LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS

A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2015
ISSUED OCTOBER 14, 2015

LOUISIANA LEGISLATIVE AUDITOR
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POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 21, 2015

Independent Auditor's Report

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Louisiana Board of Pharmacy (Board), a component unit of the state of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Board as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in Note 7 to the financial statements, the net pension liability for the Board was $4,117,091 at June 30, 2015 as determined by the Louisiana State Employees' Retirement System (LASERS). The related actuarial valuation was performed by LASERS's actuary using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2015 could be under or overstated.

As discussed in notes 1-I and 10 to the financial statements, the Board implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68,* for the year ended June 30, 2015. The adoption of these standards required the Board to record its proportionate share of pension amounts related to its participation in a cost-sharing, multiple-employer defined benefit pension plan, restating the previous year. As a result of the implementation, the Board's net position decreased by $4,140,810, net pension liability was recorded in the amount of $4,526,010, and deferred outflow of resources was recorded in the amount of $385,200 as of July 1, 2014.

Our opinion is not modified with respect to the matters emphasized above.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 and the Schedule of the Board's Proportionate Share of Net Pension Liability, the Schedule of Board Contributions, and the Schedule of Funding Progress for the Other Postemployment Benefits Plan on pages 30 through 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Per Diem Paid Board Members is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Per Diem Paid Board Members is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Per Diem Paid Board Members is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Board's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KDD:CR:WDG:EFS:aa
LBP 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of the Louisiana Board of Pharmacy's (Board) financial performance presents a narrative overview and analysis of the Board's financial activities for the year ended June 30, 2015. This document focuses on the current-year's activities, resulting changes, and currently-known facts in comparison with the prior-year's information. Please read this document in conjunction with the additional information contained in the Board's financial statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The Board's assets exceeded its liabilities at the close of fiscal year 2015 by $363,796. The significant reduction from $3,520,725 of the previous fiscal year is a function of the Governmental Accounting Standards Board (GASB) 68 Restatement, described elsewhere in this report.

- From the prior fiscal year, the Board's operating revenues increased $550,226 (18.1%), operating expenses decreased $114,752 (4.2%), and the net results from activities increased $664,978.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of three sections – Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and Required Supplementary Information.

Basic Financial Statements

The basic financial statements present information for the Board, as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The **Statement of Net Position** (pages 10-11) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is net position and may provide a useful indicator of whether the Board's financial position is improving or deteriorating.

The **Statement of Revenues, Expenses, and Changes in Net Position** (page 12) presents information showing how the Board's net position changed as a result of current-year operations. Regardless of when cash is collected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The **Statement of Cash Flows** (pages 13-14) presents information showing how the Board's cash changed as a result of current-year operations. The cash flows statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement No. 34.

FINANCIAL ANALYSIS OF THE BOARD

Statement of Net Position
As of June 30, 2015 and June 30, 2014

	2015	2014*
Current and other assets	$4,143,069	$3,562,797
Capital assets	2,079,320	2,139,037
Deferred outflows of resources	644,896	112,878*
Total assets and deferred outflows	6,867,285	5,814,713
Current liabilities	628,995	215,904
Long-term liabilities	5,267,053	6,218,894*
Deferred inflows of resources	607,441	
Total liabilities and deferred inflows	6,503,489	6,434,798
Net position:		
Net investment in capital assets	1,605,186	2,063,242
Unrestricted	(1,241,390)	(2,683,327)
Total net position	$363,796	($620,085*)

*Net position amounts for 2014 were restated for GASB 68.

Unrestricted net position represents net earnings that do not have any limitations on how the amounts may be spent. The Board has established a separate reserve fund intended to match its ongoing OPEB liability.

Net position of the Board increased $983,881 from June 30, 2014, to June 30, 2015.

Statement of Revenues, Expenses, and
Changes in Net Position
For the Years Ended June 30, 2015 and June 30, 2014

	2015	2014
Operating revenues	$3,586,685	$3,036,459
Operating expenses	(2,586,269)	(2,701,021)
Operating income (loss)	1,000,416	335,438
Nonoperating revenues	28,347	22,938
Nonoperating expenses	(44,882)	(63,000)
Net increase (decrease) in net assets	983,881	295,376
Total net position, beginning of year	(620,085)	3,225,349
Restatement of beginning net position		(4,140,810)
Total net position, restated beginning of year		
Total net position, end of year	$363,796	($620,085)

Because the impact of the implementation of GASB Statement 68 on the fiscal year 2014 beginning net position is unknown, it was adjusted by the same amount as the fiscal year 2015 beginning net position for the purposes of this comparison only.

The Board's operating revenues increased by $550,226 (or 18.1%). The total costs of all programs and services decreased from the prior fiscal year by $114,752 (or 4.2%).

CAPITAL ASSETS

At the conclusion of the fiscal year ended June 30, 2015, the Board had $2,079,320 invested in a broad range of capital assets including property, furniture, office equipment, and information systems (see the table following). This amount represents a net decrease of $59,716 from last year.

Capital Assets at Year-End

	2015	2014
Land	$1,004,940	$1,004,940
Buildings and improvements	1,057,861	1,052,255
Furniture and equipment	370,317	348,347
Software, licensure, and website	408,560	408,560
Accumulated depreciation	(762,358)	(675,066)
Total	$2,079,320	$2,139,036

DEBT ADMINISTRATION

To purchase the office building in 2010, the Board pledged its future receivables from the sale of a parcel of land to secure a note for $1.3 million, with a term of five years. The separate property acquired in 2007, originally intended to host a new office building, has been listed for sale. The proceeds from the sale of that property will be used to settle or offset the remaining balance on the note for the office building.

The Board has set aside funds for the Other Post Employment Benefit (OPEB) obligation first identified in 2008. Although the entire obligation has not yet been recorded, the Board has sufficient designated reserve funds to cover 89% of the liability recorded to date.

At the close of the fiscal year, the Board was notified of its new long-term liability relative to pensions for its retirees. The entire liability has been recorded, with the net liability of $4,117,091. The Board plans to initiate a second designated reserve fund to begin funding this new long-term liability.

There were no claims or judgments at the end of the fiscal year, and the only remaining significant liability was in the form of compensated absences.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were approximately $526,386 (or 17.2%) over budget, and expenses were $551,201 (or 18.4%) less than budget. Most of the excess revenue was derived from unanticipated disciplinary cases resulting in a significant amount of fines. In addition, the total number of credentials under management increased by 5% from the previous year. The expense reduction came primarily from a deferral of planned equipment acquisitions as well as a restatement of retirement premium expenses paid during the year as a result of GASB 68.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board's elected and appointed officials considered the following factors and indicators when setting next year's budget:

- Anticipated licensure activity (acquisition, renewal, and attrition)
- Demand for goods and services
- Enforcement actions
- Historical pattern of operational costs

The Board expects that next year's results may or may not improve based on the following:

- Continued growth in total number of credentials under management
- Additional investments in technology infrastructure

CONTACTING THE LOUISIANA BOARD OF PHARMACY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Board's finances and show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Malcolm Broussard, Executive Director, at mbroussard@pharmacy.la.gov or (225) 925-6496.

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Statement of Net Position
June 30, 2015

ASSETS	
Current assets:	
Cash and cash equivalents (note 2)	$1,174,218
Investments (note 2)	1,198,244
Prepaid expenses	3,000
Total current assets	2,375,462
Non-current assets:	
Investments (note 2)	1,767,606
Capital assets, net (note 3)	2,079,320
Total non-current assets	3,846,926
Total assets	6,222,388
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions (note 7)	644,896
Total deferred outflows of resources	644,896
LIABILITIES	
Current liabilities:	
Accounts payable	2,225
Salaries payable	82,372
Payroll taxes payable	3,422
Interest payable	2,469
Note payable - current portion (note 5)	474,134
Compensated absences - current portion (note 5)	64,373
Total current liabilities	628,995
Noncurrent liabilities:	
Compensated absences (note 5)	53,962
OPEB payable (note 8)	1,096,000
Pension liability (note 7)	4,117,091
Total noncurrent liabilities	5,267,053
Total liabilities	5,896,048

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Statement of Net Position, June 30, 2015

DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (note 7)	$607,441
Total deferred inflows of resources	607,441
NET POSITION	
Net investment in capital assets	1,605,186
Unrestricted	(1,241,390)
TOTAL NET POSITION	$363,796

(Concluded)

The accompanying notes are an integral part of this statement.

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2015

OPERATING REVENUES	
Licenses, permits, and fees	$3,586,685
Total operating revenues	3,586,685
OPERATING EXPENSES	
Personnel services and related benefits	1,921,523
Operating services	228,082
Materials and supplies	72,949
Professional fees	149,939
Travel	114,685
Depreciation	99,091
Total operating expenses	2,586,269
OPERATING INCOME	1,000,416
NONOPERATING REVENUES (Expenses)	
Net investment income	28,347
Interest expense	(44,882)
Total nonoperating expenses	(16,535)
CHANGE IN NET POSITION	983,881
NET POSITION - BEGINNING OF YEAR (restated) (note 10)	(620,085)
TOTAL NET POSITION AT END OF YEAR	$363,796

The accompanying notes are an integral part of this statement.

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from licenses	$3,586,685
Cash payments to suppliers for goods and services	(570,925)
Cash payments to employees for services	(1,892,940)
Net cash provided by operating activities	1,122,820
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on note	(486,770)
Interest paid on note	(47,751)
Purchase of capital assets	(39,374)
Net cash used by capital and related financing activities	(573,895)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of securities	(1,006,239)
Interest income	28,347
Net cash used by investing activities	(977,892)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(428,967)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,603,185
CASH AND CASH EQUIVALENTS AT END OF YEAR	$1,174,218

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Statement of Cash Flows, June 30, 2015

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$1,000,416
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	99,091
Pension expense	403,452
Current-year pension contributions made subsequent to the measurement date	(464,626)
Changes in assets and liabilities:	
Increase in prepaid expenses	(3,000)
Decrease in accounts payable	(1,311)
Increase in salaries and benefits payable	10,325
Increase in payroll tax liability	299
Decrease in compensated absences	(958)
Increase in OPEB payable	79,132
Net cash provided by operating activities	$1,122,820

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Louisiana Board of Pharmacy (Board) is a component unit of the state of Louisiana created within the Louisiana Department of Health and Hospitals, as provided by Louisiana Revised Statute (R.S.) 37:1171. The Board is charged with the authority and responsibility of regulating the profession and practice of pharmacy in the interest of the health, safety, and welfare of the citizens of the state of Louisiana.

The Board is composed of 17 members, appointed by the governor, including two licensed pharmacists from each of the eight pharmacy districts and one representative of the consumers from the state at large. Operations of the Board are funded through self-generated revenues primarily derived from fees for the issuance of licenses, permits, and examinations. The Board has 16 employees. During the year, the Board issued 45,063 permits and 7,171 new credentials.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates accounting principles generally accepted in the United States of America and reporting standards for state and local governments. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by GASB. The accompanying financial statements have been prepared in accordance with such principles.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the state of Louisiana. The Board is considered a component unit of the state of Louisiana because the state exercises oversight responsibility in that the governor appoints the Board members and public service is rendered within the state's boundaries. The accompanying financial statements present information only as to the transactions of the Board as authorized by Louisiana statutes and administrative regulations.

Annually, the state of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements. The financial statements are audited by the Louisiana Legislative Auditor.

C. BASIS OF ACCOUNTING

For financial reporting purposes, the Board is considered a special-purpose government engaged only in business-type activities. All activities of the Board are accounted for within a single proprietary (enterprise) fund.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the Board are accounted for using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

Under the accrual basis, revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. CASH AND INVESTMENTS

Cash includes amounts on deposit with the fiscal agent bank. Investments include amounts invested in certificates of deposit and United States Treasury notes. The Board considers all highly-liquid investments and deposits with a maturity of three months or less when purchased to be cash equivalents. Under state law, the Board may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the Union, or the laws of the United States.

E. CAPITAL ASSETS

Capital assets purchased with an original cost of $1,000 or more are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Estimated useful life is management's estimate of how long the asset is estimated to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

	Years
Building	40
Building Improvements	10-20
Equipment	5-10
Software	5

F. EMPLOYEE COMPENSATED ABSENCES

Employees earn and accumulate vacation and sick leave at varying rates, depending on their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The cost of current leave privileges are recognized as a current-year expense. The cost of leave not requiring current resources is recorded as a long-term obligation.

G. NONCURRENT LIABILITIES - PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Louisiana State Employees' Retirement System (system), and additions to/deductions from the system's fiduciary net position have been determined on the same basis as they are reported by the system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, and expenses. Net position is classified in the following components:

Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net position consists of all other resources that are not included in the other category previously mentioned.

I. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2015, the following statements were implemented: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These statements changed the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

J. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law, the Board may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Board may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally- or state-chartered credit unions.

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding custodial bank in the form of safekeeping receipts.

The deposits at June 30, 2015, consisted of the following:

	Cash and Cash Equivalents	Nonnegotiable Certificates of Deposit	Total
Deposits per Statement of Net Position	$1,174,218	$2,936,832	$4,111,050
Bank deposits in bank accounts per bank	$1,177,052	$2,935,418	$4,112,470

All deposits are covered by FDIC and pledged securities held in the Board's name.

Investments of the Board consist of U.S. Treasury securities. These securities are stated at their fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External investment Pools*. The Board used quoted market values to determine the fair value of their investments.

Descriptions	Cost	Fair Value	Interest Rates	Moody's Investors Service Credit Quality	Maturity Date
U.S. Treasury Security	$25,000	$29,019	1.25%	Aaa	7/15/20

Interest Rate Risk. The Board has a formal investment policy that limits investment maturities to five years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Board has adopted the state investment policy at R.S. 49:327. The Board does not have any other policy that would further limit the investment choices. The investments are government-backed securities.

Concentration of Credit Risk. The Board places no limits on the amount the Board may invest in any one issuer.

3. CAPITAL ASSETS

A summary of changes in capital assets and related depreciation for the fiscal year ended June 30, 2015, is as follows:

	Balance June 30, 2014	Additions	Retirement	Balance June 30, 2015
Capital assets, not being depreciated				
Land	$1,004,940	NONE	NONE	$1,004,940
Total capital assets, not being depreciated	1,004,940	NONE	NONE	1,004,940
Capital assets, being depreciated				
Buildings and building improvements	1,052,255	$5,606	NONE	1,057,861
Less accumulated depreciation	(83,314)	(26,708)	NONE	(110,022)
Total buildings and buildings improvements	968,941	(21,102)	NONE	947,839
Office equipment	348,347	33,768	($11,798)	370,317
Less accumulated depreciation	(249,801)	(30,309)	11,798	(268,312)
Total office equipment	98,546	3,459	NONE	102,005
Software	408,560	NONE	NONE	408,560
Less accumulated depreciation	(341,950)	(42,074)	NONE	(384,024)
Total software	66,610	(42,074)	NONE	24,536
Total capital assets, being depreciated	1,134,097	(59,717)	NONE	1,074,380
Total capital assets, net	$2,139,037	($59,717)	NONE	$2,079,320

4. OPERATING LEASES

The total payments for operating leases for office equipment during the fiscal year amounted to $14,535. The following is a schedule, by year, of future minimum annual rental payments required under the leases:

Fiscal Year	Total
2016	$15,348
2017	4,452
2018	4,452
2019	371
	$24,623

5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the Board for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Notes payable	$960,904	NONE	($486,770)	$474,134	$474,134
Compensated absences	119,293	$8,308	(9,266)	118,335	64,373
Net OPEB obligation	1,016,868	122,841	(43,709)	1,096,000	
Net pension obligation*	4,526,010	590,336	(999,255)	4,117,091	
Total	$6,623,075	$721,485	($1,539,000)	$5,805,560	$538,507

*Denotes beginning balance was restated

6. NOTES PAYABLE

In January 2011, the Board purchased an office building and acquired a loan in the amount of $1,300,000, with an interest rate at 6.25% and a maturity date of January 16, 2016. Iberia Bank currently holds the lien to the building title, and the vacant lot valued at $709,080 is pledged as collateral against the loan.

7. PENSIONS

The Board is a participating employer in a statewide, public employee retirement system, the Louisiana State Employees' Retirement System (LASERS). LASERS has a separate board of trustees and administers a cost-sharing, multiple-employer defined benefit pension plan, including classes of employees with different benefits and contribution rates (subplans). Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of all plans administered by LASERS to the state legislature. LASERS issues a public report that includes financial statements and required supplementary information, and a copy of the report may be obtained at www.lasersonline.org.

General Information about the Pension Plan

Plan Descriptions/Benefits Provided. LASERS administers a plan to provide retirement, disability, and survivor's benefits to eligible state employees and their beneficiaries as defined in R.S. 11:411-414. The age and years of creditable service (service) required in order for a member to receive retirement benefits are established by R.S. 11:441 and vary depending on the member's hire date, employer, and job classification. Act 992 of the 2010 Regular Legislative Session closed existing subplans for members hired before January 1, 2011, and created new subplans for regular members, hazardous duty members, and judges.

The substantial majority of members may retire with full benefits at any age upon completing 30 years of service and at age 60 upon completing 5-10 years of service. Additionally, members may choose to retire with 20 years of service at any age, with an actuarially-reduced benefit. Eligibility for retirement benefits and the computation of retirement benefits are provided for in R.S. 11:444. The basic annual retirement benefit for members is equal to a percentage (between 2.5% and 3.5%) of average compensation multiplied by the number of years of service, generally not to exceed 100% of average compensation. Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to July 1, 2006, or highest 60 consecutive months of employment for members employed after that date. A member leaving service before attaining minimum retirement but after completing certain minimum service requirements, generally 10 years, becomes eligible for a benefit provided the member lives to the minimum service retirement age and does not withdraw the accumulated contributions.

Eligibility requirements and benefit computations for disability benefits are provided for in R.S. 11:461. All members with 10 or more years of service or members aged 60 or older regardless of date of hire who become disabled may receive a maximum disability benefit equivalent to the regular retirement formula without reduction by reason of age. Hazardous duty personnel who become disabled in the line of duty will receive a disability benefit equal to 75% of final average compensation.

Provisions for survivor's benefits are provided for in R.S. 11:471-478. Under these statutes, the deceased member who was in state service at the time of death must have a minimum of five years of service, at least two of which were earned immediately prior to death, or who has a minimum of twenty years of service regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23, if the child remains a full-time student. The minimum service requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

LASERS has established a Deferred Retirement Option Plan (DROP). When members enter DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period up to three years. The election is irrevocable once participation begins. During participation, benefits otherwise payable are fixed and deposited in an individual DROP account. Upon leaving DROP, members must choose among available alternatives for the distribution of benefits that have accumulated in their DROP accounts.

Cost of Living Adjustments. As fully described in Title 11 of the Louisiana Revised Statutes, LASERS allows for the payment of cost of living adjustments, or COLAs, that are funded through investment earnings when recommended by the board of trustees and approved by the Legislature. These ad hoc COLAs are not considered to be substantively automatic.

Contributions. Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily-established methods on an annual basis and are constitutionally required to cover the employer's portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems' Actuarial Committee.

The Board's contributions to LASERS for fiscal year 2015 were $464,626, with active member contributions ranging from 7.5% to 8%, and employer contributions of 37%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Board reported a liability of $4,117,091 for its proportionate share of the LASERS Net Pension Liability (NPL). The NPL for LASERS was measured as of June 30, 2014, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of that date. The Board's proportion of the NPL was based on projections of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2014, the most recent measurement date, the Board's proportion and the change in proportion from the prior measurement date was 0.06584%, or an increase of 0.00371%.

For the year ended June 30, 2015, the Board recognized a total pension expense of $403,452. The Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		($73,362)
Net difference between projected and actual earnings on pension plan investments		(520,851)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	$180,270	(13,228)
Employer contributions subsequent to the measurement date	464,626	
Total	$644,896	($607,441)

Deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the LASERS NPL in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	($83,373)
2017	($83,373)
2018	($130,213)
2019	($130,213)

Actuarial Assumptions. The total pension liability for LASERS in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Expected Remaining Service Lives	3 years
Investment Rate of Return	7.75% per annum
Inflation Rate	3% per annum
Mortality - Non-disabled	RP-2000, improvement to 2015
Mortality - Disabled	RP-2000
Termination, Disability, Retirement	2009-2013 experience study
Salary Increases	2009-2013 experience study, ranging from 3.0% to 14.5%
Cost of Living Adjustments	Not substantively automatic

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
LASERS (geometric)		
Cash	0.00%	0.50%
Domestic equity	27.00%	4.69%
International equity	30.00%	5.83%
Domestic fixed income	11.00%	2.34%
International fixed income	2.00%	4.00%
Alternative investments	23.00%	8.09%
Global tactical asset allocation	7.00%	3.42%
Total	100.00%	5.78%

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from participating employers will be made at contractually-required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the NPL to changes in the discount rate. The following presents the Board's proportionate share of the NPL using the current discount rate as well as what the Board's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
LASERS	$5,280,503	$4,117,091	$3,130,934

Pension plan fiduciary net position. Detailed information about LASERS fiduciary net position is available in the separately-issued financial reports referenced previously.

Payables to the Pension Plan. At June 30, 2015, the Board had $26,416 in payables to LASERS for the June 2015 employee and employer legally-required contributions.

8. OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description. The Board's employees may participate in the state of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent, multiple-employer defined benefit OPEB Plan that provides medical, prescription drug, and life insurance benefits to eligible active employees, retirees, and their beneficiaries.

The state administers the OPEB Plan through the Office of Group Benefits (OGB). R.S. 42:801-883 assigns the authority to establish and amend benefit provisions of the OPEB Plan. OGB offers several standard healthcare plans for both active and retired employees. OGB does not issue a publicly-available financial report of the OPEB Plan; however, it is included in the state of Louisiana's Comprehensive Annual Financial Report (CAFR). The CAFR may be obtained from the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

Funding Policy. The contribution requirements of OPEB Plan members and the Board are established and may be amended by R.S. 42:801-883. The OPEB Plan is currently funded on a pay-as-you-go basis through a combination of retiree and Board contributions. Employees do not contribute to their postemployment benefits costs until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the OPEB Plan, and if the member has Medicare coverage.

Employer contributions are based on plan premiums and the employer contribution percentage. This percentage is based on the date of participation in an OGB plan (before or after January 1, 2002) and employee years of service at retirement. Employees who begin participation or rejoin the plan before January 1, 2002, pay approximately 25% of the cost of coverage (except single retirees under age 65, who pay approximately 25% of the active employee cost). For those beginning participation or rejoining on or after January 1, 2002, the percentage of premiums contributed by the employer and employee is based on the following schedule:

Service	Employer Percentage	Employee Percentage
Under 10 years	19%	81%
10-14 years	38%	62%
15-19 years	56%	44%
20+ years	75%	25%

In addition to healthcare benefits, retirees may elect to receive life insurance benefits. Basic and supplemental life insurance is available for the individual retiree and spouses of retirees subject to maximum values. Employers pay approximately 50% of monthly premiums. Participating retirees paid $0.54 each month for each $1,000 of life insurance and $0.98 each month for each $1,000 of spouse life insurance.

Annual OPEB Cost and Net OPEB Obligation. The Board's Annual Required Contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation at the end of the year for the Board were as follows:

Net OPEB Obligation at June 30, 2014	$1,016,868
Annual Required Contribution	121,000
Interest on Net OPEB Obligation	40,700
ARC Adjustment	(38,859)
Annual OPEB Cost	122,841
Contributions made	(43,709)
Net OPEB Obligation at June 30, 2015	$1,096,000
Percentage of Annual OPEB Cost Contributed	35.58%

The following table provides the Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	$129,800	37.98%	$925,404
6/30/2014	$138,800	34.10%	$1,016,868
6/30/2015	$122,841	35.58%	$1,096,000

Funding Status and Funding Progress. As of July 1, 2014, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	$1,742,900
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	$1,742,900
Funded ratio (acutarial value of plan assets/AAL)	0%
Covered payroll (annual payroll of active employees)	1,186,200
UAAL as a percentage of covered payroll	147%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress presented as required supplementary information following the notes to the financial statements presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses). The UAAL is amortized over the maximum acceptable period of 30 years on an open basis. It is calculated assuming a level percentage of projected payroll. Other critical assumptions used in the actuarial valuation are the health care cost trend rate and participation assumptions. The health care cost trend assumption is used to project the cost of health care to future years. The valuation uses a health care cost trend rate assumption of 8.0% (7.0% post-Medicare) in the year July 1, 2014, to June 30, 2015, grading down by 0.5% each year until an ultimate health care cost trend rate of 4.5% is reached. The participation assumption is the assumed percentage of future retirees that participate and enroll in the health plan. The participation breakouts are provided in the following table.

Years of Service	Participation Percentage
< 10	57%
10-14	72%
15-19	82%
20+	100%

9. RISK MANAGEMENT

Losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund operated by the Office of Risk Management, the agency responsible for the state's risk management program, or by General Fund appropriation.

There is no pending litigation or claims against the Board at June 30, 2015, which if asserted, in the opinion of the Board's legal advisors, would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

10. RESTATEMENT OF NET POSITION

Beginning net position as reflected on Statement B has been restated to reflect the following adjustments:

Net Position at July 1, 2014	$3,520,725
GASB 68 Net Pension Liability	(4,526,010)
GASB 68 Beginning Deferred Outflows	385,200
Net Position at July 1, 2014, as restated	($620,085)

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Schedule 1 presents the Board's Net Pension Liability

SCHEDULE OF BOARD PENSION CONTRIBUTIONS

Schedule 2 presents the amount of contributions the Board made to the pension system.

SCHEDULE OF FUNDING PROGRESS FOR THE OTHER POST EMPLOYMENT BENEFITS PLAN

Schedule 3 presents certain specific data regarding the funding progress for the Other Postemployment Benefits Plan, including the unfunded actuarial accrued liability.

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Schedules of Required Supplementary Information
Fiscal Year Ended June 30, 2015

Schedule of the Board's Proportionate Share of the Net Pension Liability — Schedule 1

Fiscal Year*	Board's proportion of the net pension liability (asset)	Board's proportionate share of the net pension liability (asset)	Board's covered-employee payroll	Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
Louisiana State Employees' Retirement System					
2015	0.06584%	$4,117,091	$1,193,177	345%	65.0%

*Amounts presented were determined as of the measurement date (previous fiscal year end).

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Board Contributions — Schedule 2

Fiscal Year*	(a) Statutorily-Required Contribution	(b) Contributions in relation to the statutorily-required contribution	(a-b) Contribution Deficiency (Excess)	Board's covered-employee payroll	Contributions as a percentage of covered-employee payroll
Louisiana State Employees' Retirement System					
2015	$464,626	$464,626	–	$1,258,895	36.9%

*Amounts presented were determined as of the end of the fiscal year.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information

Changes of Benefit Terms include:

A 1.5% COLA, effective July 1, 2014, provided by Act 102 of the 2014 Louisiana Regular Legislative Session, and, Improved benefits for certain members employed by the Office of Adult Probation and Parole within the Department of Public Safety and Corrections, as established by Act 852 of 2014.

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Schedule of Funding Progress for the
Other Postemployment Benefits Plan
Three Fiscal Years Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Cost (b)	Unfunded AAL (UAAL) (b-a)	Fund Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
July 1, 2012	NONE	$1,471,800	$1,471,800	0.0%	$973,000	151%
July 1, 2013	NONE	$1,619,300	$1,619,300	0.0%	$960,400	169%
July 1, 2014	NONE	$1,742,900	$1,742,900	0.0%	$1,186,200	147%

SUPPLEMENTARY INFORMATION

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS

This schedule presents the amounts paid to Board members.

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA

Schedule of Per Diem Paid to Board Members
for the Year Ended June 30, 2015

Board Member	Amount
Carl W. Aron	$3,375
Brian A. Bond	2,700
Clovis Burch	1,650
Ryan Dartez	675
Jacqueline Hall	1,050
Richard M. Indovina Jr.	1,650
Marty R. McKay	1,950
Chris B. Melancon	1,725
Diane G. Milano	825
Ronald E. Moore	750
Blake P. Pitre	1,875
T. Morris Rabb	2,475
Pamela G. Reed	1,800
Don L. Resweber	1,275
Deborah H. Simonson	1,800
Richard A. "Andy" Soileau	2,400
Rhonny K. Valentine	1,425
Total	$29,400

The Schedule of Per Diem paid to Board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws, regulations, and other matters required by *Government Auditing Standards* issued by the Comptroller General of the United States. The report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 21, 2015

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*

Independent Auditor's Report

LOUISIANA BOARD OF PHARMACY
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Louisiana Board of Pharmacy (Board), a component unit of the state of Louisiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 21, 2015. Our report was modified to include emphasis of a matter paragraphs regarding actuarial assumptions and financial statement comparability.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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. As described below, the results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Improper Investment of Certificates of Deposit

The Board failed to invest certificates of deposit in banks domiciled or having a branch office in the state of Louisiana. Louisiana Revised Statute 49:327(C) states that "agencies are authorized and directed to invest … in time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana." The Board invested 17 certificates of deposit in the amount of $2,510,235 in banking locations outside of the state of Louisiana. Failure to invest in banks domiciled or having a branch office in the state of Louisiana results in noncompliance with the state law.

Board management should ensure that investments are properly made in accordance with state law and board policies and procedures. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Improper Purchasing Procedures

The Board purchased four servers totaling $18,496, without following the state small purchasing guidelines. Executive Order No. BJ 2010-16, *Small Purchases Procedures*, was authorized by Louisiana Revised Statute 39:1596, and states that "price quotations shall be solicited from five (5) or more bona fide, qualified vendors for purchases exceeding fifteen thousand ($15,000) but not exceeding twenty-five thousand dollars ($25,000)." The Board did not solicit quotes from any vendors for the purchase of the items. The Board was not aware of the executive order, and failed to implement procedures to follow the applicable purchasing guidelines. Failure to follow the purchasing guidelines results in noncompliance with state law.

The Board should strengthen its controls related to purchasing to ensure it follows all applicable state purchasing guidelines. Management concurred with the finding and provided a corrective action plan (see Appendix A).

Board's Response to Findings

The Board's response to the findings identified in this report is attached in Appendix A. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this communication is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera, CPA
Legislative Auditor

KDD:CR:WDG:EFS:aa

LBP 2015

APPENDIX A

Management's Corrective Action Plan and Response to the Findings and Recommendations

Louisiana Board of Pharmacy
3388 Brentwood Drive
Baton Rouge, Louisiana 70809-1700
Telephone 225.925.6496 ~ Facsimile 225.925.6499
www.pharmacy.la.gov ~ E-mail: info@pharmacy.la.gov

September 8, 2015

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

This will confirm receipt of your September 4 letter, wherein you identified two findings in connection with your audit of the Board's financial operations and internal controls and requested a reply from the Board's management.

With respect to the investment of certificates of deposit, we had operated under the belief that holding all of the Board's funds in a bank located within Louisiana and allowing that bank to find the best investments for the Board relying on the parameters of the investment policy was in compliance with the law. We had not provided specific instructions that certificates of deposit must be limited to banks located within the state. We have today notified the Board's account manager of this requirement. On analysis of our holdings, I have classified them by their maturities as well as current trading values:

- We have 4 items with an approximate value of $333,000 maturing in different years, but currently trading at a premium to their original investment value. We will ask for those items to be redeemed as soon as possible and replacement items purchased at in-state banks no later than September 15.
- We have 4 items with an approximate value of $659,000 maturing in November 2015. Since they are currently trading at a deficit to their original value, we will hold them to maturity and purchase replacement items at in-state banks.
- We have 4 items with an approximate value of $556,000 maturing during Calendar Year 2016. Since they are currently trading at a deficit to their original value, we will hold them to maturity, unless their value should improve in the interim. Replacement items will be placed at in-state banks.
- We have 7 items with an approximately value of $1,097,000 maturing between May 2017 and March 2020. Since they are currently trading at a deficit to their original value, we will monitor those items for the opportunity to redeem them at either a premium or at a negligible loss. Replacement items will be placed at in-state banks.

With respect to the Board's purchasing procedures, we routinely use professional service contracts implemented in accordance with the state's procurement code; however, we rarely have a need to make a purchase in the range of an amount not requiring the public bid process. Viewed in the retrospective of the previous twenty years, we have averaged less than one such purchase per fiscal year. We failed to recall the provisions of the 2010 executive order relative to small purchases. Going forward, we have identified some guidance resources at the Office of State Procurement, and will require consultation with that office for any anticipated purchase in excess of $5,000.

We trust this information is responsive to your request.

For the Board:

Malcolm Broussard

Malcolm J. Broussard
Executive Director