

DEPARTMENT OF THE TREASURY

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 4, 2019

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of the Treasury



December 2019

Audit Control # 80190051

Introduction

As a part of our audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019, we performed procedures at the Department of the Treasury (Treasury) to provide assurances on financial information that is significant to the state's CAFR; evaluate the effectiveness of Treasury's internal controls over financial reporting and compliance; and determine whether Treasury 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

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the Treasury management letter dated December 10, 2018. We determined that management has resolved the prior-year finding related to Noncompliance with State Travel Regulations.

Comprehensive Annual Financial Report (CAFR) – State of Louisiana

As a part of our audit of the CAFR for the year ended June 30, 2019, we considered internal control over financial reporting and examined evidence supporting cash, investments, bonds, and unclaimed property.

The account balances and classes of transactions tested, as adjusted, are materially correct.

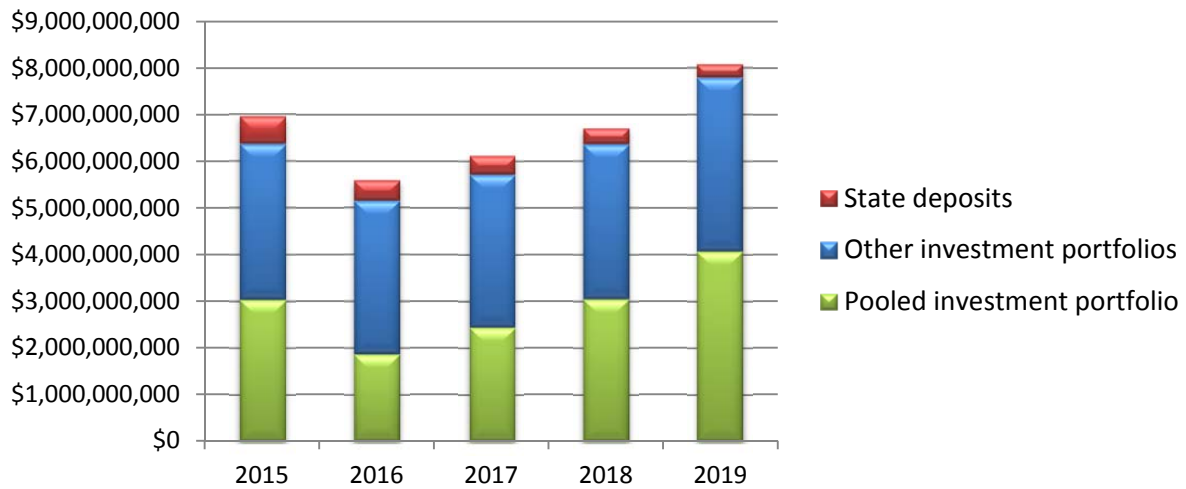
Trend Analysis

We compared the most current and prior-year financial activity using Treasury’s Annual Fiscal Reports and/or system-generated reports and obtained explanations from Treasury’s management for any significant variances.

We also prepared an analysis of the state’s assets (see Exhibit 1) and debt (see Exhibit 2) that is managed by the Treasury during the five-year period ended on June 30, 2019.

The state’s assets managed by the Treasury totaling \$8.1 billion for fiscal year 2019 has been increasing since fiscal year 2016. Cash in the General Fund, Capital Outlay Escrow Fund, and various dedicated funds that are not needed in the short-term are invested in the pooled investment portfolio. The pooled investment portfolio’s lowest point occurred in fiscal year 2016 as a result of reductions in revenues requiring the liquidation of investments to fund legislative appropriations. The state’s pooled investment portfolio has consistently increased since fiscal year 2017 due to operating surpluses. The Treasury manages approximately 20 other investment portfolios totaling \$3.7 billion for fiscal year 2019. The funds managed in these other investment portfolios are either nonspendable (e.g., corpus of permanent funds) or the use is restricted to purposes specified in state law.

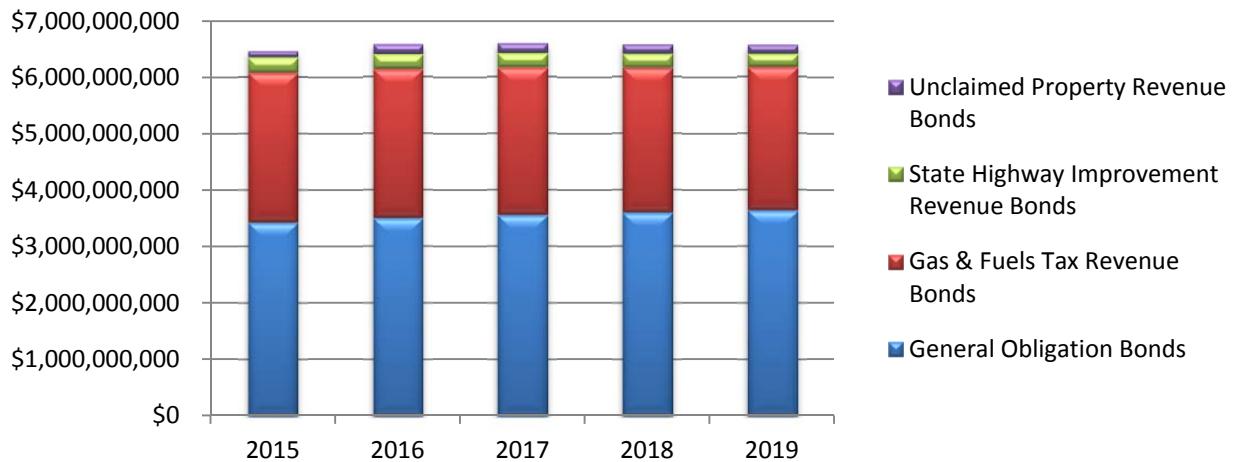
Exhibit 1
Treasury-Managed State Assets at Year-End,
Fiscal Years 2015-2019



Source: Treasury’s Annual GASB 40 Cash and Investment Letter

The state’s debt managed by the Treasury has remained at approximately \$6.5 billion from fiscal year 2015 to fiscal year 2019. Although debt service payments were made annually on the principal, new debt has been issued every year from fiscal year 2015 to fiscal year 2019.

Exhibit 2
Treasury-Managed State Debt at Year End,
Fiscal Years 2015-2019



Source: CAFR and Treasury's amortization schedules

We also prepared an analysis of the unclaimed properties on record at year-end over the last five years (see Exhibit 3). Cash and securities held by business associations, banking and financial organizations, and other legal entities that remain undelivered to its rightful owners after a prescribed time period are presumed abandoned and are required by state law to be remitted to the Treasury. The Treasury has record of \$882 million in unclaimed cash and \$237 million in securities that have been received from 1973 through fiscal year 2019 and remains unclaimed by the legal owners. During fiscal years 2015 through 2019, the abandoned cash remitted to the Treasury exceeded the amounts claimed by legal owners resulting in the annual increases, as shown in Exhibit 3.

Based on the Treasury's analysis of historical unclaimed cash receipts and claims, the Treasury estimates \$186 million of the \$882 million in unclaimed cash on record as of June 30, 2019, will be claimed by its legal owners. Louisiana Revised Statute 9:165 provides for the allowable uses of unclaimed cash received by the state treasurer. Treasury records indicate that since inception of the program through the end of fiscal year 2019, the \$882 million in unclaimed cash receipts on record have been used by the state as follows:

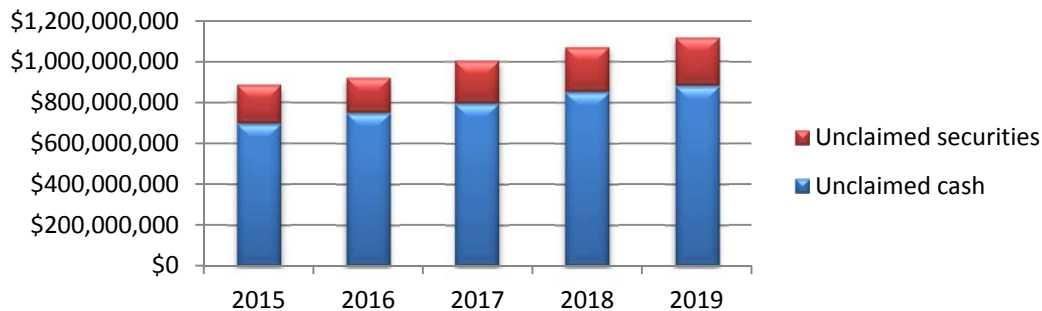
- \$17 million has been set aside in a separate trust (escrow fund) and remains available to be used in conjunction with future receipts to fund future claims. For fiscal year 2019, the Treasury increased the amount held in separate trust from \$5 million to \$17 million. The statute requires the state treasurer to retain at least \$500,000 in a separate trust fund for the payment of claims. The statute does not provide a cap on the amount the state treasurer is allowed to set aside in trust.
- \$180 million has been transferred to the Unclaimed Property Leverage Fund. The statute requires the state treasurer to transfer \$15 million each fiscal year

beginning in fiscal year 2008 to the Unclaimed Property Leverage Fund for debt service and other costs relating to the I-49 project.

- \$36 million has been spent on administrative costs to operate the unclaimed property program. The statute allows the state treasurer to use funds collected to pay administrative costs not to exceed 7% of gross collections each fiscal year.
- \$14 million has been paid to external auditing firms to identify unclaimed properties on behalf of the Treasury, as allowed in statute.
- \$635 million has been transferred to the general fund, where it has been spent through annual appropriations. Except for the specified uses provided above, the statute requires the state treasurer to deposit unclaimed cash receipts in the Bond Security and Redemption Fund. As a result, those cash receipts became available to the general fund and were appropriated by the legislature. For fiscal year 2019, no transfers to the general fund were made by the state treasurer in order to increase the amount held in separate trust as explained above.

The entire \$237 million in securities as of June 30, 2019, remain intact and are held by external investment companies.

**Exhibit 3
Unclaimed Property at Year-End,
Fiscal Years 2015-2019**



Source: Treasury’s unclaimed property reports

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

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Treasury (Treasury) for the period from July 1, 2018, through June 30, 2019, 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, 2019.

- We evaluated Treasury'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 Treasury.
- Based on the documentation of the Treasury's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the CAFR.
- We compared the most current and prior-year financial activity using Treasury's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from Treasury's management for significant variances.

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