

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 26, 2013

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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BATON ROUGE, LOUISIANA 70804-9397**

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DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
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PAUL E. PENDAS, CPA

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THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 16, 2013

DEPARTMENT OF AGRICULTURE AND FORESTRY
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2013, we conducted certain procedures at the Louisiana Department of Agriculture and Forestry (LDAF) for the period from July 1, 2011, through June 30, 2013.

- Our auditors obtained and documented an understanding of LDAF's operations and system of internal control, including controls over major federal award programs administered by the department, through inquiry, observation, and review of its policies and procedures including a review of the laws and regulations applicable to the department.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using LDAF's annual fiscal reports and/or system-generated reports and obtained explanations from management for any significant variances.
- Our auditors reviewed the status of the findings identified in the prior procedural report, dated December 5, 2011. The prior findings relating to noncompliance with Louisiana laws governing the Forestry Productivity Program Fund and ineffective internal audit function have been resolved by management.
- Based on the documentation of LDAF's controls and our understanding of related laws and regulations, procedures were performed on selected controls and transactions relating to cash in bank accounts, movable property, revenues, and LaCarte purchase card transactions.
- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the following federal programs for the fiscal year ended June 30, 2013, as part of the Single Audit of the State of Louisiana: Emergency Food Assistance Programs [TEFAP - CFDA 10.568 (Administrative Costs) and 10.569 (Food Commodities)], which are part of the federal Food Distribution Cluster.

- Our auditors obtained and documented a basic understanding of the boards and commissions for which LDAF is responsible. In addition, we performed selected procedures on the following five boards and commissions relative to their functions and sources and uses of funds: Agricultural Commodities Commission, Board of Animal Health, Boll Weevil Eradication Commission, Commission of Weights and Measures, and Livestock Brand Commission.
- Our auditors prepared a schedule of revenues and expenditures/expenses for 25 LDAF boards and commissions for the fiscal years ended June 30, 2012 and 2013, using the LDAF Annual Fiscal Reports, board and commission separately issued financial statements (where applicable), and additional data in the Integrated Statewide Information System (ISIS), the state's accounting system. This schedule is presented as additional information but has not been subjected to auditing procedures.

The Annual Fiscal Reports of LDAF were not audited or reviewed by us, and, accordingly, we do not express opinions on those reports. LDAF'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. This finding will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2013.

Inadequate Subrecipient Monitoring

LDAF did not adequately monitor the Emergency Food Assistance Program's five subrecipients who received food commodities and administrative cost reimbursements totaling \$8,908,834 and \$1,141,283, respectively, during the fiscal year ended June 30, 2013. Failure to properly monitor subrecipients results in noncompliance with program requirements and increases the likelihood of federal disallowed costs which may have to be returned to the federal grantor.

Our audit procedures disclosed the following areas of noncompliance with federal regulations:

- LDAF did not ensure subrecipients' audits were completed within nine months of the subrecipients' fiscal year-ends.
- LDAF did not document the date subrecipients' audit reports were received or its review of the reports and did not issue management decision letters within six months after receipt of the audit reports.

- Although LDAF determined no excess inventory was maintained in subrecipients' storage facilities, it did not submit the required reports to the federal government indicating no excessive inventories were held.

Management should implement procedures to ensure subrecipient audit reports are received and reviewed, management decisions are issued timely, and subrecipients have taken timely and appropriate corrective action as required by federal regulations. In addition, management should implement procedures to ensure required semiannual excessive inventory reports are submitted. Management concurred with the finding and provided a corrective action plan (see Appendix A).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to LDAF's operations. The nature of the recommendations, their implementation costs, and their potential impact on LDAF's operations should be considered in reaching decisions on courses of action. The finding above relates to LDAF's compliance with applicable laws and regulations and should be addressed immediately by management.

The purpose of this letter is solely to describe the scope of our work at LDAF and not to provide an opinion on the effectiveness of LDAF's internal control over financial reporting or on compliance. Accordingly, this letter is not intended to be and should not be used for any other purpose. Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

CGEW:EFS:THC:mk

LDAF 2013

**LOUISIANA DEPARTMENT OF AGRICULTURE
AND FORESTRY
BOARDS AND COMMISSIONS
SCHEDULE OF REVENUES AND EXPENDITURES/EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

The Schedule of Revenues and Expenditures/Expenses for the Years Ended June 30, 2013 and 2012, for the Louisiana Department of Agriculture and Forestry's various boards and commissions is presented as additional information but has not been subjected to auditing procedures.

UNAUDITED					
Louisiana Department of Agriculture and Forestry (LDAF) Boards and Commissions					
Schedule of Revenues and Expenditures/Expenses for the Years Ended June 30, 2013 and 2012					
Year Ended June 30,					
Board/Commission Name	Statutory Authority	2013		2012	
		Revenues	Expenditures/ Expenses	Revenues	Expenditures/ Expenses
Louisiana Agricultural Finance Authority ¹	R.S. 3:264	\$22,891,606	\$12,882,781	\$16,161,512	\$80,666,179
Adjudicatory Boards²					
Agricultural Commodities Commission	R.S. 3:3403	1,438,880	1,365,042	1,438,880	1,215,999
Agricultural Chemistry and Seed Commission (Feed, Fertilizer, and Agricultural Liming Commission)	R.S. 3:1382	986,046	1,110,103	1,013,412	943,468
Board of Animal Health	R.S. 3:2091	1,024,125	2,705,508	1,222,761	2,907,283
Boll Weevil Eradication Commission	R.S. 3:1604	1,669,250	1,693,422	1,936,758	1,956,674
Dairy Stabilization Board	R.S. 3:4106	224,455	212,919	258,516	304,897
Horticulture Commission	R.S. 3:3801	953,703	1,396,715	891,779	1,157,640
Livestock Brand Commission	R.S. 3:732-733	1,323,207	1,539,326	1,392,922	1,601,317
Seed Commission ³	R.S. 3:1432	575,761	1,077,725	763,988	1,083,901
State Soil and Water Conservation Commission	R.S. 3:1204	2,704,500	4,822,842	2,927,525	4,721,139
Structural Pest Control Commission	R.S. 3:3363	689,112	859,611	780,927	916,640
Commission of Weights and Measures	R.S. 3:4603	2,112,636	3,593,901	2,102,761	3,883,570
Promotion Research Boards⁴					
Aquatic Chelonian Research and Promotion Board	R.S. 3:559.23				
Beef Industry Council	R.S. 3:2054	293,714	324,623	327,569	299,455
Crawfish Promotion and Research Board	R.S. 3:556.3	147,558	114,324	149,887	56,942
Dairy Industry Promotion Board	R.S. 3:4154	212,085	237,637	223,856	242,577
Egg Commission	R.S. 3:837	96,025	89,396	99,516	96,499
Rice Promotion Board	R.S. 3:3533	897,141	880,494	847,444	846,765
Rice Research Board	R.S. 3:3543	1,455,516	1,455,516	1,460,853	1,536,637
Soybean and Grain Research and Promotion Board	R.S. 3:3552	4,233,687	3,826,867	2,507,904	2,270,584
Strawberry Marketing Board	R.S. 3:730.3	39,823	25,023	27,719	34,592
Sweet Potato Advertising and Development Commission	R.S. 3:1743	222,093	244,757	268,970	225,723
Inactive:					
Catfish Promotion and Research Board	R.S. 3:558.3				
Non-Budgeted Units					
Forestry Commission	R.S. 3:4271-4272				
Advisory Commission on Pesticides	R.S. 3:3211				
Total		\$44,190,923	\$40,458,532	\$36,805,459	\$106,968,481

¹The Louisiana Agricultural Finance Authority (LAFA) receives funds from the Feed, Fertilizer, and Pesticide Fund and the Gaming Control Board Fund to support debt payments and construction costs. In fiscal 2012, LAFA recorded losses associated with the default on the promissory note for the purchase of the Lacassine Syrup Mill.

²Boards and commissions performing adjudicatory functions do not receive any direct revenues or expenditures/expenses. Revenues and expenditures represent program activities and are included in the LDAF appropriations and legislative budget process.

³Act 26 of the 2013 Regular Session of the Louisiana Legislature merged the Seed Commission into the Agricultural Chemistry and Seed Commission.

⁴These boards and commissions have separate revenues and expenditures/expenses - they receive no funding from LDAF's appropriations.

Source: LDAF financial information

APPENDIX A

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



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY

MIKE STRAIN DVM

COMMISSIONER



November 25, 2013

DKM 13-0076

Agricultural & Environmental Sciences
P.O. Box 3596
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Agro-Consumer Services
P.O. Box 3098
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(225) 922-1341
Fax: 923-4877

Dear Mr. Purpera:

The Louisiana Department of Agriculture and Forestry has received the audit findings for the Emergency Food Assistance Program (TEFAP). The agency concurs with the findings and has immediately corrected the areas identified in the report.

Animal Health & Food Safety
P.O. Box 1951
Baton Rouge, LA 70821
(225) 925-3962
Fax: 925-4103

Mack Williams, Food Distribution Program Administrator, will be the agency representative responsible for implementing the corrective actions as follows:

Forestry
P.O. Box 1628
Baton Rouge, LA 70821
(225) 925-4500
Fax: 922-1356

- Audit reports were reviewed during the annual TEFAP review; however, hard copies of the audit reports were not obtained at the time of review. Sub-recipient audit reports will be requested within nine months of the sub-recipients' fiscal year end. The Food Distribution Program staff will date stamp the audit report upon receipt, conduct a desk review of the audit and issue a management decision on any reported findings within six months of report receipt. The Food Distribution Program staff will also conduct a follow up of any corrective action by a sub-recipient agency during the annual review of the agencies records. The submission of the audit report was previously identified during the USDA management evaluation that occurred June 17-21, 2013. The audit reports were requested on August 19, 2013 and received by the food distribution program.
- The FNS-155 Inventory Management Register report was submitted by June 21, 2013. The United States Department of Agriculture has established the dates for submission to be July 30 and December 31 or as requested by the Food and Nutrition Service (FNS) Regional Office.

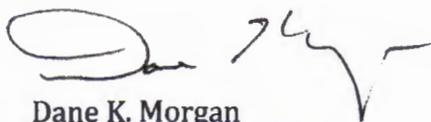
Management & Finance
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(225) 922-1255
Fax: 925-6012

Soil & Water Conservation
P.O. Box 3554
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(225) 922-1269
Fax: 922-2577

In conclusion, the Louisiana Department of Agriculture and Forestry's Food Distribution Program has corrected the areas identified during both the USDA management evaluation and the Louisiana Legislative Auditor review. The corrective actions have been implemented and completed as of November 22, 2013 and no additional corrective action is necessary at this time.

Should you have any questions or require additional information, please feel free to contact me via email at dmorgan@ldaf.state.la.us or via telephone at (225) 952-8143.

Respectfully,

A handwritten signature in black ink, appearing to read 'Dane K. Morgan', with a stylized flourish extending to the right.

Dane K. Morgan
Assistant Commissioner
Office of Management and Finance