

LOUISIANA RICE RESEARCH BOARD
DEPARTMENT OF AGRICULTURE AND FORESTRY

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED NOVEMBER 12, 2015

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana Rice Research Board
Department of Agriculture and Forestry

November 2015

Audit Control # 80150153

Introduction

The primary purpose of our procedures at the Louisiana Rice Research Board (Board) was to evaluate certain controls the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds.

The Board was created within the Louisiana Department of Agriculture and Forestry (LDAF) as provided by Louisiana Revised Statute (R.S.) 3:3543. The Board is responsible for promoting the growth and development of the rice industry in Louisiana by expanded research of rice, thereby promoting the general welfare of the people of the state.

Results of Our Procedures

We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of applicable laws and regulations. Based on the documentation of the Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, contracts, and budget. The Board has no credit cards, travel expenses, payroll expenses, or debt service.

Follow-up on Prior-year Finding

We reviewed the status of the prior-year finding in the Agreed-Upon Procedures report dated October 25, 2013. We determined that management has resolved the prior-year finding that there is no evidence of management review of bank reconciliations.

Current-year Finding

Untimely Deposits of Revenue Collections

The Board did not timely deposit monies received from LDAF. During fiscal years 2014 and 2015, LDAF remitted 22 checks totaling \$2,616,699 to the Board. Ten checks totaling \$1,084,186 were not deposited within 30 days of the check date. Of the 10 late deposits, three were not deposited within 60 days of the check date, and one check was not deposited within 120

days. The untimely deposit of funds increases the risk of misappropriation and inaccurate reporting and may deprive the Board of potential interest earnings.

The Board receives monthly payments from LDAF for assessments on rice produced in the state. These checks are mailed to the Board's contracted Certified Public Accountant, who is responsible for depositing the checks into the Board's bank accounts. Good internal controls would require prompt deposit of funds.

Management should ensure that all monies received are deposited promptly. Management concurred with the finding and outlined a corrective action plan (see Appendix A).

Other Results of Our Procedures

Cash

The Board maintains one operating account and four depository accounts that are used for general operations and for deposit of revenues received by source, respectively. Board members and contracted professional service staff participate in cash collection, disbursement, and reconciliation activities. Cash balances totaled \$5.6 million at June 30, 2015, and \$3.2 million at June 30, 2014. We performed procedures to reconcile cash transactions to the Board's unaudited financial statements, evaluated the segregation of duties between Board staff, and considered the timely preparation and review of bank account reconciliations. During our review, we noted that revenue collections were not being deposited timely. See Current-year Finding above.

Contracts

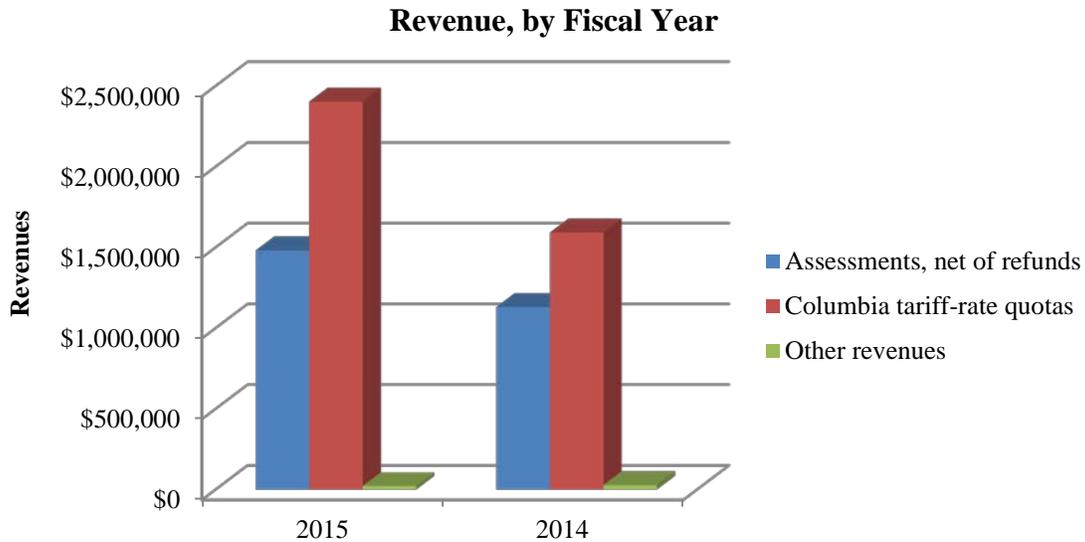
The Board contracted with the Louisiana State University Agricultural Center, the USA Rice Federation, the Rice Foundation, and other entities to perform rice research, professional, and administrative services. Contract expenditures totaled \$3 million for the two years ended June 30, 2015. We traced selected contract payments to contract terms and evaluated compliance with laws and regulations. No exceptions were noted.

Budget

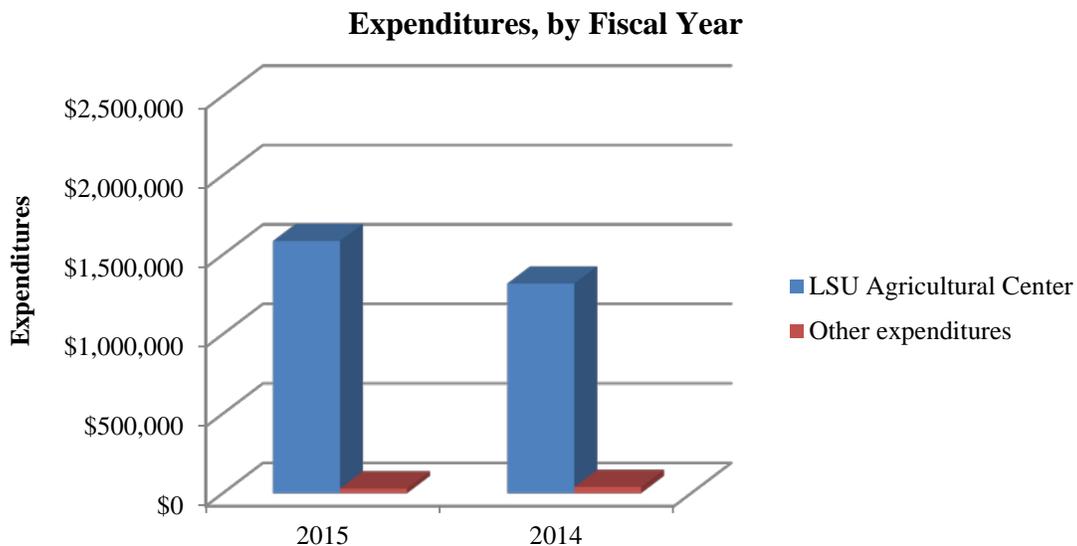
The Board annually adopts a budget by majority vote of its board of directors. We confirmed the adoption of the Board's budget and evaluated variances greater than 10% between budgeted amounts and actual revenues and expenditures for reasonableness. Actual revenues for the fiscal years ended June 30, 2014, and June 30, 2015, exceeded budget by 37% and 112%, respectively. The increases are due to the tariff-rate quota (TRQ) for rice negotiated in the Colombia-United States Trade Promotion Agreement (TPA) that went into effect in May 2012 and to the re-establishment of the mandatory state rice assessment fees in fiscal year 2015. Actual expenditures were 17% less than budgeted for the fiscal year ended June 30, 2015. The Board budgeted to allocate funds for an endowment but determined that state funds could not be used as the private match. Therefore, the expenditure was not incurred.

Comparison of Activity between Years

We compared the most current and prior-year financial activity using the Board’s annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. The following charts show the Board’s revenues and expenditures for the fiscal years ended June 30, 2015, and June 30, 2014.



Source: Financial statements prepared by agency



Source: Financial statements prepared by agency

Under R.S. 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 that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, looped initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

RJM:CR:WG:EFS:aa

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APPENDIX A: MANAGEMENT'S RESPONSE

LOUISIANA RICE RESEARCH BOARD

1373 Caffey Rd.

Rayne, LA 70578

October 15, 2015

Daryl G. Purpera, CPA, CFE
Legislative Auditor
1600 North Third Street
PO Box 94397
Baton Rouge, LA 70804-9397

Re: Louisiana Rice Research Board Audit Finding: Untimely Deposits of Revenue Collections

Dear Mr. Purpera:

Having reviewed the information provided in the finding, I concur with the finding. The untimely deposits could impact reporting accuracy and deprive the Board of potential interest earnings.

Regarding the corrective action plan, I have already discussed this matter with Scott Soileau, our CPA. He has assured me that he and his staff will promptly deposit our revenue collections. While as Chairman I receive the bank statements and will contact our CPA if a deposit is not made for a given month. I have also made arrangements for Kyle McCann, contract staff, to have limited access to electronically view the Board's account activity. This corrective action has started and will be conducted monthly.

If you have any questions regarding this matter please contact me.

Sincerely,



Paul Loewer
Chairman

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana Rice Research Board (Board) for the period from July 1, 2013, through June 30, 2015. Our objective was to evaluate certain internal controls the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and 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 Board's Annual Fiscal Reports, and, accordingly, we do not express opinions on those reports. The Board'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 Board'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 Board.
- Based on the documentation of the Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, contracts, and budget.
- We compared the most current and prior-year financial activity using the Board's annual fiscal reports and/or system-generated reports and obtained explanations from the Board's management for any significant variances.

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