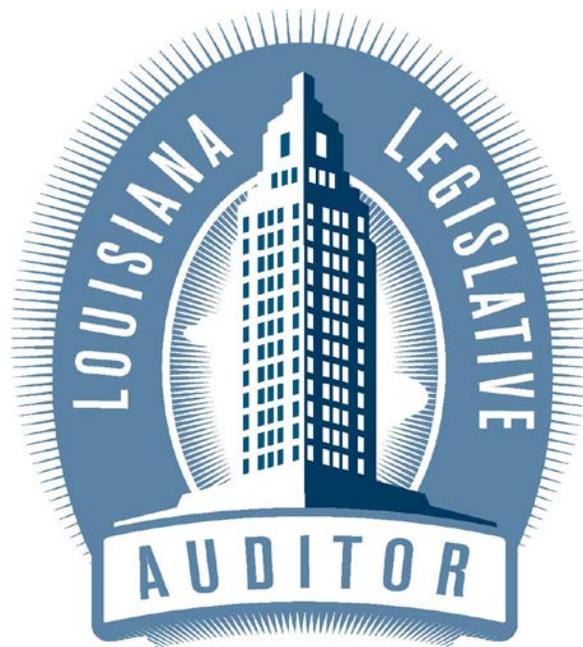


DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED DECEMBER 3, 2014

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$0.45. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3353 or Report ID No. 80140102 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 3, 2014

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
The Honorable John N. Kennedy, State Treasurer
Department of the Treasury

Dear Senator Alario, Representative Kleckley, and Treasurer Kennedy:

This report includes the results of the procedures we performed at the Department of the Treasury (Treasury) for the period from July 1, 2013 through June 30, 2014, to evaluate its accountability over public funds. The procedures are a part of our audit of the state of Louisiana's financial statements for the year ended June 30, 2014. I hope the information in this report will assist you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of the Treasury for their assistance during our work.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

CR:BDC:THC:aa

TREASURY14

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Audit Control # 80140102

Department of the Treasury

December 2014

Introduction

As a part of our audit of the state of Louisiana's financial statements for the year ended June 30, 2014, we performed procedures at the Department of the Treasury (Treasury) to provide assurances on financial information that is significant to the state of Louisiana's financial statements, evaluate the effectiveness of the Treasury's internal controls over financial reporting and compliance, and determine whether the Treasury complied with applicable laws and regulations.

The Treasury is responsible for the custody and disbursement of state funds, accounting, depository control, and investment of state funds. The Treasury also handles functions relating to the management, analysis, and control of state debt, including the issuance of bonds. The mission of the Treasury is to manage state funds by promoting prudent cash management and investment strategies as well as monitoring, regulating, and coordinating state and local debt obligations as mandated by the Constitution and the laws of the state of Louisiana

Results of Our Procedures

Financial Statements - State of Louisiana

As a part of our audit of the state of Louisiana's financial statements for the year ended June 30, 2014, we considered internal control over financial reporting and examined evidence supporting cash and investments.

Our audit included tests of the Treasury's compliance with laws and regulations that could have a direct and material effect on the financial statements, as required by *Government Auditing Standards*.

Based on the results of these procedures on the financial statements, we did not report any internal control deficiencies or noncompliance with laws or regulations. In addition, the account balances tested are materially correct.

Information Technology Controls Review

Our Technical Audit Group performed a review of significant controls over the Treasury's system to support our audit of the financial statements. Their review did not result in any reportable findings.

Trend Analysis

We compared the most current- and prior-year financial activity using the Treasury's annual fiscal reports and/or system-generated reports and obtained explanations from management for any significant variances. We also analyzed the composition of state investments at June 30, 2014, and the investment portfolios of the three largest trust funds managed by the Treasury over the last five years.

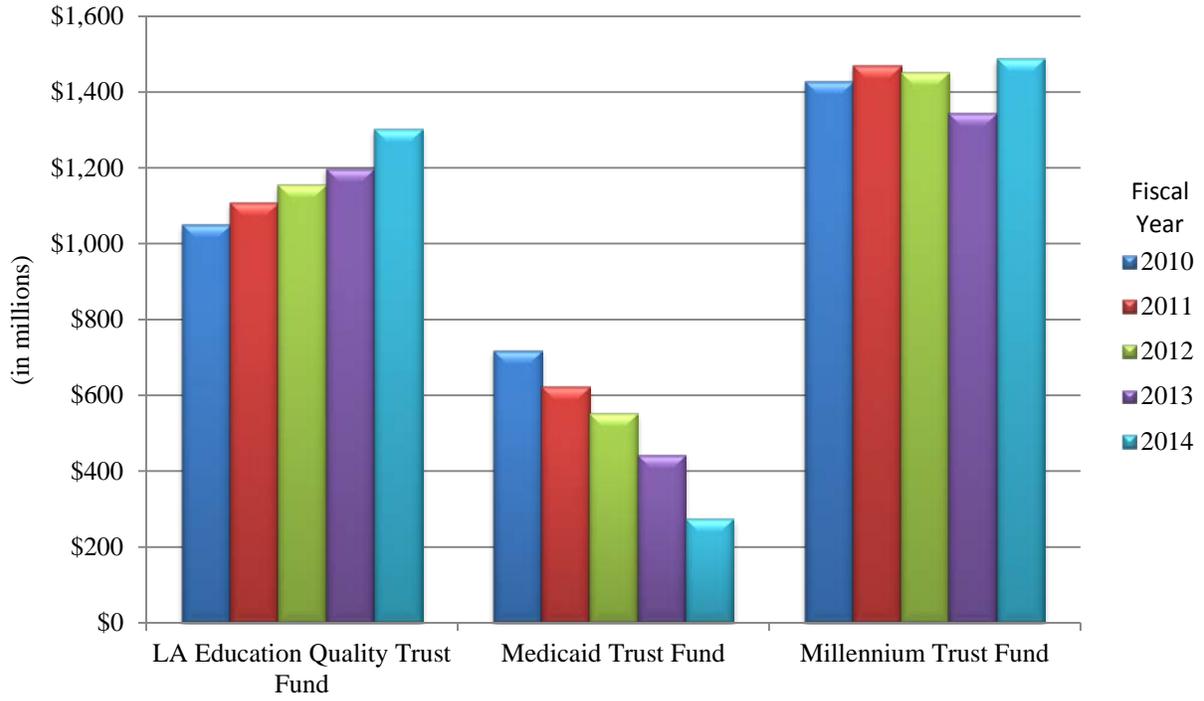
More than half of the state's investments at June 30, 2014, are investments in U.S. Government Securities and Government Sponsored Entity Securities, while investments in corporate securities, municipal securities, and mutual funds account for 30% of the total.

Investment balances of the Louisiana Education Quality Trust Fund have increased steadily over the past five years. As the equity markets have moved upward to new records from the 2008 lows, the fund experienced more in capital gains.

The Millennium Trust Fund continues to receive funds from the Tobacco Settlement. As the equity markets have moved upward, the asset allocation of the fund to equities has increased, also resulting in more capital gains.

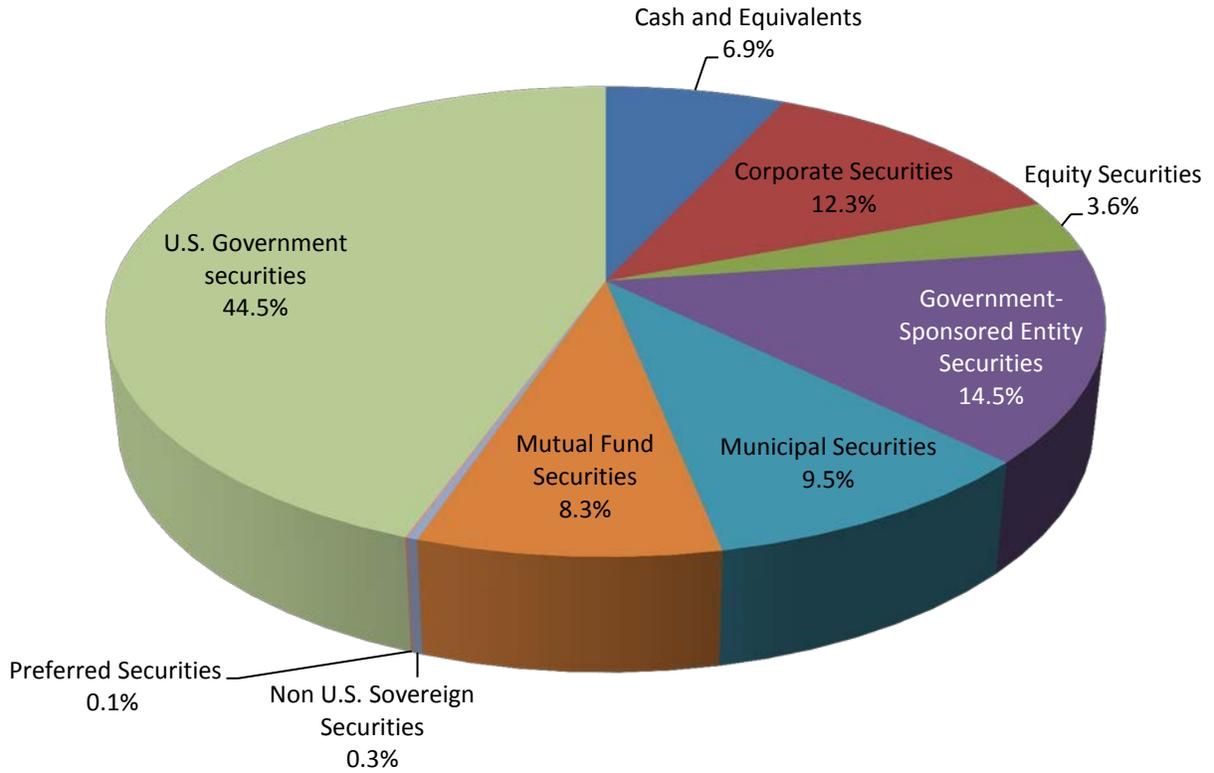
The Medicaid Trust Fund has steadily declined over the past five years. This fund is not constitutionally protected, and the legislature has been appropriating the principal of the fund.

Exhibit 1
Three Largest Trust Funds - Investments, Fiscal Years 2010-2014



Source: Treasury

Exhibit 2
Composition of State Investments as of June 30, 2014



Source: Treasury

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

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of the Treasury (Treasury) for the period from July 1, 2013 through June 30, 2014, to provide assurances on financial information significant to the state of Louisiana and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards*. The procedures included inquiry, observation, review of policies and procedures, and review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the state of Louisiana's financial statements for the year ended June 30, 2014.

- We evaluated the 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 the 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 the Treasury's account balances to support the opinion on the state of Louisiana's financial statements.
- We compared the most current- and prior-year financial activity using the Treasury's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from Treasury management for significant variances.

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

We did not audit or review the 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 financial statements, upon which the Louisiana Legislative Auditor expresses opinions.