

DIVISION OF ADMINISTRATION
OFFICE OF STATE LANDS
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED SEPTEMBER 3, 2014

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

August 22, 2014

**DIVISION OF ADMINISTRATION
OFFICE OF STATE LANDS
STATE OF LOUISIANA**
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Division of Administration (DOA), Office of State Lands (OSL) for the period from July 1, 2013 through June 30, 2014.

- Our auditors interviewed OSL personnel to gain an understanding of the LaGov Enterprise Resource Planning System (LaGov), which replaced the Statewide Land and Buildings System (SLABS) in November 2010, to determine their procedures to report land and building values in the annual inventory report to the Legislature.
- Our auditors interviewed OSRAP personnel to determine their procedures to report land and building values in the state's Comprehensive Annual Financial Report (CAFR).
- Our auditors selected a sample of additions and deletions and tested to determine if acquisitions/dispositions were properly supported and accurately reported in the annual inventory report to the Legislature and in the state's CAFR.

OSL is included with the DOA Annual Fiscal Report, which was not audited or reviewed by us as a part of this engagement, and, accordingly, we do not express an opinion on that report. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have included the following significant finding for management's consideration:

Inaccurate Recording and Reporting of State Lands

The DOA, OSL failed to report 26 parcels of land recorded at over \$26 million in its annual inventory report to the Legislature and misstated the value of other state lands as follows:

- Twenty-six parcels of land with a total acquisition cost of \$26,960,276 were added to the state's inventory after the implementation of the LaGov system but were not included in the 2014 annual inventory report to the Legislature.
- For one of these parcels of land, the acquisition cost valued in LaGov at \$4,925,000, incorrectly includes the purchase price of both the land and building, rather than allocating the cost between the land and the building for accurate reporting.

Of these 26 parcels, six with acquisition costs of \$1,627,500 were also not reported as acquisitions in the state's CAFR.

- The City of Bunkie donated 20 acres to the state that was recorded in LaGov with no value.
- The Terrebonne Levee and Conservation District transferred a tract of land to the state that was recorded in LaGov with no value.
- The state purchased 40,775 acres for \$13,150,000 for portions of the Maurepas Swamp Wildlife Management Area but recorded a zero value in LaGov for the purchase. An additional 397 acres were donated and recorded at zero values.

In addition, lands that have been sold or transferred are inaccurately being reflected as part of the state's inventory. The following lands remain on the state's inventory although the land records should have been deactivated and/or adjusted:

- In February 2013, ownership of the Garyville Timbermill Museum reverted back to the donor. However, a \$300,000 value was reported in the fiscal year 2013 CAFR for the land.
- In March 2012, the Rienzi Plantation House was transferred back to the donor. However, the land, which is valued at \$1,395,000 was included on the annual inventory report to the Legislature. The CAFR was not overstated as a result of this transfer because the correct land values were obtained from the university system's annual financial report.
- Two land sites valued at \$4,155,000 were sold in fiscal year 2014, but were not properly removed from the state's inventory, resulting in overstatements in the annual report to the Legislature.

These errors occurred because OSL is not entering acquisition costs in the LaGov *land records* field, which is used when preparing the annual inventory report for the Legislature; therefore, zero cost is reported for new land acquisitions. The DOA does not have procedures in place for estimating the fair market value of donated land and other acquisitions not valued by the OSL or for allocating acquisition costs between land and

buildings purchased together. In addition, OSL is not properly deactivating and/or adjusting the land records in LaGov for sites that have been sold and/or transferred.

DOA implemented the LaGov real estate module in November 2010 without providing proper training to system users or developing adequate policies and procedures to ensure the accuracy and reliability of the data in the system. LaGov replaced SLABS, the prior land inventory system which the state had used since 1989. Prior to the implementation of LaGov, the SLABS steering committee, which consisted of representatives from each user agency, met regularly to provide oversight for changes to the system. However, the committee disbanded upon the implementation of LaGov. A lack of communication between the DOA user agencies after the implementation of LaGov led to inadequate policies and procedures regarding the recording and reporting of land.

OSL should increase communication with and obtain additional training and guidance from the DOA, Office of Information Services and other relevant user agencies to ensure that data is entered and extracted using the correct fields and/or records. The DOA should establish and implement policies and procedures to ensure that processes for the administration and maintenance of the centralized inventory of state lands are adequate to ensure accurate financial and legislative reporting. Management concurred in part with the finding and provided a corrective action plan (see Appendix A, pages 1-3). Management did not concur that two properties were sold and not properly removed from the state's inventory. OSL contends that these sites should remain active because the state still owns and/or leases a portion of each site.

Additional Comment: Although the sites should remain active in LaGov, their values in the 2014 annual inventory report to the Legislature are overstated and should be adjusted to reflect the sales.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Daryl G. Purpera".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

ETM:BQD:THC:ch

DOA OSL 2014

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendations



State of Louisiana
Division of Administration
STATE LAND OFFICE

July 28, 2014

Daryl G. Purpera, CPA, CFE, Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804

Re: **Inaccurate Recording and Reporting of State Lands**

Dear Mr. Purpera:

Thank you for the opportunity to respond to the above referenced finding for the Office of State Lands (OSL). We have identified the source of errors associated with the inaccurate recording and reporting of State Lands, these are:

- Improper use of certain data fields in the Real Estate Module of the LaGOV Enterprise Resource Planning System (LaGOV) used to record and report State Lands
- Not reporting changes to State Lands that occur after the data collection period for the March First Report
- Incorrect indicator used for the CAFR
- Recording zero for land values for some donated properties
- Human error

The Office of State Lands concurs in part with the LLA finding.

Improper use of certain data fields - Total acquisition costs for each state property are calculated by adding the acquisition cost for each parcel that comprises the property. State properties are often made up of many parcels purchased through individual conveyance contracts. The system in use before LaGOV became available did the addition automatically and updated the total acquisition cost for all state properties. The Office of State Lands recently became aware that the LaGOV system did not add the acquisition cost of new parcels to the existing total acquisition cost for state properties which resulted in under reporting the total acquisition costs for some properties. The properties referenced in the LLA finding that were reported in error as a result of this are:

- LSU – South Campus
- Opelousas Forestry Office
- River Parishes Community College
- Joyce Wildlife Management Area

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- Pharmacy Board – Brentwood Drive
- Slidell Park & Ride
- Sherburne Wildlife Management Area
- Bayou Dularge Boat Storage
- Pass-a-Loutre Staff Support Site

Corrective Action

The Office of State Lands is working with the Office of Technology Services to develop a long-term solution within the LaGOV system that ensures the acquisition cost for any new parcels is added to the existing total acquisition cost for any future parcels. The estimated time required to correct this error is 6 weeks.

Incorrect indicator used for the CAFR - OSRAP uses an indicator to determine when a property should be included in the CAFR. This indicator was incorrect for one state property which was included in the CAFR incorrectly. The property incorrectly reported as a result of this is:

- Garyville Timbermill Museum

Corrective Action

No corrective action is needed. OSRAP has worked with OTS personnel to filter sites using a different indicator that will provide a more reliable source for properties that should be included in the CAFR.

Recording zero for land values for some donated properties - Some properties are donated or transferred to the state but do not include an appraisal or assessment of the market value of the property. The OSL has in the past entered a zero value for these lands. The properties incorrectly reported as a result of this are:

- Donation for the City of Bunkie
- Transfer from the Terrebonne Levee and Construction District

Corrective Action

Any past or future donations or transfers of property that do not include an appraisal or estimate of value will be assigned a value equal to the assessment by the parish tax assessor at the time of donation or transfer. The estimated time to correct this issue in the system is 6 weeks.

Human error - When documentation is received that property is no longer owned by the state the site is inactivated by the Office of State Lands. After documentation was received, one property was not inactivated. The property incorrectly reported as a result of this is:

- Rienzi Plantation House

When properties that cover multiple parishes enter state ownership these properties are divided by parish and that portion that lies in each parish is given a separate site code. The values of these properties should also be divided to show the correct value for each site. This was not done for one

property. This has been corrected and values have been recorded for that portion of the property in each respective parish. The property incorrectly reported as a result of this is:

- Maurepas Swamp Wildlife Management Area

Corrective Action

These errors have been corrected by OSL staff.

The finding also incorrectly states that two properties were sold and were not properly removed from the state's inventory. These are:

- Hunt Correctional Facility – Point Clair Farms – Although the majority of this property was sold the cemetery that was part of the site remains in state ownership and therefore the site remains active. It has been re-named "Lone Oak Cemetery – Formerly Hunt – Point Clair Farms".
- Monroe State Office Building – Although this site was sold it could not be inactivated until June 2014 due to active rental objects that remained on the site.

Please contact Marty Beasley if you have any questions or need further information.

Sincerely,



Marty L. Beasley, Public Lands Administrator
Louisiana Office of State Lands