

LOUISIANA PROFESSIONAL ENGINEERING
AND LAND SURVEYING BOARD
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED SEPTEMBER 21, 2016

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Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



Louisiana Professional Engineering and Land Surveying Board

September 2016

Audit Control # 80160146

Introduction

The primary purpose of our procedures at the Louisiana Professional Engineering and Land Surveying 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 by Louisiana Revised Statute (R.S.) 37:683. The Board's purpose is to license professional engineers and land surveyors practicing in Louisiana and enforce the laws and rules that regulate these practices.

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 the applicable laws and regulations. Based on the documentation of Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, licensing fees, debit cards, travel expenditures, contracts, payroll and personnel, and budget.

Follow-up on Prior-year Findings

We reviewed the status of the prior-year findings reported in the procedural report issued October 7, 2015. We determined that management has resolved the prior-year findings related to overpayment of attorney fees and untimely submission of travel reimbursements.

Current-year Finding

Inadequate Controls over Contracts

The Board did not have an approved contract with the vendor responsible for maintenance and support services for various software systems, including the Board's licensing system during fiscal year 2016. The Board made payments totaling \$68,425 for software maintenance and

support services based on the terms of a professional service contract that expired June 30, 2015. The contract allowed for a one-year extension at the end of the initial term. However, due to oversight, the Board did not exercise this option with a written amendment to the initial contract.

Prudent business practice requires the Board to have an approved contract before allowing a company to provide services to the Board and review the approved contract prior to making payments. Allowing the contractor to operate without an approved contract could result in the Board not receiving promised services, and the Board may not have appropriate legal recourse to require the company to honor its commitments.

The Board should establish a policy to ensure contracts are renewed timely and review invoices for compliance with the approved contract before authorizing payments. Management concurred with the finding and outlined a plan of corrective action (see Appendix A).

Other Results of Our Procedures

Cash

The Board maintains a checking account and owns numerous certificates of deposit that are used for general operations and cash reserves, respectively. Multiple staff members participate in cash collections, disbursements, and reconciliation activities. The Board's checking account and certificates of deposit balances at May 31, 2016, totaled \$479,836 and \$1,496,711, respectively. We performed procedures to reconcile cash transactions to the Board's general ledger, evaluated the segregation of duties between Board staff, and confirmed the timely preparation of bank account reconciliations. No exceptions were noted.

Licensing Fees

Approximately 83% of the Board's revenue collections are biennial licensing fees. We traced selected licenses that were granted to supporting documentation to ensure the appropriate fees were collected in accordance with the fee schedule established by the Board. No exceptions were noted.

Debit Cards

The Board has two debit cards that are used for travel, supplies, small purchases, and expenses for Board meetings. We traced selected debit card purchases to supporting documentation and evaluated compliance with laws and regulations. We further confirmed the timely review of debit card statements. No exceptions were noted.

Travel Expenditures

Travel expenditures include conference travel for Board members and Board staff, as well as reimbursement of travel expenditures for Board members to attend meetings. Fiscal year 2016 travel expenditures totaled \$93,987 through May 31, 2016. We traced selected travel

reimbursements to supporting documentation and evaluated compliance with laws and regulations. No exceptions noted.

Contracts

The Board contracted with several parties to perform accounting, consulting, and legal services and to provide the Board's office space. Fiscal year 2016 contract expenditures totaled \$301,964 through May 31, 2016. We traced selected contract payments to contract terms and evaluated compliance with laws and regulations. During our review of contract payments, we noted the Board made payments totaling \$68,425 for software maintenance based on the terms of a professional service contract that expired June 30, 2015 (see Current-year Finding section).

Payroll and Personnel

Approximately 60% of the Board's expenditures relate to payroll and related benefits. Board personnel include the director, deputy director, and approximately 14 administrative positions. We traced selected employees' salaries to contract terms or pay structure, evaluated controls over time and attendance records, and evaluated termination payments. No exceptions were noted.

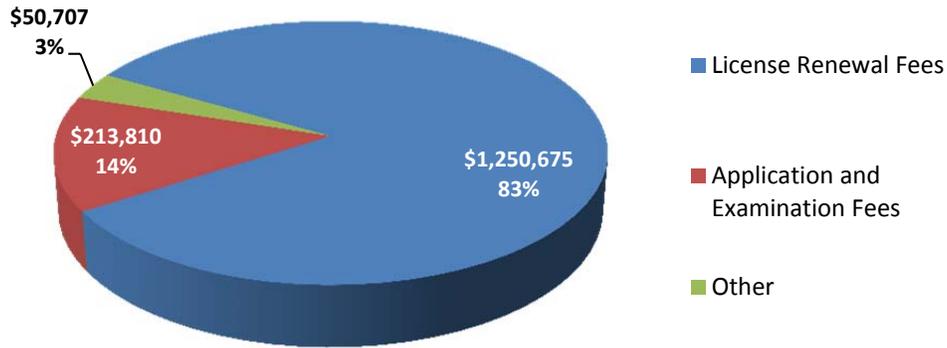
Budget

The Board annually adopts a budget by majority vote of its board of directors. The budget for the year ended June 30, 2016, was approximately 6% higher than the previous year mainly because of increases in payroll and related benefits costs. We confirmed the adoption of the Board's budget and evaluated variances between budgeted amounts and actual revenues and expenditures for reasonableness. No exceptions were noted.

Comparison of Activity between Years

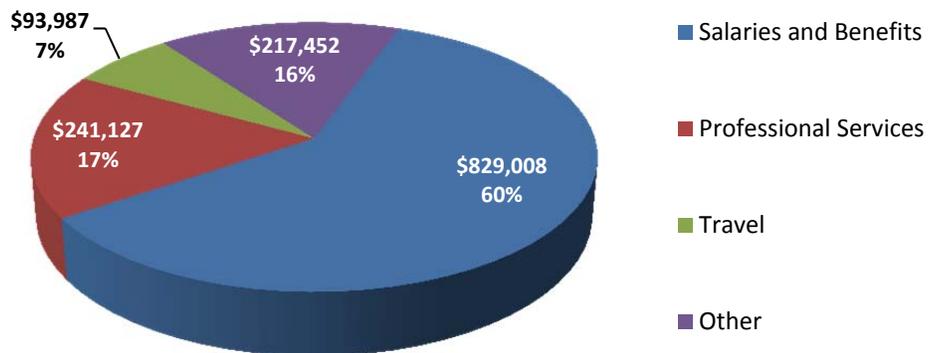
We compared the most current and prior-year financial activity using the Board's general ledger and other system generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. The following charts show the Board's fiscal year 2016 cash basis revenues and expenditures through May 31, 2016.

Fiscal Year 2016 Revenues, as of May 31, 2016



Source: Board's General Ledger

Fiscal Year 2016 Expenditures, as of May 31, 2016



Source: Board's General Ledger

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

Respectfully submitted,

Thomas H. Cole, CPA
First Assistant Legislative Auditor

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APPENDIX A: MANAGEMENT'S RESPONSE



LOUISIANA PROFESSIONAL ENGINEERING AND LAND SURVEYING BOARD

Kevin E. Crosby, P.E., P.L.S.
Chairman

John W. Moore, P.E.
Vice Chairman

Terry J. Huval, P.E.
Secretary

David L. Patterson, P.L.S.
Treasurer

Donna D. Sentell
Executive Director

Paul N. Hale, Jr. Ph.D., P.E.

Christopher P. Knotts, P.E.

Alan D. Krouse, P.E.

D. Scott Phillips, P.E., P.L.S.

Thomas R. Carroll III, P.E., P.L.S.

Charles G. Coyle, III, P.L.S.

Jeffrey A. Pike, PE

September 8, 2016

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

Dear Mr. Purpera:

Please accept this official response related to the reportable finding, *Inadequate Controls Over Contracts*, for our FY 15-16 audit.

Yes, we agree that LAPELS did not have an approved contract with the vendor responsible for maintenance and support services for various software systems, including the Board's licensing system during fiscal year 2016.

The staff and I worked with various employees with the Office of State Contracts/Grants, Office of State Procurement, Office of Technology Services and the Division of Administration to ensure the RFP met the required state specifications prior to advertising for a vendor to provide IT services.

I am pleased to report, on April 5, 2016, LAPELS selected the proposal from Tri Core Technologies. We are currently working with the various agencies for review and approval of this contract.

In the future, we will begin the RFP process well in advance to ensure we maintain adequate controls over our contracts.

Sincerely,

Donna D. Sentell
Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana Professional Engineering and Land Surveying Board (Board) for the period from July 1, 2015, through June 30, 2016. Our objective 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 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 Report, and, accordingly, we do not express an opinion on that report. 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, licensing fees, debit cards, travel expenditures, contracts, payroll and personnel, and budget.
- We compared the most current and prior-year financial activity using the Board's general ledger and other 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.