

August 21, 2014

Louisiana Legislative Auditor
Attn: Ms. Suzanne Elliot
P.O. Box 94397
Baton Rouge, LA 70804-9397

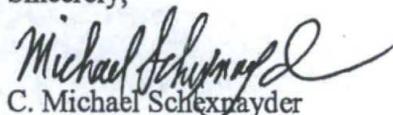
Dear Ms. Elliot:

We have reissued the June 30, 2012 audit report to include only the 2012 year.

We have also attached the letter from Melissa Folse which addresses the finding 2012-04.

If you have any questions, please contact me at your convenience.

Sincerely,


C. Michael Schexnayder

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date OCT 08 2014

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL

(A NOT FOR PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2012

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statement of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 8
<u>Supplementary Information</u>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	9 - 10
Independent Auditors' Report on Compliance With Requirements that could have a Direct and Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	11 - 12
Schedule of Expenditures of Federal Awards	13
Schedule of Findings and Questioned Costs	14 - 18
Legal Opinion from the Lower Mississippi River Port-Wide Strategic Council's attorney that is referred to in the "Views of Responsible Officials and Planned Corrective Action" item b, in Finding 2012-04	19 - 20



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Baton Rouge, Louisiana

We have audited the accompanying statements of Lower Mississippi River Port-Wide Strategic Security Council (the Council) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2012, and the related statements of activities for the year ended June 30, 2012, and cash flows for the year ended June 30, 2012. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lower Mississippi River Port-Wide Strategic Security Council as of June 30, 2012, and the changes in its net assets for the year ended June 30, 2012 and its cash flows for the year ended June 30, 2012 in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, on our consideration of Lower Mississippi River Port-Wide Strategic Security Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gonzales, Louisiana
June 25, 2013

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
(A NOT FOR PROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

Cash and cash equivalents	\$ 1,775,828
Due from related party	1,169,268
Grant receivable	916,227
Match receivable	336,544
Contribution receivable	<u>10,000</u>
Total current assets	<u>\$ 4,207,867</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,677,492
State match funds	2,534,145
Interest payable	<u>30</u>
Total current liabilities	4,211,667

NET ASSETS

Total liabilities and net assets	<u>\$ 4,207,867</u>
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The accompanying notes are an integral part of these statements.

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
(A NOT FOR PROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012

SUPPORT

Grants - projects	\$ 11,857,377
Grant - M&A	300,000
State/Local match revenue	1,377,145
Total support	<u>13,534,522</u>

EXPENSES

Project costs:	
Round 2006	8,104,454
Round 2007	1,942,395
Round 2007 Supplement	903,730
Round 2008	<u>2,259,944</u>
Total Project costs	<u>13,210,523</u>

Management and administrative:

Round 6	49,506
Consultants	317,274
Personnel	2,779
Travel	638
Supplies	7,467
Other	<u>135</u>
Total Management and administrative	<u>377,799</u>

Total expenses	<u>13,588,322</u>
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Change in net assets	(53,800)
Net assets at beginning of year	-
Contributions	<u>50,000</u>
Net assets at end of year	<u>\$ (3,800)</u>

The accompanying notes are an integral part of these statements.

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
(A NOT FOR PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (53,800)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in due from related party	(410,300)
(Increase) decrease in accounts receivable	
Increase in grant receivable	(916,227)
Increase in match receivable	(336,544)
Increase in contribution receivable	(10,000)
Increase in state match	1,831,051
Increase in accounts payable	1,677,492
Increase (decrease) in deferred revenue	(55,874)
Increase in interest payable	30
Increase (decrease) in due to related party	-
Net cash provided by operating activities	<u>1,725,828</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from equity contributions	<u>50,000</u>
Net cash provided by financing activities	<u>50,000</u>

Net increase in cash and cash equivalents	1,775,828
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 1,775,828</u>

The accompanying notes are an integral part of these statements.

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Lower Mississippi River Port-Wide Strategic Security Council (the Council), is a consortium of the five contiguous deep water ports located on the Lower Mississippi River. The Council includes the Port of Greater Baton Rouge, Port of South Louisiana, Port of New Orleans, St. Bernard Port, Harbor and Terminal District, and Plaquemine Port, Harbor and Terminal District.

The Council was formed in 2007 to compete for grant funding as a region from the Department of Homeland Security for security enhancements at the individual ports through the Port Security Grant Program. The Council's role is to provide regional coordination to attract and administer grant funding for the benefit of the consortium. In general, to qualify for the Federal grants, a match of 25% of the grant amount is required; the Council has sought State and local funds for the match requirement, if applicable.

Basis of Accounting

The Council prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statements presentation follows the guidance included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under ASC, non-profit organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

1. ***Unrestricted Net Assets*** are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
2. ***Temporarily Restricted Net Assets*** are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Council and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
3. ***Permanently Restricted Net Assets*** are net assets subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted assets recorded in these financial statements.

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Activity related to Federal funds are received on a "flow through" basis meaning that essentially all expenses are reimbursed by grant funds received. Certain expenses are not allowable under the terms of the grant; the members have made contributions to fund such expenses.

The Council receives grants that are restricted for specific purposes by the grantors. Grant funds that are restricted by the grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All of the Council's grant revenues are received as reimbursements after the funds have been expended. As a result, all restrictions expire in the fiscal year in which the contributions are recognized and the Council maintains a zero balance in temporarily restricted net assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Council considers all cash and highly liquid short-term investments with an original maturity of three months or less as cash and cash equivalents.

Accounts Receivable

Uncollectible accounts receivable are charged directly against earnings when they are determined to be uncollectible. The Council's receivables consist solely of grants receivable. As a result, management believes that all receivables are collectible as of year-end; therefore no allowance for doubtful accounts was recorded.

Grant revenue recognition and deferred revenue

Grants that represent exchange transactions are recorded as revenue when expenses are incurred since such arrangements are on a cost-reimbursement basis.

The Council has grant agreements that apply to programs whose duration extends over several years. Revenue is recognized on these contracts as expenses are incurred, and in accordance with the terms of the agreement. These agreements are considered exchange transactions for accounting purposes.

Deferred revenue related to state funds received as a match to a federal grant. Subsequent to the receipt of such funds, the Federal granting authority waived the match requirement for the initial grant.

Concentration of Credit Risk

At various times during the year, cash on deposit with one banking institution may exceed the maximum insured amount allowed by the Federal Deposit Insurance Corporation. Management believes the risk is limited.

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Council accounts for income taxes in accordance with income tax accounting guidance included in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Council is organized as a non-profit organization. The Council is exempt from income taxes under Internal Revenue Code Section 501(c) (4).

The Council follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly, has not recognized a liability for any unrecognized tax benefits. The Council's open audit periods are 2007-2011.

Functional Allocation of Expenses

The costs of projects and management and administration activities have been summarized on a functional basis in the Statement of Activities. Management and administration expenses include those expenses that are not directly identifiable with any other specific project but provide for the overall support of each grant. Management and administration expenses consist primarily of administrative personnel and consultant/contractor expenses. Project costs are those incurred by subgrantees to strengthen port security.

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.

2. RELATED PARTY TRANSACTIONS

The Port of South Louisiana acted as the operating manager during the initial operations of the Council. During this time, funds were received and disbursed from a bank account maintained by the Port of South Louisiana. In 2012, the operations were moved to accounts of the Council. At June 30, 2012, \$1,169,268 was held by the Port of South Louisiana and is included in these financial statements as a due from related party.

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
BATON ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

3. ECONOMIC DEPENDENCY

The Council derives its revenues from governmental sources as grants, the loss of which would have a material adverse effect on the Council. For 2012, revenue derived from governmental sources accounted for all support received by the Council.

4. COMMITMENTS AND CONTINGENCIES

The Council receives federal and state grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 25, 2013, and has determined that no events occurred that require disclosure.

No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' 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**

To the Board of Directors
Lower Mississippi River Port-Wide Strategic Security Council
Baton Rouge, Louisiana

We have audited the financial statements of Lower Mississippi River Port-Wide Strategic Security Council (the Council) (a nonprofit organization) which comprise the statement of financial position as of June 30, 2012, and the related statements of activities for the year ended June 30, 2012 and cash flows for the year ended June 30, 2012, and have issued our report thereon dated June 25, 2013. We conducted our 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.

Internal Control Over Financial Reporting

Management of the Lower Mississippi River Port-Wide Strategic Security Council is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting 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 a deficiency, or a 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 questioned costs to be material weaknesses [2012-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 questioned costs as items. [2012-02]

The Council's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Lower Mississippi River Port-Wide Strategic Security Council's response, and accordingly, we express no opinion on it.

This report is intended solely for the information of the Council, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Nettleton

Gonzales, Louisiana
June 25, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Lower Mississippi River Port-Wide Strategic Security Council
Baton Rouge, Louisiana

Compliance

We have audited the Lower Mississippi River Port-Wide Strategic Security Council's (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lower Mississippi River Port-Wide Strategic Security Council's major programs for the year ended June 30, 2012. The Lower Mississippi River Port-Wide Strategic Security Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lower Mississippi River Port-Wide Strategic Security Council's management. Our responsibility is to express an opinion on Lower Mississippi River Port-Wide Strategic Security Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lower Mississippi River Port-Wide Strategic Security Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lower Mississippi River Port-Wide Strategic Security Council's compliance with those requirements.

In our opinion, the Lower Mississippi River Port-Wide Strategic Security Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item [2012-03, 2012-04, 2012-05, and 2012-06].

Internal Control Over Compliance

Management of the Lower Mississippi River Port-Wide Strategic Security Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lower Mississippi River Port-Wide Strategic Security Council's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lower Mississippi River Port-Wide Strategic Security Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items [2012-03, 2012-04, 2012-05, 2012-06]. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Lower Mississippi River Port-Wide Strategic Security Council's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Lower Mississippi River Port-Wide Strategic Security Council's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Gonzales, Louisiana
June 25, 2013

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
(A NOT FOR PROFIT ORGANIZATION)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2012

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenses
<u>U.S. Department of Homeland Security</u> Port Security Grant	97.067	2006-GB-T6-0004	<u>11,857,377</u>
Total U.S. Department of Homeland Security			<u>11,857,377</u>
Total Federal Assistance Expended			<u>\$11,857,377</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the Lower Mississippi River Port-Wide Strategic Security Council is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SUB-RECIPIENTS

All federal awards were expended to the following sub-recipients: Port of New Orleans, Port of South Louisiana, Port of Greater Baton Rouge, St. Bernard Port, Harbor and Terminal District, and Plaquemine Port, Harbor and Terminal District.

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

- Material weakness(es) identified? X yes no
- Significant deficiencies identified that are
not considered to be material weaknesses? yes X none reported

Noncompliance material to financial
statements noted? X yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified that are
not considered to be material weaknesses? X yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
97.056	Port Security Grant

Dollar threshold used to distinguish between
type A and type B programs: \$ 355,721

Auditee qualified as low-risk auditee? yes X no

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2012-1 Internal Control over General Ledger Reconciling and Reviewing, and Preparing Financial Statements

Criteria: Controls should exist over reconciling and reviewing general ledger accounts to supporting schedules and/or sub ledgers on a timely basis as well as over the preparation of financial statements.

Condition: General ledger accounts were not reconciled or reviewed on a timely basis and financial statements were not prepared.

Cause: The Council did not develop reconciling or review procedures each month to determine whether the general ledger reflected accurate account balances. Procedures did not exist to ensure accurate financial statements were prepared.

Effect: Because significant emphasis was not place on ensuring accounting records were reconciled and reviewed timely, account balances were not accurate and financial statements were not accurate or prepared on a timely basis.

Recommendation: The Council should establish procedures to assign an independent individual to review and monitor all reconciliations of the general ledger to ensure they are complete, accurate, and prepared on a timely basis.

Views of responsible official and planned corrective actions: The Council contracted with a CPA firm to prepare reconciliations and review of general ledger accounts. The CPA firm has provided the Board with monthly financial statements in a timely manner subsequent to June 30, 2012.

SECTION III – NONCOMPLIANCE FINDINGS

2012-2 Financial Statements

Criteria: LSA: RS24:513A(5)(a)(I) states that financial statements shall be completed within six months of the close of the entity's fiscal year.

Condition: The Council did not submit financial statements within six months of the close of the entity's fiscal year.

Cause: The Council did not designate a responsible person to perform monthly reconciliations and general ledger recording to ensure that the accounting functions were being performed on a timely basis.

Effect: The Council is in violation of Louisiana Revised Statue 24:513.

Recommendation: The Council should prepare records in a timely manner to ensure financial statements are completed six months of the close of the fiscal year end.

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION III – NONCOMPLIANCE FINDINGS (continued)

Views of responsible officials and planned corrective actions: The CPA firm that was hired prepared the financial statements within six months subsequent to year end. The matters discussed in finding 2012-04 resulted in the financial reporting process being deferred pending resolution, including the authorization for the expenditure of funds. This matter is considered resolved going forward.

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2012-03 Report Submission

Criteria: Sec. 320 (a) of the OMB Circular A-133 requires that the prior two years audit reports be submitted to the Federal Audit Clearinghouse (FAC) 30 days after the reports are received from the auditor or nine months after year end in order for an entity to be considered a low-risk auditee for the current year.

Condition: The Council did not submit the required OMB Circular A-133 audit reporting package and data collection form to the FAC for the prior audit periods within nine months after year end.

Cause: The Council did not have any individual responsible for monitoring whether the submission of the required OMB Circular A-133 audit reporting package and data collection form was completed and received by the FAC nine months after the end of the audit period.

Effect: The Council is not considered a low-risk auditee.

Recommendation: An individual should be designated to ensure that reporting packages and data collection forms are submitted to the FAC the earlier of 30 days after the reports are received from the auditor or nine months after year end.

Views of responsible officials and planned corrective action: The maintenance of auditable financial records in a timely manner has resolved this finding. Accrual basis financial statements are being prepared periodically and timely for review by the Council and the appropriate materials will be available for a timely audit of the Council's financial records in future years.

2012-04 Allowable Costs

DEPARTMENT OF HOMELAND SECURITY: CFDA 97.056 – PORT SECURITY GRANT

Criteria: The Council should have procedures in place to ensure costs are allowed under the terms of the grant agreement.

Condition: It was noted that various expenditures were not considered allowed under the terms of the grant agreement.

Questioned costs: \$435,915

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Cause: The Department of Homeland Security (“DHS”) has advised the Council that it is disallowing certain contract expenses for professional services because the contracts were not subject to public advertisement as requests for proposals.

Effect: The Council approved costs that were not allowed under the terms of the grant agreement.

Recommendation: Procedures need to be established to ensure approved costs are allowed under the terms of the grant agreement.

Views of responsible officials and planned corrective action: The Council does not agree with this finding, for the reasons as follows:

- a. Budgets for the “questioned” costs were submitted and approved in the grants process in advance of the incurrence of the cost, and some funding has been provided for the approved expenses.
- b. State procurement revised statutes (R.S. 38:2310 and R.S. 39:1494) and opinions of the state’s attorney general permit the purchase of services without competitive bid, and it was our understanding that compliance with those requirements was sufficient for compliance with the grant terms of the funding provided. See attached legal opinion provided to the Council.
- c. The officials of the Council have sought service providers that they considered to be exemplary in their field of endeavors, have negotiated in good faith the terms of their employment, and have continuously evaluated the services provided by those contractors. This fact is supported by the significant change made in the grant administration process in the early part of 2012.
- d. In November 2012, representatives of the Council met with officials of the DHS to discuss these matters and left with the understanding that the dispute over this matter was resolved relative to prior activities, only to be notified in December 2012 that resolution was not reached.
- e. Subsequently, the Council responded to the negative determination of the questionable costs by DHS and was advised that the matter is still under review.

In any event, the Council has advertised for the purchase of services for the administration of the grant program in 2013, and has procured services in accordance with the directives of DHS at this time and going forward. As a result, the Council’s opinion is that it has complied with the applicable requirements concerning the purchase of services and anticipates a favorable resolution concerning these matters with DHS.

2012-05 Reporting

DEPARTMENT OF HOMELAND SECURITY: CFDA 97.056 – PORT SECURITY GRANT

Criteria: Federal financial reports (SF-425) are required to be submitted on a quarterly basis. The reports are to be submitted no later than 30 days after the end of each reporting period.

Condition: The Federal financial reports were not prepared timely or accurately.

Cause: The Council did not have procedures in place for timely reconciliation or reviewing of general ledger accounts. The Council also did not have procedures in place to properly review the reports prior to submission and ensure timely submission.

LOWER MISSISSIPPI RIVER PORT-WIDE STRATEGIC SECURITY COUNCIL
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION IV – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Effect: The required quarterly reports did not contain accurate information and the Council is in violation of the requirement due to reports not being submitted timely.

Recommendation: All require reports should be agreed to the accounting records and should be reviewed by someone other than the preparer prior to submission. Also, the reports should be submitted within 30 days after the end of each reporting period.

Views of responsible officials and planned corrective action: The Council contracted with a CPA firm and the firm has recorded on their calendar's quarterly reminders concerning the filing of quarterly reports for each grant being administered by the Council. The outside CPA also amended all Federal financial reports.

2012-06 Subrecipient Monitoring

DEPARTMENT OF HOMELAND SECURITY: CFDA 97.056 – PORT SECURITY GRANT

Criteria: OMB Circular A-133 states that any recipient of Federal assistance which passes the assistance to another recipient is responsible to monitor the Federal assistance activities of the subrecipient, as well as assure that they are both complying with laws and regulations.

Condition: The Council did not ensure that subrecipients were complying with all grant laws and regulations.

Cause: The Council did not have procedures in place for monitoring subrecipient's compliance with grant laws and regulations.

Effect: The Council awarded Federal assistance to subrecipient's that did not comply with all grant laws and regulations.

Recommendation: The Council should implement procedures to ensure subrecipients of Federal assistance comply with all laws and regulations.

Views of responsible officials and planned corrective action: The Council has revised its procedures relative to monitoring sub-grantee's compliance with grant requirements, to include the following:

- a. Submission of audit identifying the federal funds. For prior periods, the Council will request and/or download the pertinent portion of the sub-grantee's audit reports from the Legislative Auditors website.
- b. Submission of documentation by the sub-grantee of their search of the disbarred firms, which is being duplicated by the Council on the reimbursement requests.
- c. The Council receives copies of the applicable supporting documentation on expenditures from sub-grantees prior to making reimbursement on the approved project.

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July 11, 2013

Lower Mississippi River Port Wide Strategic Security Council
Atten: Board of Directors
2425 Ernest Wilson Drive
Port Allen, LA 70767

Dear Board of Directors:

Dated December 7, 2012, Nancy Cannon, Grant Management Specialist with the Department of Homeland Security, drafted a letter, whereby she referenced "Legislative Auditor's Summary of the Louisiana Procurement Code (LPC)," particularly page 7. The language that she cited within page 7 along with the table, pertains to the purchase of materials and/or supplies, not the procurement of professional services. Page 4 of her letter states, "Since all of the PSL/PSSC's contracts were greater than \$25,000, advertisement was required according to La. R.S. 39:1594." This statement, again, refers to the purchase of materials and/or supplies, not the procurement of professional services. On page 7 of the LPC, under the heading, How does a public entity make a purchase that is not on the state contract, phrases such as "items to be procured," or the term "purchases" are frequently used within this Section. This section clearly refers to the purchases of items, materials, supplies, etc, and not the "purchase" of contracting services to be performed by another party.

La. R.S. 39:1594, which discusses competitively sealed bidding within the LPC, is also erroneously referred to in Ms. Cannon's December 7, 2012 letter. Page 4 of the LPC reads, "Political Subdivisions and Quasi-Public Entities are exempt from the LPC. They also may choose to be subject to the LPC." The five Ports of the LMRPWSSC are all classified as political subdivisions of the State of Louisiana; therefore, have the option to select the rules and regulations of the LPC or opt to select the rules and regulations of the Public Bid Law. The LMRPWSSC has not adopted the LPC; therefore, La. R.S. 39:1594 is not applicable.

For the sake of argument, only, lets assume that the LMRPWSSC has chosen the LPC process. La. R.S. 39:1494 of the LPC states that, "Contracts for professional services may be awarded without the necessity of competitive bidding or competitive negotiation." La. R.S. 39:1484 (18)(a) defines professional services as "work rendered by an independent contractor who has a professed knowledge of some department of learning or science used by its practical application to the affairs of others or in the practice of an art founded on it, which independent contractor shall include but not be limited to lawyers, doctors, dentists, psychologists, certified advanced practice nurses, veterinarians, architects, engineers, land surveyors, landscape architects, accountants, actuaries, and claims adjusters..." This language defeats Ms. Cannon's claim that the LMRPWSSC was required to competitively bid for its positions of Legal Counsel,

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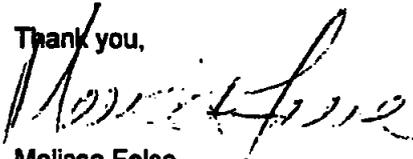
Accountant, Grant Administrator and Administrative Assistant, as all of these positions are considered professional services, according to the LPC, and may all be awarded "without the necessity of competitive bidding."

The Louisiana Public Bid Law ("Public Bid Law") has been accepted and utilized by all five (5) Ports of the LMRPWSSC. The Public Bid Law has specifically identified legal services and accounting services, for example, as services that are not subject to the public bid laws; therefore, competitive negotiation or competitive bidding are not required. This has also been the opinion of the Louisiana Attorney General, as noted in La. Atty. Gen. Op. 06-0183, a copy of which is attached herewith. Other contracted services of the LMRPWSSC, including the Grant Administrator and the Executive Assistant, are also not required to be competitively bid or negotiated.

Again, the Public Bid Law, as well as the LPC do not require competitive bidding or negotiation for the contracted services, referenced above.

Should you have any questions, please do not hesitate to contact me.

Thank you,



Melissa Folse
General Counsel