

LOUISIANA ECONOMIC DEVELOPMENT

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 21, 2020

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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

## Louisiana Economic Development



December 2020

Audit Control # 80200103

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## Introduction

As a part of our audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR) and our work related to the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2020, we performed procedures at Louisiana Economic Development (LED) to provide assurances on financial information that is significant to the state's CAFR; evaluate the effectiveness of LED's internal controls over financial reporting and compliance; and determine whether LED 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

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### Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the LED management letter dated December 26, 2019. We determined that management has resolved the prior-year finding related to Inadequate Contract Monitoring.

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### Current-year Finding

#### Inadequate Controls over Time and Attendance

LED did not maintain adequate controls over time and attendance, which resulted in untimely certification of time statements by employees and untimely or lack of approval of time statements by supervisors. Failure to ensure employees and supervisors are timely certifying and approving time statements increases the risk that errors and/or fraud could occur and not be detected in a timely manner.

Our review of system reports for the period July 1, 2019, through June 28, 2020, identified the following exceptions:

- 272 of 2,738 (9.9%) time statements were certified by employees between 1 and 194 days (or an average of 13 days) after the payroll posting date.

- 531 of 2,738 (19.4%) time statements were approved by supervisors between 1 and 134 days (or an average of 8 days) after the payroll posting date.
- 98 of 2,738 (3.6%) time statements were not approved by supervisors.

LED does not have a written policy requiring employees and supervisors to certify and approve time statements within the time and attendance application, Cross Application Time Sheet, prior to the payroll posting date. Good internal controls include an established policy to ensure time statements are certified by employees and approved by supervisors in a timely manner.

Management should establish a written policy addressing the need for employees and supervisors to certify and approve time statements within a specific timeframe prior to the payroll posting date. In addition, management should communicate this policy to all employees and supervisors and establish internal controls to ensure compliance with the policy. Management concurred with the finding and provided a corrective action plan (see Appendix A).

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## **Comprehensive Annual Financial Report (CAFR) – State of Louisiana**

As a part of our audit of the CAFR for the year ended June 30, 2020, we considered internal control over financial reporting and examined evidence supporting the note disclosure required by Governmental Accounting Standards Board (GASB) Statement 77, *Tax Abatement Disclosures*. This GASB Statement requires disclosures of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

The note disclosure tested, as adjusted, is materially correct.

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## **Other Procedures**

In addition to the CAFR procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing LED's internal control and compliance with related laws and regulations over contract monitoring and payroll.

Based on the results of these procedures, we reported a finding related to Inadequate Controls over Time and Attendance, as described previously.

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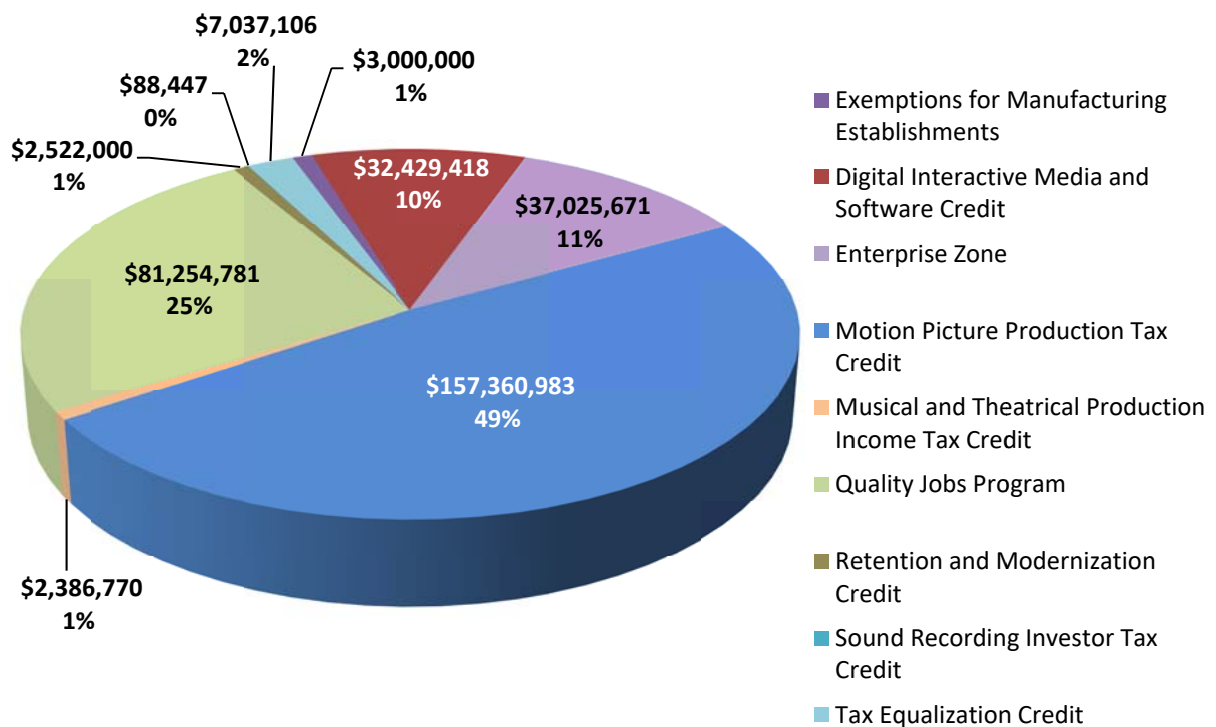
## **Trend Analysis**

We compared the most current and prior-year financial activity using LED's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LED's management for any significant variances. We also prepared an analysis of fiscal year 2020 Tax Abatement

Disclosures. The 11 Tax Abatement Programs administered by LED were included in the disclosure; however, two of the programs – Competitive Projects Payroll Incentive and Ports Investor Tax Credits – reported no abatements for fiscal year 2020. Of approximately \$323 million in tax credits granted, two programs – the Motion Picture Production Tax Credit and the Quality Jobs Program – represent 74% of total credits. In fiscal year 2020, the majority of the approximately \$75 million reduction in credits granted were due to a \$60.5 million decrease in the Quality Jobs Program caused by two unusually large investment credit rebates issued in fiscal year 2019.

**Exhibit 1**  
**Fiscal Year 2020 Tax Abatements**

**Total: \$323,105,176**



**Source:** LED Fiscal Year 2020 Annual Fiscal Report, as adjusted

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of LED. The nature of the recommendation, its implementation costs, and its potential impact on the operations of LED 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,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large initial "D".

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

CJH:EBT:BQD:EFS:aa

LED2020

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







December 9, 2020

Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

**RE: Single Audit of Louisiana LED Finding – Inadequate Controls over Time and Attendance**

Dear Mr. Purpera:

This letter is LED's official response to the finding in the Louisiana Legislative Auditor's (LLA) Single Audit for the State of Louisiana's CAFR, relative to Inadequate Controls over Time and Attendance during the fiscal year ending June 30, 2020.

**LED does concur with this finding:**

LED recognizes the need for an adequate and efficient control for Time and Attendance certification. Although LED has an *Attendance, Leave, Work Hours and Work Schedules* policy, the policy does not outline the requirement of a timely certification of an individual's time and attendance by the employee and supervisor.

To improve these controls, LED's Human Resource Director, Dawn Thibodeaux, in coordination with Human Resource staff, will establish a policy for timely approval and certification of time for both employees and supervisors.

LED intends to issue this policy by January 4, 2021.

We appreciate the commitment of the LLA staff in working with LED during this audit.

Sincerely,

Anne G. Villa  
Undersecretary, LED



## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at Louisiana Economic Development (LED) for the period from July 1, 2019, through June 30, 2020, to provide assurances on financial information significant to the State of Louisiana's Comprehensive Annual Financial Report (CAFR), 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 CAFR for the year ended June 30, 2020.

- We evaluated LED'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 LED.
- Based on the documentation of LED's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on the note disclosure required by GASB Statement 77, *Tax Abatement Disclosures*, to support our opinions on the CAFR.
- We compared the most current and prior-year financial activity using LED's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LED's management for significant variances.

In addition, we performed procedures on contract monitoring and payroll. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at LED and not to provide an opinion on the effectiveness of LED'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 LED's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LED's accounts are an integral part of the state of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.