

DEPARTMENT OF MILITARY AFFAIRS
EXECUTIVE DEPARTMENT
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Department of Military Affairs



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Introduction

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

The Department is a part of the State of Louisiana reporting entity within the executive branch of government. It was created in 1950 by Louisiana Revised Statute 29:1. The Department's mission is to provide emergency response, support, and at-risk education that protects and serves the needs of Louisiana citizens.

Results of Our Procedures

We evaluated the Department's operations and system of internal controls 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 Department's internal controls and our understanding of related laws and regulations, we performed procedures on selected controls and compliance for transactions relating to self-generated revenues, non-payroll expenditures, and federal programs.

Self-generated Revenue

Based upon identified risks relating to self-generated revenues, we performed procedures to determine if the Department has adequate internal controls over the collection of timber sales and office space/property rentals revenues. Based upon the results of our procedures, the Department has adequate controls in place to ensure that the correct amount of timber sales and office space/property rentals were collected, and that the transactions were properly recorded.

Non-payroll Expenditures

Based upon identified risks relating to non-payroll expenditures, we performed procedures on operating services, supplies, and other charges to determine if the Department has adequate internal controls in place over these transactions. We also performed procedures to determine if

the Department is following applicable laws and regulations for these transactions. Based upon the results of our procedures, the Department has internal controls in place over operating services, supplies, and other charges; proper approvals were obtained; and the transactions were properly recorded. In addition, the Department followed the Louisiana Public Bid Law and Louisiana Procurement Code regulations for these transactions.

Federal Programs

Based on general risks relating to federal programs, we performed procedures on two of the Department's federal programs: the National Guard Military Construction Projects program and the National Guard ChalleNGe Program.

National Guard Military Construction Projects (MILCON)

Based upon identified risks relating to MILCON, we performed procedures based on program compliance requirements to determine if the Department has adequate internal controls in place and to determine if program activities and costs were allowed under the program requirements. Based upon the results of our procedures, the Department had internal controls in place to ensure compliance with requirements over allowable activities and costs, proper approvals were obtained, and transactions were properly recorded.

National Guard ChalleNGe (ChalleNGe) Program

Based upon identified risks relating to the ChalleNGe Program, we performed procedures based on program compliance requirements to determine if the Department has adequate internal controls in place, to determine if program activities and costs were allowed under the program requirements, and to determine if program participants were eligible. Based upon the results of our procedures, the Department had internal controls in place to ensure compliance with requirements over allowable activities and costs and eligibility, proper approvals were obtained, and transactions were properly recorded.

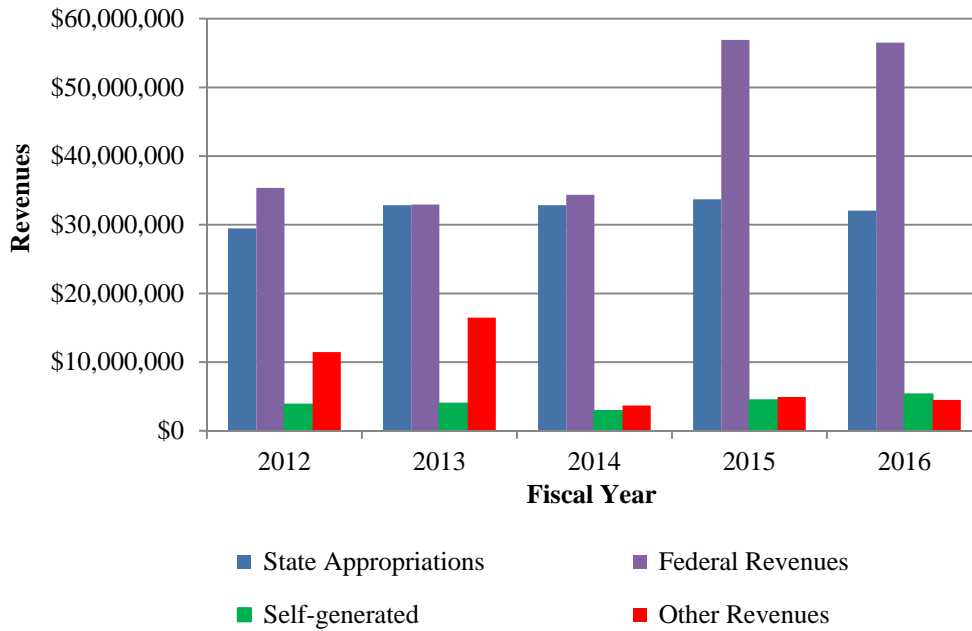
Trend Analysis

We compared the most current and prior-year financial activity using the Department's annual fiscal reports and/or system-generated reports to identify trends, and obtained explanations from management for significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

We analyzed the Department's revenues and expenditures for fiscal years 2012 through 2016. As shown in the five-year trend analysis in Exhibit 1 and Exhibit 2 on the following pages, the Department's increase in other revenues and expenditures in fiscal year 2013 was the result of damages caused by Hurricane Isaac, as the Department obtained funding from the Federal Emergency Management Agency. The Department's federal revenues and expenditures increased significantly in fiscal year 2015 when the Department received \$7.7 million in funding

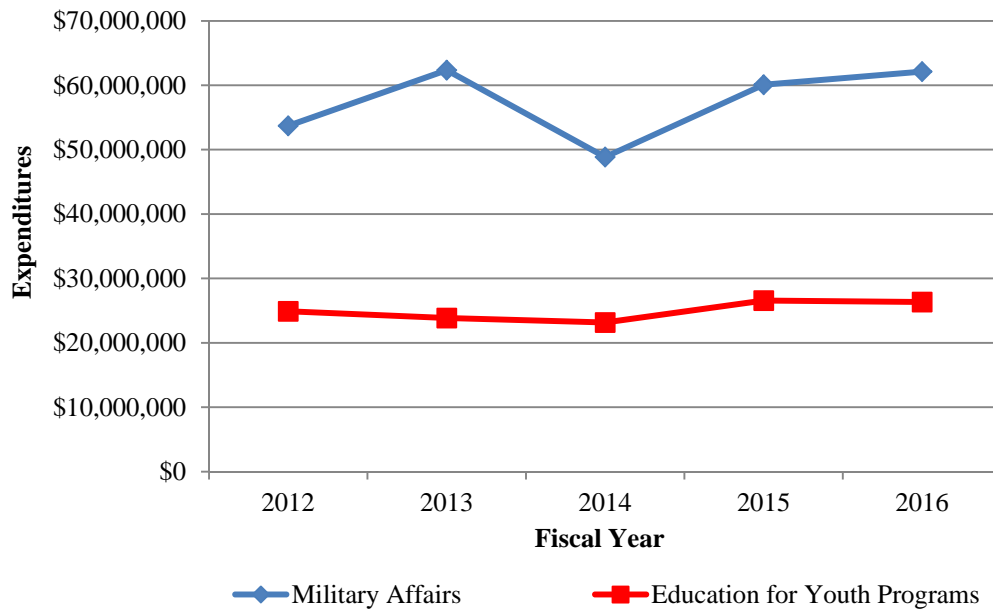
from the Environmental Protection Agency for the cleanup of M6 propellant at Camp Minden and additional funding from the Department of Defense for operations, maintenance, and youth programs. The federal funding from fiscal year 2015 remained relatively consistent for fiscal year 2016.

Exhibit 1
Five-Year Revenue Trend



Source: Fiscal year 2012-2016 Department of Military Affairs Annual Fiscal Reports

Exhibit 2
Appropriated Expenditures



Source: Fiscal year 2012-2016 Department of Military Affairs Annual Fiscal Reports

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

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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SMD 2017

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Military Affairs (Department) for the period from July 1, 2015, through May 30, 2017. Our objective was to evaluate certain controls the Department uses to ensure accurate financial reporting and transparency, compliance with applicable laws and regulations, and to provide overall 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 Department's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The Department'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 Department's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Department.
- Based on the documentation of the Department's controls and our understanding of related laws and regulations, we performed procedures on selected controls and compliance for transactions relating to self-generated revenues, non-payroll expenditures, and federal programs.
- We compared the most current and prior-year financial activity using the Department's annual fiscal reports and/or system-generated reports to identify trends, and obtained explanations from management for significant variances.

The purpose of this report is solely to describe the scope of our work at the Department and not to provide an opinion on the effectiveness of the Department'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.