back to the Forest Protection Fund, and LDAF returned \$200,000 back to the Structural Pest Control Commodities Fund.

In fiscal year 2018, the ending balance of \$17,954 remained in the fund and should have reverted to LAFA. This amount remains in the fund, as of July 10, 2019.

As a result, LAFA is due \$19,076, and LDAF management will transfer these funds to LAFA in fiscal year 2020. Outlined below in Exhibit 2 are LDAF’s costs associated with providing the services established by R.S. 3:4321 and the related means of financing.

Exhibit 2				
Forest Protection Fund				
Fiscal Year	Total Cost of Services	Means of Finance		
		Forest Protection Fund	State General Fund	Other Statutory Dedications
2017	\$954,536	\$609,008	\$145,528	\$200,000
2018	\$854,680	\$806,606	\$48,074	\$0
Source: Prepared by legislative auditor’s staff using information provided by LDAF.				

The Forest Protection Fund fees paid for 64% and 94% of the total cost of services provided during fiscal years 2017 and 2018, respectively.

Livestock Brand Commission Fund

R.S. 3:749 creates the Livestock Brand Commission Fund. The Livestock Brand Commission is responsible for investigating all agricultural crime in Louisiana including livestock thefts (cattle, equine, hogs, emus, ostriches, turtles, sheep, and exotics), farm machinery, and equipment; maintaining brand records; and publishing a book of brands every five years. All enforcement personnel are commissioned by Louisiana State Police and have full police powers in the performance of their duties.

Subject to appropriation, the monies in the fund shall be used to provide for expenses of the program and costs related to carrying out the powers and duties granted to the commission and LDAF as described by revised statute. The monies in the fund are expended by LDAF for general expenses, such as postage. The Commission shall charge the following services: (1) recording brand or mark – \$15; (2) renewing recordation – \$10; (3) transfer of recordation – \$10; and (4) second and subsequent certified copies of recordations, renewals, and transfers – \$6.50. All unexpended and unencumbered monies in the fund at the end of each fiscal year shall remain in the fund.

Exhibit 3						
Livestock Brand Commission Fund						
Fiscal Year	Beginning Balance	Assessment Fees and Interest on Investments	Agency Warrants	Other Transfers	Increase (Decrease) in Fund Balance	Ending Balance
2017	\$0	\$4,070	(\$3,980)	\$0	\$90	\$90
2018	\$90	\$4,881	(\$4,971)	\$0	(\$90)	\$0
Source: Prepared by legislative auditor's staff using information from the Statewide Accounting System.						

As shown in Exhibit 3 above, the fees and interest exceeded the warrants drawn by LDAF in fiscal year 2017 by \$90, and the fees and interest did not exceed the warrants drawn by LDAF in fiscal year 2018 by \$90. Outlined in Exhibit 4 are LDAF's costs associated with providing the services established by R.S. 3:749 and the related means of financing.

Exhibit 4			
Livestock Brand Commission Fund			
Fiscal Year	Total Cost of Services	Means of Finance	
		Livestock Brand Commission Fund	Other Statutory Dedications
2017	\$915,558	\$3,980	\$911,578
2018	\$968,132	\$4,971	\$963,161
Source: Prepared by legislative auditor's staff using information provided by LDAF.			

The Livestock Brand Commission Fund paid for 0.43% and 0.51% of the total cost of services provided during fiscal years 2017 and 2018, respectively. The remaining costs were funded by statutorily dedicated funds from the Gaming Control Fund in accordance with R.S. 27:392B(4).

Agricultural Commodity Dealers and Warehouse Fund

R.S. 3:3423 creates the Agricultural Commodity Dealers and Warehouse Fund. The objective of the Louisiana Agricultural Commodities Commission is to provide an effective program of regulation for the Louisiana grain and cotton industry by ensuring producers are able to sell and/or store their agricultural products to financially secure warehouses and grain dealers. The Commission maintains an official grain inspection program and a moisture meter testing program to provide cost effective services to producers and grain companies. In addition, the commission maintains a cotton merchant program to assure producers that companies buying cotton are financially able to pay producers.

Subject to appropriation, the funds shall be used to provide for the expenses of the program and to fund any and all costs related to the carrying out the purposes of the program. The Commission charges for the following services: (1) warehouse, grain dealer, or cotton buyer license fee – \$200; (2) moisture meter inspection/testing fee – \$40; (3) moisture meter registration fee – \$20; (4) grain exam fee – \$5; (5) grain

certification fee – \$25; and (6) various fees for grain grading services. All unexpended and unencumbered monies in the fund at the end of the fiscal year shall remain in the fund.

Exhibit 5						
Agricultural Commodity Dealers and Warehouse Fund						
Fiscal Year	Beginning Balance	Assessment Fees, Fines, Penalties, and Interest on Investments	Agency Warrants	Other Transfers	Increase (Decrease) in Fund Balance	Ending Balance
2017	\$58,513	\$1,688,151	(\$1,573,909)	\$0	\$114,242	\$172,755
2018	\$172,755	\$1,796,592	(\$1,772,431)	\$0	\$24,161	\$196,916
Source: Prepared by legislative auditor’s staff using information from the Statewide Accounting System.						

As shown in Exhibit 5 above, the fees, fines, penalties, and interest exceeded the warrants drawn by LDAF in fiscal years 2017 and 2018 by \$114,242 and \$24,161, respectively. Outlined in Exhibit 6 are LDAF’s costs associated with providing the services established by R.S. 3:3423 and the related means of financing.

Exhibit 6			
Agricultural Commodity Dealers and Warehouse Fund			
Fiscal Year	Total Cost of Services	Means of Finance	
		Agricultural Commodity Dealers and Warehouse Fund	State General Fund
2017	\$1,618,138	\$1,573,909	\$44,229
2018	\$1,772,431	\$1,772,431	\$0
Source: Prepared by legislative auditor’s staff using information provided by LDAF.			

The Agricultural Commodity Dealers and Warehouse Fund paid 97% and 100% of the total cost of services provided during fiscal years 2017 and 2018, respectively. In fiscal year 2017, management represents that the remaining costs totaling \$44,229 were indirect costs for administrative costs allocated to the fund and were funded by State General Fund monies.

Weights and Measures Fund

R.S. 3:4622 creates the Weights and Measures Fund. The Weights and Measures Fund is a special fund created for all assessments, fees, penalties, and other funds received under the provisions of this statute. The Division of Weights and Measures regulates many aspects of commerce and trade throughout the state. The division ensures that equity prevails in the marketplace for both buyers and sellers by inspecting more than 100,000 commercial weighing, measuring, metering, and scanning devices. In addition, any commodity sold by weight, measure, or count is subject to inspection to ensure consumers are getting the quantity they pay for. Items inspected include food and dairy

products, household products, gardening products, firewood, and hundreds of other products purchased daily by consumers and businesses.

Subject to appropriation, monies in the fund may be used solely to provide for the expenses of the program and to carry out of the powers, duties, functions, and responsibilities of the commission. The registration fee for each commercial weighing and measuring device shall be as follows: (1) Category 1 – zero to 1,000 pounds weight – \$35; (2) Category 2 – over 1,000 to 10,000 pounds – \$80; (3) Category 3 – over 10,000 pounds weight – \$185; and (4) the registration fee of any other commercial weighing and measuring device shall be as established in a fee schedule adopted by the Commissioner and fee rates shall be based on the cost of the work performed. Each weighmaster who is licensed by the Commission shall pay an annual license fee of \$75. The registration fee for each service agency and service person are as follows: (1) service agency – \$100; and (2) service person – \$50. All unexpended and unencumbered monies in the fund at the end of the fiscal year shall remain in the fund.

Exhibit 7						
Weights and Measures Fund						
Fiscal Year	Beginning Balance	Registration and Annual License Fees, Fines, Penalties, and Interest on Investments	Agency Warrants	Other Transfers	Increase (Decrease) in Fund Balance	Ending Balance
2017	\$0	\$2,160,936	(\$2,123,134)	\$0	\$37,802	\$37,802
2018	\$37,802	\$2,441,793	(\$2,228,776)	\$0	\$213,017	\$250,819
Source: Prepared by legislative auditor’s staff using information from the Statewide Accounting System.						

As shown in Exhibit 7 above, the fees, fines, penalties, and interest exceeded the warrants drawn by LDAF in fiscal years 2017 and 2018 by \$37,802 and \$213,017, respectively. Outlined below in Exhibit 8 are LDAF’s costs associated with providing the services established by R.S. 3:4622 and the related means of financing.

Exhibit 8				
Weights and Measures Fund				
Fiscal Year	Total Cost of Services	Means of Finance		
		Weights and Measures Fund	Federal Funds	Other Statutory Dedications
2017	\$4,053,538	\$2,123,134	\$40,600	\$1,889,804
2018	\$4,816,580	\$2,228,776	\$52,200	\$2,535,604
Source: Prepared by legislative auditor’s staff using information provided by LDAF.				

The Weights and Measures Fund paid for 52% and 46% of the total cost of services provided during fiscal years 2017 and 2018, respectively. The remaining costs were funded by federal funds and statutorily dedicated funds provided by the Petroleum Products Fund. R.S. 3:4685 provides that funds in the Petroleum Products Fund can be

used to fund any and all costs related to commercial weighing or measuring devices used in the distribution, handling, or sale of petroleum products.

Grain and Cotton Indemnity Fund

R.S. 3:3412.1 creates the Grain and Cotton Indemnity Fund. The Grain and Cotton Indemnity Fund is for licensed grain dealers and cotton merchants with the sole purpose of having funds available for use in meeting the licensee’s obligations with respect to the reimbursement of any producer who sold agricultural commodities to the licensee and who was not fully compensated. The monies in the Grain and Cotton Indemnity Fund shall be used solely for the administration and operation of the fund. A producer shall be eligible to receive indemnity payments from the Grain and Cotton Indemnity Fund if: (1) the licensed grain dealer becomes insolvent after January 1, 2008; (2) the licensed cotton merchant becomes insolvent; or (3) the licensed grain dealer or cotton merchant, as a result of insolvency, does not fully compensated the producer in accordance with a sale of agricultural commodities.

The fund shall charge an assessment at the rate of one twenty-fifth of one percent on the value of all agricultural commodities regulated under Title 3, Chapter 21 of Louisiana law that are sold to grain dealers and cotton merchants. All unexpended and unencumbered monies in the fund at the end of the fiscal year shall remain in the fund. At the end of the calendar quarter in which the fund reaches a level of \$6 million, collections of the assessment are suspended until the balance is less than \$3 million.

Exhibit 9						
Grain and Cotton Indemnity Fund						
Fiscal Year	Beginning Balance	Assessment Fees and Interest on Investments	Agency Warrants	Other Transfers	Increase (Decrease) in Fund Balance	Ending Balance
2017	\$3,889,402	\$500,818	\$0	\$0	\$500,818	\$4,390,220
2018	\$4,390,220	\$585,581	\$0	\$0	\$585,581	\$4,975,801
Source: Prepared by legislative auditor’s staff using information from the Statewide Accounting System.						

As shown in Exhibit 9 above, the fees and interest in fiscal years 2017 and 2018 were \$500,818 and \$585,581, respectively, with no warrants drawn in either year.

The Grain and Cotton Indemnity Fund is used to provide for the eligible losses of farmers once other insurances have been exhausted. No claims were made during fiscal years 2017 and 2018; therefore, neither LDAF nor the Grain and Cotton Indemnity Fund incurred costs during these fiscal years.

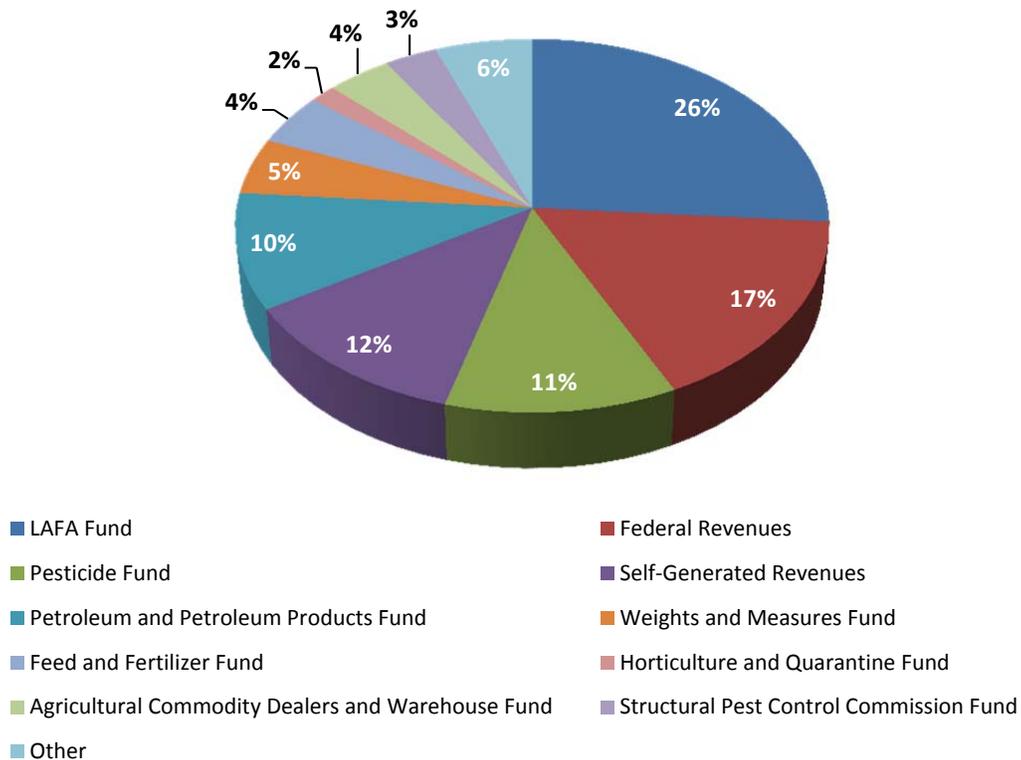
Trend Analysis

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

As shown in Exhibit 10, LDAF’s revenues for fiscal year 2018 totaled approximately \$45 million as of June 30, 2018, with 26% of those revenues provided by LAFA, which is a component unit of the state of Louisiana within the LDAF. LAFA was established to issue bonds to provide financing for agricultural loans through the purchase or guarantee of existing loans or negotiation of new loans and to supervise and use public employees, equipment, and material in carrying out public work.

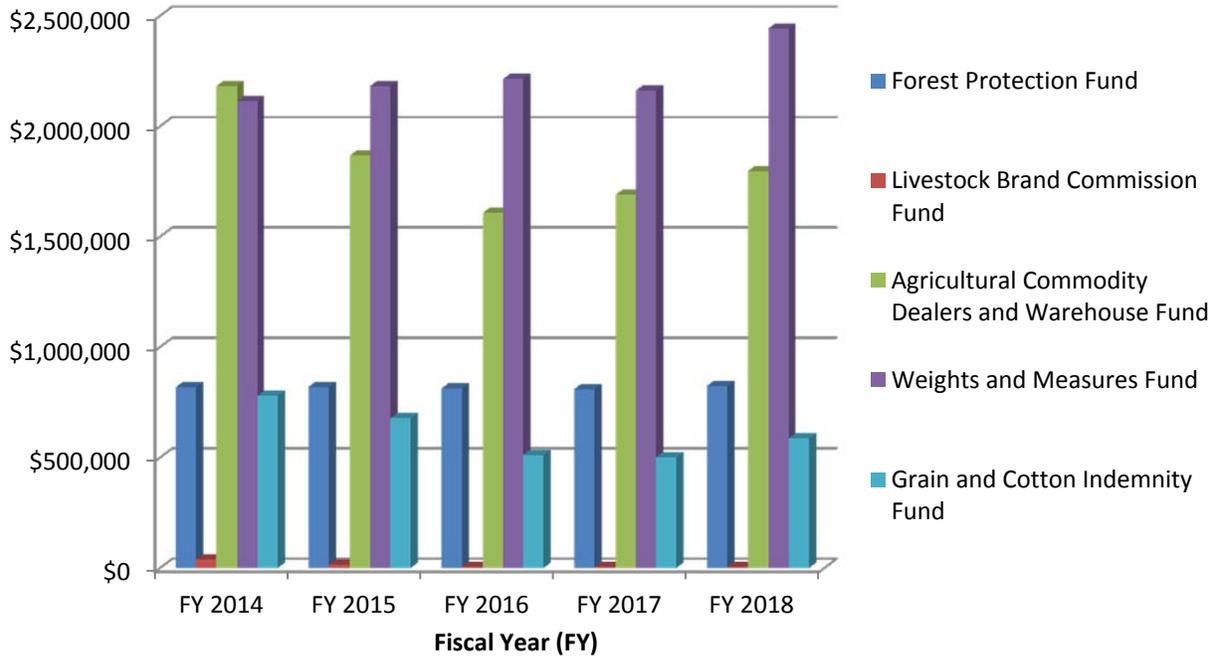
As shown in Exhibit 11, revenues of the five statutorily dedicated funds reviewed for fiscal years 2017 and 2018 have remained relatively stable over the previous five fiscal years.

Exhibit 10
Fiscal Year 2018 LDAF Revenues
Total: \$45,855,751



Source: Business Objects Financial Reports

Exhibit 11
Five-Year Trend Analysis for Certain LDAF Statutory Dedicated Revenues



Source: Business Objects Financial Reports

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

ARC:ETM:RR:EFS:aa

LDAF2019

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Department of Agriculture and Forestry (LDAF) for the period from July 1, 2017, through June 11, 2019. Our objective was to evaluate certain controls LDAF uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and to provide 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 LDAF's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LDAF's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LDAF'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 LDAF.
- Based on the documentation of LDAF'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, movable property, state purchasing card expenditures, travel expenditures, fuel card expenditures, and payroll expenditures.
- We performed procedures on certain statutory dedications for fiscal years 2017 and 2018 related to Act 530 of the 2018 Regular Legislative Session.
- We compared the most current and prior-year financial activity using LDAF's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LDAF'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 LDAF and not to provide an opinion on the effectiveness of LDAF'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.