

LOUISIANA CEMETERY BOARD
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED JULY 11, 2018

**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

July 2018

Audit Control # 80170183

Introduction

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

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 the Board's controls and our understanding of related laws and regulations, as well as the results of our analytical procedures, we performed procedures on selected controls and transactions relating to cash, licensing fees, credit card expenses, travel expenses, contracts, payroll and personnel, budget, and other compliance areas, including ethics.

Current-year Findings

Improper Expenses

The Board charged \$691 on the Board's credit card for two lunches that appeared to have no public purpose. 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.

On May 5, 2017, the Board spent \$328 on a lunch and did not maintain an original itemized receipt. On November 17, 2017, the Board spent \$363 on a lunch and maintained an itemized receipt. When we inquired who attended the lunches, Board management referred us to the minutes from the Board meetings, which listed nine attendees at each meeting (six Board members and three non-Board members).

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 these funds, or that the Board received something of value in return.

The Board should strengthen its procedures to ensure that all expenses are allowable and that adequate supporting documentation, such as itemized receipts, is maintained when expenses occur. Management did not concur with the finding and stated that the amount expended for the lunches are de minimis. Management provided a corrective action plan which noted the Board will no longer pay for the lunches of staff or legal counsel on meeting days but will continue paying Board member lunches as authorized by R.S. 8:63 (see Appendix A, pages 1-2).

Additional Comments: While the Office of State Procurement's Louisiana Travel Guide (PPM 49) authorizes meal reimbursement for those board members on travel status, we do not agree that R.S. 8:63 authorizes the Board to pay for the two lunches mentioned above.

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, the expenditure does not appear gratuitous, and 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 and non-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.

Failure to Establish a Contract with a Vendor

The Board did not obtain an approved contract for a vendor that was paid \$5,713 for providing information technology (IT) services during fiscal year 2017.

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 payments for a software subscription, back-up/cloud storage and monitoring, and IT services and support were de minimis and do not require a contract. Management further stated that the Board's legal counsel expressed an opinion that the agreement in place with this vendor is clear and unambiguous (see Appendix A, pages 3-4).

Additional Comments: Although management refers to an agreement for prepaid IT-related services, the 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.

Inadequate Segregation of Duties

The Board does not have an adequate segregation of duties over credit card reconciliations. The Director maintains the Board's credit card and performs the monthly reconciliations without evidence of independent review. Inadequate segregation of duties increases the risk of error or fraud.

Good internal controls over credit card usage require a review of credit card charges and statement approval by someone other than the authorized cardholder prior to payment of those transactions. If the controls cannot be adequately segregated due to limited staff, management should develop other controls, such as monitoring, to help mitigate the risk of error or fraud.

The Board should assign a Board member to timely compare the monthly credit card reconciliation to itemized receipts and relevant supporting documentation before payment. In addition, evidence of the Board member's review should be documented and maintained as part of the Board's accounting records. Management did not concur with the finding but provided a corrective action plan (see Appendix A, page 5).

Additional Comments: Although management noted in its response that all payments were made after approval was granted by the Secretary/Treasurer or Chairman of the Board, no evidence was provided that a Board member reviewed the credit card statements associated with credit card payments.

Other Results of Our Procedures

Cash

The Board maintains an operating account used for general operations and a money market account. The operating account balance totaled \$35,146, and the money market balance totaled \$451,256 at December 31, 2017. 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

Historically, approximately 90% of the Board's revenue collections are annual licensing fees. In 2017, 67% of revenues collections were from annual licensing fees, and 24% were from fines, with one fine totaling \$102,400. 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 Card Expenses

The Board has a credit card used by the director for general office supplies, travel, and administrative expenses. We obtained an understanding of the Board's controls over access to and use of this card.

We analyzed credit card transactions for the period January 1, 2017, through December 31, 2017, and reviewed selected transactions. We traced selected credit card purchases to supporting documentation and evaluated the purpose of the purchase 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 maintain adequate supporting documentation, such as itemized receipts, and did not ensure that all expenses were allowable when expenses occurred. In addition, the Board does not have an adequate segregation of duties over credit card reconciliations (see Current-year 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 2017 travel expenses totaled \$13,120. 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 2017 contract expenditures totaled \$56,704 as of December 31, 2017. 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-year Findings section).

Payroll and Personnel

Salaries and related benefits comprised approximately 78% of the Board's expenditures in fiscal year 2017. Board personnel include the director, compliance investigator, and the assistant to the director. We traced selected employees' salaries to contract terms or pay structure, evaluated controls over time and attendance records, and evaluated termination payments. Based on the results of our procedures, the Board had adequate controls in place to ensure timely review and approval of employee time and attendance, leave requests, that employees were paid the amounts authorized, and there was a proper accounting of leave taken. No exceptions were noted.

Budget

The Board annually adopts a budget by majority vote of its board of directors. For the year ended December 31, 2017, revenues were budgeted 27% higher than the previous year, and expenses were budgeted 17% higher than the previous year because of the increase in fee rates to

cover the expenses related to the addition of a third full-time Board employee. 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

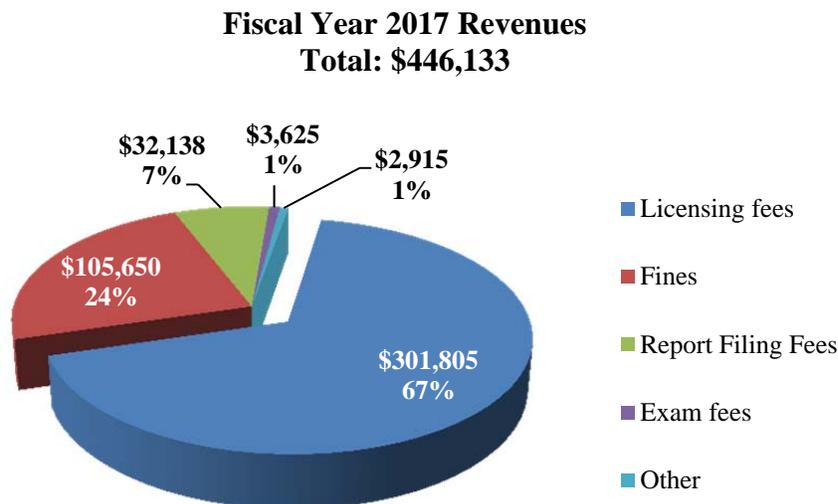
We evaluated evidence to determine if required ethics training was completed by the Board's members and employees. We determined the Board members and employees completed the required annual ethics training. No exceptions were noted.

We reviewed the Board minutes for fiscal year 2017 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.

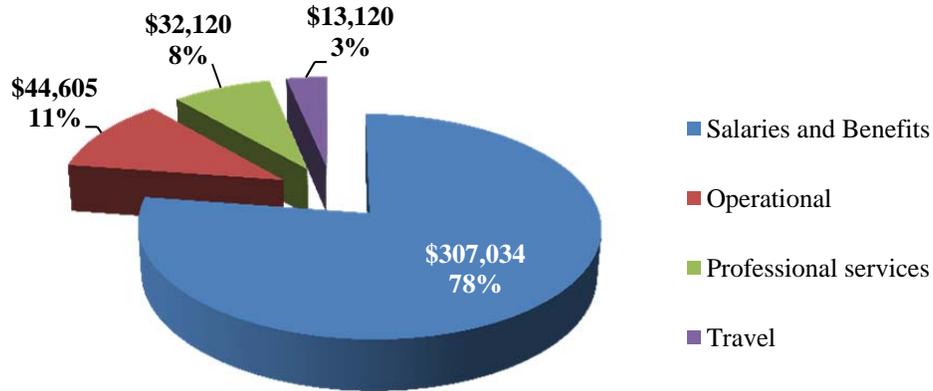
Comparison of Activity between Years

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. The following charts show the Board's revenues and expenses through December 31, 2017.



Source: Board General Ledger

**Fiscal Year 2017 Expenses
Total: \$396,879**



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

CEMETERY BOARD

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, 2018

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, 2017

Dear Mr. Purpera:

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

We do not concur with this finding.

As you know, La. R.S. 8:63 provides: *“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.”* We are of the opinion that the two lunches purchased on the same dates as the board meetings fall within the scope of the authority granted by the above recited statute. Therefore, we disagree with your assertion that these expenditures are prohibited by the Louisiana Constitution Article VII, Section 14 (A). Further, the amount expended for these lunches (\$691) are de minimis and represent **.0017%** of the total funds expended by the Board in 2017.

The Louisiana Cemetery Board conducts 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. We consider time restraints, available venues and proximity when breaking for lunch all in our effort to limit our meetings to one day when possible.

To address the concerns expressed about strengthening our procedures, we have revised the Board’s Policies and Procedures manual to reference the authority granted to the Board under La. R.S. 8:63 to reimburse members expenses directly related to the performance of their duties. Additionally, the Board will no longer pay for the lunches of staff or legal counsel on meeting days. Only the lunches of Board Members will be paid as authorized by La. R.S. 8:63.

Further, although we failed to maintain the original itemized receipt for one of the lunches referenced, this was simply an oversight. In the future, the Director will take the necessary steps to ensure that itemized receipts are maintained.

Louisiana Legislative Auditor
May 24, 2018
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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".

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, 2018

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, 2017

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 for the reason(s) stated below.

The itemization for amount paid to the referenced vendor (\$5,713) is as follows:

1. \$302 for a yearly software subscription. This is a software subscription, therefore, no contract with the vendor is required. We have reviewed the Office of State Procurement’s policies and we are of the opinion that a software subscription, particularly in this de minimis amount, does not require a contract.
2. \$1,671 for monthly back-up / cloud storage and monitoring. This is for back-up and cloud storage that we pay on a monthly basis. We have reviewed the Office of State Procurement’s policies and we are of the opinion these such services, particularly in this de minimis amount, does not require a contract.
3. \$3,740 for a pre-paid (40 hour) block of hours for IT Services and Support. The pre-paid block of hours does not expire and is good for the life of the agreement, e.g., 40 hours of services. The Board believes it is exercising good business practices by purchasing these services in advance as they are less expensive when pre-purchased. We have reviewed the Office of State Procurement’s policies and we are of the opinion these services, particularly in this de minimis amount, does not require a contract.

Regarding concerns expressed about possible risks, misunderstandings and/or nonperformance of services without the benefit of a contract with the vendor, the agreement in place with this vendor has been reviewed by the Board’s legal counsel and

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he 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.

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". The signature is fluid and cursive, with the first name being the most prominent.

Lucy L. McCann
Director

LLM



John Bel Edwards
Governor

STATE OF LOUISIANA

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May 24, 2018

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, 2017

Dear Mr. Purpera:

This will serve as our official response to the following finding: ***“Inadequate Segregation of Duties”***.

We do not concur with this finding.

The Louisiana Cemetery Board’s current Policies and Procedures clearly provide for the adequate segregation of duties based on the size of the Board’s staff. All credit card purchases in 2017 were within the Director’s delegated purchasing authority pursuant to those Policies and Procedures. Further, all credit card payments were made only after approval was granted by the Secretary/Treasurer or Chairman of the Board to make said payment(s) as required by the Policies and Procedures.

Although we do not believe this to be an issue, as a means of addressing the concerns expressed in the Legislative Auditor’s finding, in the future, the Assistant to the Director will attach all credit card statements to the detailed listing of disbursements sent to the Secretary/Treasurer or Chairman of the Board for approval.

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

Your very truly,

LOUISIANA CEMETERY BOARD

Lucy L. McCann
Director

LLM

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Cemetery Board (Board) for the period from January 1, 2017, through December 31, 2017. Our objective was to evaluate certain controls the Board 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 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 the Board's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. 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 controls 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, we performed procedures on selected controls and transactions relating to cash, collection of fees, credit card expenses, 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 Annual Fiscal Reports and/or system-generated reports to identify trends 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.