LOUISIANA NAVAL WAR MEMORIAL COMMISSION

Department of Culture,
Recreation and Tourism
State of Louisiana

Annual Financial Statements

December 31, 2013

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

LaPorte
CPAs & BUSINESS ADVISORS

LaPorte, APAC
5100 Village Walk | Suite 300
Covington, LA 70433
985.892.5850 | Fax 985.892.5956
LaPorte.com

Independent Auditor's Report

To the Board of Commissioners
Louisiana Naval War Memorial Commission
Department of Culture, Recreation and Tourism
State of Louisiana
Baton Rouge, Louisiana

Report on Financial Statements

We were engaged to audit the accompanying financial statements of Louisiana Naval War Memorial Commission (the Commission), a component unit of the State of Louisiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Commission has not maintained certain accounting records and supporting documents and did not have adequate internal controls. Therefore, we were unable to obtain sufficient appropriate audit evidence to determine whether or not these financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion

Because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Emphasis of Matter

As discussed in Note 5 to the financial statements, in 2013, the Commission made a prior-period adjustment to correct an error made in prior years.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a report dated July 9, 2014, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

LaPorte

A Professional Accounting Corporation

Baton Rouge, LA
July 9, 2014

BASIC FINANCIAL STATEMENTS

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
Statement of Net Position
December 31, 2013

Assets	
Current Assets	
Cash and Cash Equivalents	$ 101,643
Inventory, at Cost	17,240
Restricted Cash and Cash Equivalents	
Special Projects/Programs	10,597
Total Current Assets	129,480
Noncurrent Assets	
Capital Assets, Net	2,201,983
Total Noncurrent Assets	2,201,983
Total Assets	2,331,463
Liabilities	
Current Liabilities	
Accounts Payable and Accruals	19,625
Total Current Liabilities	19,625
Noncurrent Liabilities	
Compensated Absences Payable	28,765
Premiums Payable	334,440
Other Post-Employment Benefits	319,244
Total Noncurrent Liabilities	682,449
Total Liabilities	702,074
Net Position	
Net Investment in Capital Assets	2,201,983
Restricted for:	
Special Projects/Programs	10,597
Unrestricted	(583,191)
Total Net Position	$ 1,629,389

The accompanying notes are an integral part of these financial statements.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013

Operating Revenues	
Admissions	$ 234,862
Sales	115,813
Programs	105,015
Other Operating Revenues	59,285
Total Operating Revenues	514,975
Operating Expenses	
Salaries and Related Benefits	470,536
Administrative	236,033
Maintenance and Supplies	51,157
Purchases	46,512
Special Events	17,453
Programs	11,848
Total Operating Expenses	833,539
Operating Loss	(318,564)
Non-Operating Revenue	
Grant Revenues	229,561
Total Non-Operating Revenue	229,561
Net Change in Net Position	(89,003)
Net Position, Beginning of Year (As Previously Reported)	1,928,787
Prior Period Adjustment	(210,395)
Net Position, Beginning of Year (As Restated)	1,718,392
Net Position, End of Year	$ 1,629,389

The accompanying notes are an integral part of these financial statements.

LOUISIANA NAVAL WAR MEMORIAL COMMISSION
DEPARTMENT OF CULTURE, RECREATION AND TOURISM
STATE OF LOUISIANA
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows from Operating Activities	
Cash Received from Customers	$ 515,025
Cash Paid to Employees for Services	(470,536)
Cash Paid to Suppliers for Goods and Services	(283,033)
Net Cash Used in Operating Activities	(238,544)
Cash Flows from Non-Capital Financing Activities	
Grants Received	229,561
Net Cash Provided by Non-Capital Financing Activities	229,561
Net Decrease in Cash and Cash Equivalents	(8,983)
Cash and Cash Equivalents, Beginning of Year	121,223
Cash and Cash Equivalents, End of Year	$ 112,240
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	$ (318,564)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
(Increase) Decrease in Assets	
Inventory	(1,833)
Prepaid Insurance	14,990
Accounts Receivable	50
Increase (Decrease) in Liabilities	
Accounts Payable	14,240
Premiums Payable	52,573
Net Cash Used in Operating Activities	$ (238,544)
Reconciliation of Cash at Year End to the Statement of Net Position	
Cash and Cash Equivalents	$ 101,643
Restricted Cash and Cash Equivalents	
Special Projects/Programs	10,597
Cash and Cash Equivalents, End of Year	$ 112,240

The accompanying notes are an integral part of these financial statements.

Note 1. Introduction and Summary of Significant Accounting Policies

Introduction
The Louisiana Naval War Memorial Commission (the Commission) is a component unit of the State of Louisiana, created within the Louisiana Department of Culture, Recreation and Tourism, as provided by Louisiana Revised Statutes (L.R.S.) 25:1000:1003. The Commission is composed of 17 members, one of whom is the Secretary of the Department of Culture, Recreation and Tourism or his designee, the Director of Veterans Affairs or his designee, and 15 members appointed by the Governor. The commissioners are not paid for their service.

The Commission was given the authority to acquire, transport, berth, renovate, equip, operate, maintain, and exhibit the destroyer U.S.S. Kidd and other property acquired for use as a permanent public Armed Forces memorial and any improvements and exhibits located thereon and any additions constructed, created, leased, acquired, or erected in connection therewith. The U.S.S. Kidd and museum are located in Baton Rouge. Louisiana. The Commission's primary revenues include admission fees, gift shop sales, donations, and grants.

The accounting and reporting practice of the Commission conforms to generally accepted accounting principles (GAAP) as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:513 and to the guides set forth in the *Louisiana Governmental Audit Guide,* and to the industry audit guide, *Audits of State and Local Governmental Units.*

Financial Reporting Entity
Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards* Section 2100 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization’s governing body, and

    a. The ability of the State to impose its will on that organization and/or

    b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the State.

2. Organizations for which the State does not appoint a voting majority but are fiscally dependent on the State.

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Note 1. Introduction and Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)
Because the State of Louisiana, via the Governor, appoints the majority of the members of the Louisiana Naval War Memorial Commission's governing board and therefore has the ability to impose its will on the Commission, the Commission was determined to be a component unit of the State of Louisiana. The accompanying financial statements present information only on the funds maintained by the Commission and do not present information on the State of Louisiana, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

Proprietary Fund Accounting
The accounts of the Commission are organized on the basis of proprietary fund accounting used by governmental entities. The proprietary fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting
The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The proprietary fund uses the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Cash and Cash Equivalents
Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state of the union, or the laws of the United States.

The Commission defines cash and cash equivalents to include cash on hand, demand deposits, and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Note 1. Introduction and Summary of Significant Accounting Policies (Continued)

Inventory
Inventory is stated at cost (first-in, first-out) and is maintained through utilization of a perpetual system. A physical count is made at the end of each year. Any adjustments to ending inventory valuation are investigated and the appropriate adjustment is made.

Restricted Assets
Certain proceeds of proprietary funds are recorded as restricted because their use is limited (or restricted) by the donor.

Capital Assets
Assets used in operations with an initial useful life that extends beyond one year are capitalized. Buildings, equipment, furniture and fixtures, and infrastructure (including the U.S.S. Kidd destroyer) are depreciated over their estimated useful lives. Depreciation is not calculated on land, land improvements, or construction in progress. Capital assets are reported net of accumulated depreciation in the statement of net position.

Property and equipment are recorded at cost, if purchased or constructed. Assets acquired through contributions are capitalized at their estimated fair value, if available, or at estimated fair value or cost to construct at the date of the contribution. All items purchased or donated that are valued above $1,000 are capitalized. Infrastructure as listed below includes the U.S.S. Kidd destroyer.

Assets are depreciated using the straight-line method over the useful lives of the assets as follows:

Description	Estimated Useful Lives
Vehicles	7 - 10 Years
Equipment	4 - 10 Years
Furniture and Fixtures	5 - 7 Years
Buildings	40 Years
Infrastructure	40 - 50 Years

Compensated Absences
Employees accumulate annual and sick leave at various rates based on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, an employee is compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay.

Note 1. Introduction and Summary of Significant Accounting Policies (Continued)

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position
In the statement of net position, the difference between a government's assets and liabilities is recorded as net position. The three components of net position are as follows:

Net Investment in Capital Assets - This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources, related to those assets.

Restricted - This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - All other net position is reported in this category.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's proprietary fund are revenues from transactions relating to the operation of the ship and nautical center. Operating expenses for the proprietary fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Impact of Recently Issued Accounting Principles
The Commission adopted GASB 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Adopting this GASB had no effect on the financial statements.

Note 2. Cash and Investments

Cash and Cash Equivalents
The carrying amounts of the Commission's deposits were as follows, for the year ended December 31, 2013:

	Enterprise Fund
Demand Deposits	$ 109,300
Petty Cash	2,940
Total	$ 112,240

Cash and cash equivalents are stated at cost, which approximates market.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Commission’s deposits may not be recovered. The Commission does not have a deposit policy for custodial credit risk. Under state law, deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledge of securities, plus the federal deposit insurance, must at all times equal the amount on deposit with the fiscal agent. The custodial bank must advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

As of December 31, 2013, the Commission had $118,402 in deposits, (collected bank balances), which are fully insured by federal deposit insurance.

Note 3. Per Diem Paid to Commissioners

The Commission members are not paid for their services.

Note 4. Related Party Transactions

The Commission is not aware of any related party transactions for the year ended December 31, 2013. The Commission's policy is to not engage in any related party transactions.

Note 5. Commitments

The Commission owes the State of Louisiana Office of Risk Management $334,440 in unpaid insurance premiums. There is currently not a repayment plan in place.

Note 6. Prior Period Adjustment

The Commission recorded a prior period adjustment decreasing beginning of year net position by $210,395 from $1,928,787 to $1,718,392. The decrease was due to (1) the write-off of a payable to the Louisiana Veterans Memorial Foundation which was recorded in error in the prior fiscal year in the amount of $71,472 and (2) the recording of unpaid insurance premiums to the Office of Risk Management in the amount of $281,867.

Note 7. Disclaimer of Opinion

Due to the overall lack of controls and inadequate record retention, we were unable to opine on the Commission's basic financial statements. In particular, supporting schedules could not be obtained to support inventory, capital assets, compensated absences payable, and other post-employment benefits. Sufficient supporting documents could not be provided to support our testing of operating revenues, operating expenses, and non-operating revenues.

Note 8. Subsequent Events

The Office of Inspector General (OIG) is currently reviewing financial activity for the past three years and questionable spending by the Commission's former executive director. The OIG's findings are still unknown at this time.

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LaPorte, APAC
5100 Village Walk | Suite 300
Covington, LA 70433
985.892.5850 | Fax 985.892.5956
LaPorte.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Board of Commissioners
Louisiana Naval War Memorial Commission
State of Louisiana
Baton Rouge, Louisiana

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Louisiana Naval War Memorial Commission (the Commission), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated July 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2013 - 1, 2013 - 2, 2013 - 3 and 2013 - 5 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013 - 2, 2013 - 3, and 2013 - 4.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

LaPorte

A Professional Accounting Corporation

Baton Rouge, LA
July 9, 2014

Part I - Summary of Auditor's Results

Financial Statement Section

Type of Auditor's Report Issued	Disclaimer
Internal Control Over Financial Reporting:	
Material Weakness(es) Identified?	Yes
Significant Deficiency(ies) Identified?	None Reported
Noncompliance Material to Financial Statements Noted?	Yes

Federal Awards Section - Not Applicable

Part II - Financial Statement Findings Section

2013 - 1 General Ledger Reconciliation

Criteria: Control procedures over general ledger account reconciliations are required in order to reduce the likelihood that a material misstatement will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we noted that the Commission has no procedures for the timely reconciliation of general ledger accounts (Inventory, Prepaid Insurance, Capital Assets, Accrued Expenses, Related Party Transactions). As such, no determination can be made as to whether or not the general ledger reflects all accounting transactions for the fiscal year ended December 31, 2013.

During our audit, it was noted that a related party liability in the amount of $71,472 was recorded in error and remained undetected for over a year before a correction was made. It was also noted that the Commission did not pay the full insurance premium amounts for multiple years which resulted in a prior period adjustment of $281,867. The effect of these two conditions was a current year prior period adjustment to increase total liabilities and decrease net position by $210,395.

Cause: This condition appears to be caused by prior management oversight.

Effect: Management, in the normal course of performing their assigned functions, cannot prevent or detect misstatements on a timely basis. As a result of there being no supporting schedules/reconciliations, the scope of our work was not sufficient to enable us to express an opinion on the financial statements. In addition, a prior period adjustment was necessary to decrease liabilities and increase beginning net position.

2013 - 1 General Ledger Reconciliation (Continued)

Recommendation: We recommend the Commission implement policies and procedures for the timely reconciliation of general ledger accounts and capture all transactions in a timely manner.

Management's Response: A new Executive Director took over on December 14, 2013, and new policies and procedures have been implemented to capture all transactions in a timely manner. A formal review of all policies and procedures has already been performed and several deficiencies have been identified. Management's policies and procedures will ensure that the reconciliation of general ledger accounts occurs on a timely basis. The inventory and capital assets will be reviewed on an annual basis moving forward. Prepaid insurance will not be an issue for now but will be reviewed on an annual basis in the future. The accrued expenses and related party transactions will be reviewed by the Executive Director and the Commission on a quarterly basis and will be tied to respective quarterly reports that are filed.

2013 - 2 Controls over Disbursements

Criteria: Proper controls over disbursements include maintaining accounting records in such a manner as to provide evidence of legal compliance and the preparation of annual financial statements to comply with L.R.S. 24:513.

Condition: During our testing of expenses for the year ended December 31, 2013, we noted that 74 out of 145 items tested lacked proper support to provide assurance that the expenditure was a legitimate business expense of the Commission. We also noted that 1 out of 145 items tested contained a personal expense which was not reimbursed by the employee. We also noted that 1 out of 145 items contained a gift card purchase with no specified business purpose.

Cause: This condition appears to be caused by prior management oversight.

Effect: The inadequate controls over disbursement of funds and lack of supporting documentation resulted in our inability to perform sufficient work to enable us to express an opinion on the financial statements.

Recommendation: The Commission should implement adequate controls over disbursements to help ensure that proper supporting documents are maintained.

Management's Response: A new Executive Director took over on December 14, 2013, and a formal review of all policies and procedures was performed. Management has implemented policies whereby supporting documentation is maintained and reviewed by both the Business Manager and Executive Director prior to payment. Invoices and receipts are kept on file to legitimize all expenditures.

Management will also implement a policy whereby no personal expenses shall be incurred by employees when conducting business purchases. Management will scrutinize all disbursements to ensure this policy is maintained.

2013 - 3 Inadequate Controls Over Capital Assets

Criteria: L.R.S. 39:324 requires each governmental entity to perform an annual inventory of capital assets. Also, an annual inventory of capital assets and tagging of assets to indicate ownership are necessary controls to ensure that capital assets are appropriately recorded and the assets are safeguarded from loss.

Condition: During the year ended December 31, 2013, the Commission failed to conduct an inventory of its capital assets nor did they have a process of tagging its capital assets to better track the physical assets. Also, the Commission was unable to provide a listing of assets to support the recorded value of capital assets and related accumulated depreciation.

Cause: This condition appears to be caused by prior management oversight.

Effect: Noncompliance with L.R.S. 39:324 and inadequate controls over capital assets.

Recommendation: We recommend that the Commission conduct an annual inventory of its capital assets and begin tagging those assets. After that is completed, they need to reconcile that schedule to the recorded value of capital assets on the financial statements.

Management's Response: A new Executive Director took over on December 14, 2013 and discovered that there was no record of a comprehensive inventory of all capital assets on file. Management will perform an inventory of all capital assets and tag each inventoried asset to indicate ownership. Management will then use this to prepare an up to date listing of all capital assets and related accumulated depreciation. This process will take months to complete but the goal is to reconcile this schedule to the recorded value of capital assets on the financial statements by the fiscal year ending December 31, 2014.

2013 - 4 Prohibited Donation of Public Funds

Criteria: Article VII, Section 14, of the Louisiana State Constitution of 1974 prohibits the use of public funds, credit, property, or things of value to be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

Condition: During our audit, we noted that the Commission repeatedly paid an employee paid time in lieu of vacation.

Cause: Unknown.

Effect: Noncompliance with Article VII, Section 14, of the Louisiana State Constitution of 1974.

Recommendation: We recommend that the Commission discontinue this practice.

Management's Response: A new Executive Director took over on December 14, 2013, and was made aware of this issue of noncompliance. This practice has already been discontinued.

2013 - 5 Inadequate Segregation of Duties

Criteria: A good system of internal control provides for proper segregation of the accounting functions. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud.

Condition: During our audit, we noted the Commission relies on its Executive Director to perform approval, custody, and recording functions for cash disbursements and cash receipts. No review is made after this process to reduce the risk of error or fraud.

Cause: This condition appears to be caused by prior management oversight.

Effect: Management, in the normal course of performing their assigned functions cannot prevent or detect misstatements on a timely basis.

Recommendation: The Commission should implement adequate controls over cash disbursements and cash receipts to ensure proper segregation of duties is achieved.

Management's Response: A new Executive Director took over on December 14, 2013, and steps have been taken so that the segregation of authorization, recording, and custodial functions are separated among different employees. The Gift Shop Manager now ensures that packing slips are attached to all Gift Shop invoices. All employees must receive written approval for non-standard purchase requests from the Executive Director prior to ordering items. The Business Manager ensures that supporting documentation is attached to all invoices prior to the Executive Director making any payments. The Business Manager makes all bank deposits and the Executive Director ensures that they are reconciled on a weekly basis through the use of the online banking system. An internal policy is in place that ensures that any check written over $2,000 has the signature of both the Executive Director and the Commission Chairman or his/her designee. All payroll checks and reimbursements to the Executive Director are now signed by the Commission Chairman and/or his designee. All of these new policies and procedures have greatly reduced the risk of errors or fraud by members of this organization.