

DEPARTMENT OF AGRICULTURE AND FORESTRY

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED MARCH 18, 2020

**LOUISIANA LEGISLATIVE AUDITOR
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BATON ROUGE, LOUISIANA 70804-9397**

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of Agriculture and Forestry



March 2020

Audit Control # 80190149

Introduction

As a part of the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2019, we performed procedures at the Louisiana Department of Agriculture and Forestry (LDAF) to evaluate the effectiveness of LDAF's internal controls over a major federal program and to determine whether LDAF complied with applicable laws and regulations.

Results of Our Procedures

Current-year Findings

Lack of Controls over Cash Management Requirements

LDAF did not have controls in place over the federal funds drawdown process applicable to the cash management requirements of the Emergency Food Assistance Program – Administrative Costs. One employee was assigned the responsibilities of preparing and submitting the draw request for federal funds without an independent review. The procedures, as designed, would not detect errors or fraud that could occur when preparing the draw request. Failure to implement sufficient controls over cash management could result in LDAF requesting reimbursement for expenses not incurred prior to the request and place LDAF in noncompliance with federal regulations.

Federal regulations require that non-federal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

LDAF should design and implement controls, such as a review and approval of federal drawdown requests prior to the request of funds, sufficient to ensure compliance with cash management requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Lack of Controls over Suspension and Debarment Requirements

LDAF did not develop and implement controls over the Food Distribution Cluster programs to ensure that participating food banks were not suspended or debarred. In addition, LDAF did not

include a term or condition in contracts or agreements with participating food banks requiring participants to comply with federal suspension and debarment requirements.

Federal regulations require those administering federal programs to ensure participants are not excluded or disqualified from participating in the federal program. Federal regulations also require that contracts or agreements with participants include a term or condition which requires compliance with applicable suspension and debarment requirements. Failure to ensure that participating food banks are not suspended or debarred may result in noncompliance with federal regulations and increases the likelihood of disallowed federal funds that LDAF may have to return to the federal grantor.

LDAF should develop a method of ensuring participating food banks are not suspended or debarred. In addition, LDAF should include a term or condition in its updates to the food bank agreements requiring the food banks comply with federal suspension and debarment requirements. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 2).

Inadequate Controls over Reporting on the Schedule of Expenditures of Federal Awards

LDAF did not have adequate controls in place to ensure that the Schedule of Expenditures of Federal Awards (SEFA) information for the Emergency Food Assistance Program - Food Commodities (CFDA 10.569) was accurate before submitting it to the Office of Statewide Reporting and Accounting Policy (OSRAP). While the fiscal year 2019 SEFA did include expenditures totaling \$23,778,740 for the federal program, the SEFA did not report that the commodities were passed through to subrecipients.

Failure to implement appropriate controls over the preparation of the SEFA increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected. Federal regulations require that the SEFA include the total amount provided to subrecipients from each federal program.

LDAF should ensure appropriate controls over the financial reporting process of the SEFA are implemented, including documentation of the SEFA review process, to ensure all expenditures are reported accurately. In addition, LDAF should ensure that OSRAP's current instructions are followed when preparing the SEFA. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 3).

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2019, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on LDAF's major federal program, the Food Distribution Cluster (CFDA 10.568, 10.569).

Those tests included evaluating the effectiveness of LDAF's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LDAF complied with applicable program requirements.

Based on the results of these Single Audit procedures, we reported findings related to Lack of Controls over Cash Management Requirements and Lack of Controls over Suspension and Debarment Requirements. These findings will also be included in the Single Audit for the year ended June 30, 2019.

Other Information

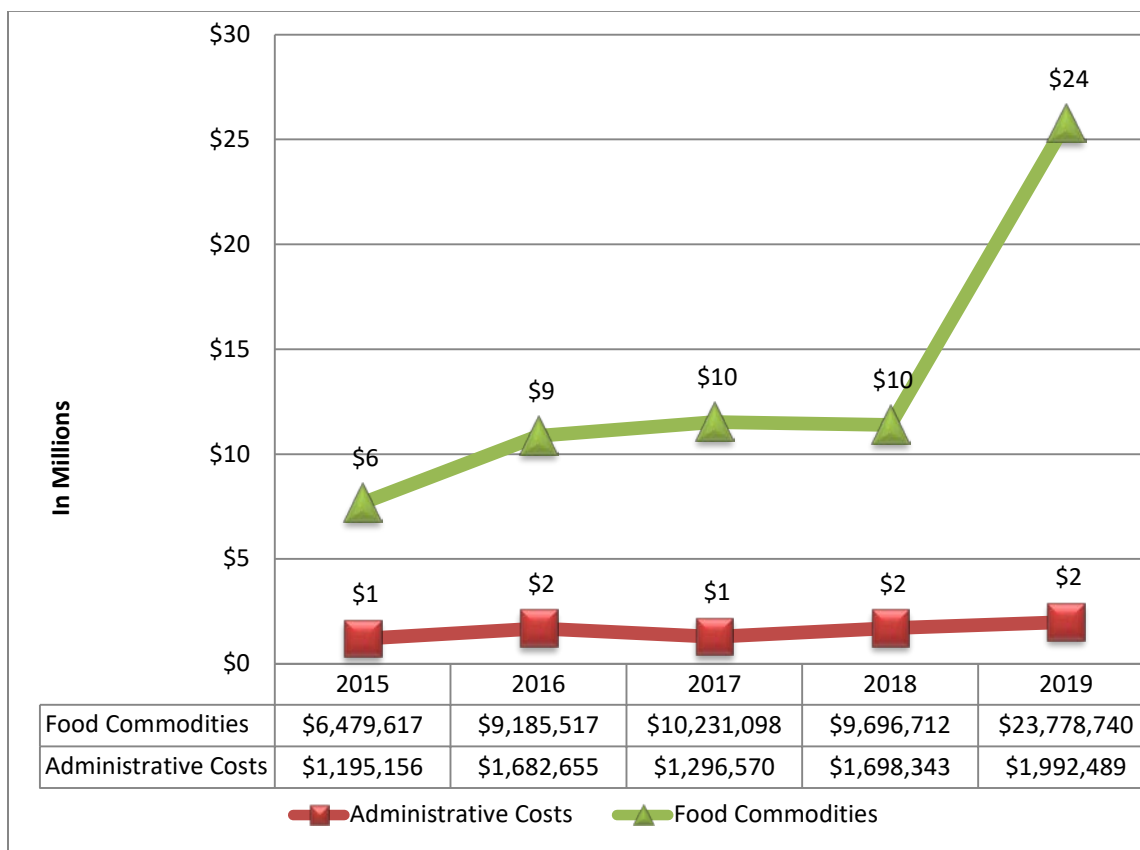
Although no procedures were performed on the SEFA, it came to our attention in our testing of the Food Distribution Cluster that the fiscal year 2019 SEFA did not report that the commodities were passed through to subrecipients, as noted in the finding above related to Inadequate Controls over Reporting on the Schedule of Expenditures of Federal Awards.

Trend Analysis

We compared the most current and prior-year financial activity using system-generated reports and obtained explanations from LDAF's management for any significant variances. We also prepared an analysis of the dollar value of food commodities distributed and administrative cost payments for the last five fiscal years.

As shown in Exhibit 1, commodities and administrative costs increased by \$14,082,028 (145%) and \$294,146 (17%), respectively, from fiscal year 2018 to fiscal year 2019. This increase was primarily caused by the federal government's implementation of trade mitigation.

Exhibit 1
Food Distribution Cluster - Emergency Food Assistance Programs
Food Commodities and Administrative Costs for Fiscal Years 2015-2019



Source: LDAF SEFA for fiscal years 2015 through 2019

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LDAF. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LDAF should be considered in reaching decisions on courses of action. The findings related to LDAF's compliance with applicable laws and regulations should be addressed immediately by management.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
 Legislative Auditor

APPENDIX A: MANAGEMENT'S RESPONSES



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY
MIKE STRAIN DVM
COMMISSIONER



March 2, 2020

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

**Agricultural &
Environmental
Sciences**
Suite 3000
(225) 925-3770
Fax: 925-3760

Dear Mr. Purpera:

The Louisiana Department of Agriculture and Forestry (LDAF) is in receipt of the reportable audit finding pursuant to your letter dated February 12, 2020. The LDAF concurs with the finding. To address the finding regarding controls over cash management requirements, the LDAF has implemented a plan with sufficient controls to ensure compliance with cash management requirements.

**Agro-Consumer
Services**
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(225) 922-1341
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**Animal Health
& Food Safety**
Suite 4000
(225) 925-3962
Fax: 925-4103

Forestry
Suite 6000
(225) 925-4500
Fax: 922-1356

**Management
& Finance**
Suite 1000
(225) 922-1255
Fax: 925-6012

The federal computer system used to make a TEFAP draw request does not require the additional approval of another user. Therefore, a manual review of the draw paperwork will be performed. The drawdown packet prepared by the grant accountant will be independently reviewed and approved by a managerial accountant prior to the actual drawdown. The managerial accountant will verify the amount to be drawn is accurate and based on expenditures for that grant. Once satisfied, the managerial accountant will initial and date the drawdown packet to indicate completion of the review. When the approved packet is returned to the grant accountant, the money can be requested from the federal system for reimbursement to LDAF.

**Soil & Water
Conservation**
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(225) 922-1269
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This procedure will detect any errors or fraud that could occur when preparing the draw request and will place LDAF in compliance with federal regulations. Please note that a review of all draws for the past two years have revealed no material errors.

Kevin Finley, Deputy Undersecretary, will ensure this corrective action is completed by March 31, 2020.

Sincerely,

Dane Morgan, Assistant Commissioner
Office of Management and Finance



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY
MIKE STRAIN DVM
COMMISSIONER



March 2, 2020

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**Animal Health
& Food Safety**
Suite 4000
(225) 925-3962
Fax: 925-4103

To address the finding regarding controls over suspension and debarment requirements, the LDAF is working on a plan to implement procedures to perform a check of federal records to ensure none of the five food banks are excluded or disqualified from participating in the federal program. Additionally, the contracts or agreements with the food banks will be amended to include a term or condition which requires compliance with applicable suspension and debarment requirements. Please note that none of the five food banks have been suspended or disbarred to date.

Forestry
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Kevin Finley, Deputy Undersecretary, will ensure this corrective action is completed by June 30, 2020.

**Soil & Water
Conservation**
Suite 7000
(225) 922-1269
Fax: 922-2577

Sincerely,

Dane Morgan, Assistant Commissioner
Office of Management and Finance



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY
MIKE STRAIN DVM
COMMISSIONER



March 2, 2020

Mr. Daryl G. Purpera, CPA, CFE
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To address the finding regarding controls over reporting on the Schedule of Expenditures of Federal Awards (SEFA), we provide the following explanation and procedural changes already implemented. As noted in the finding, the correct amount was properly reported in Column 1 of the SEFA, but not in Column 2 as required. In the past, the five food banks were treated as vendors and not as non-state recipients. When the federal regulations changed to better define the entity receiving the funds as either a sub-recipient or a contractor, the new definition cast the food banks as sub-recipients. This change in the definition was overlooked. The personnel who normally have prepared this report in the past are no longer with the agency, and the new personnel have been trained in the correct procedures. Going forward, the amount will be included in both column 1 and column 2 of the SEFA. We have also added additional levels of review to ensure this change is implemented.

Kevin Finley, Deputy Undersecretary, will ensure these new procedures are placed in operation.

Sincerely,

Dane Morgan, Assistant Commissioner
Office of Management and Finance

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Department of Agriculture and Forestry (LDAF) for the period from July 1, 2018, through June 30, 2019, 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 Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2019.

- 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.
- We performed procedures on the Food Distribution Cluster (CFDA 10.568, 10.569) for the year ended June 30, 2019, as a part of the 2019 Single Audit.
- We compared the most current and prior-year financial activity using LDAF's system-generated reports to identify trends and obtained explanations from LDAF's management for significant variances.

In addition, we provided other information that came to our attention while testing the Food Distribution Cluster related to the fiscal year 2019 Schedule of Expenditures of Federal Awards (SEFA). The scope of the procedures related to the SEFA 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 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 purposes.

We did not audit or review LDAF's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. LDAF's accounts are an integral part of the state of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.