

DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 19, 2012

**LOUISIANA LEGISLATIVE AUDITOR
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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$3.87. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3353 or Report ID No. 80120114 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

EXECUTIVE SUMMARY

We conducted certain procedures at the Department of the Treasury (Department) to evaluate its accountability over public funds for the fiscal year ended June 30, 2012. We evaluated controls over compliance and financial reporting relating to cash, investments, and interest allocations. Our procedures disclosed the following:

- Financial information relating to cash, investments, and interest allocations was fairly presented.
- Internal controls related to cash, investments, and interest allocations, based on the sample items we tested, were operating effectively, and the Department complied with related laws and regulations.
- We examined financial trends to look for unusual changes that did not follow logical patterns. We compared current and prior year financial information and determined the changes in accounts to be reasonable.
- We also analyzed the Department's investment portfolio and investment returns, both realized and unrealized. Although the total portfolio balances have consistently decreased during the last four years because of the state's budget deficits and cash flow conditions, the Department's investment returns have consistently increased over that same period of time because the values of the Department's investments have increased.

This report is a public report and has been distributed to state officials. We appreciate the Department's assistance in the successful completion of our work.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 6, 2012

THE HONORABLE JOHN N. KENNEDY
STATE TREASURER
DEPARTMENT OF THE TREASURY
STATE OF LOUISIANA
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements for the fiscal year ended June 30, 2012, we conducted certain procedures at the Department of the Treasury (Department) for the period from July 1, 2011, through June 30, 2012.

- Our auditors obtained and documented an understanding of the Department's operations and system of internal controls 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 the Department's annual fiscal reports and/or system-generated reports and obtained explanations from Department management for any significant variances. We also analyzed the Department's investment portfolio and investment returns over the last four years.
- Our auditors considered internal control over financial reporting and examined evidence supporting the Department's cash, investments, and interest allocations. We also tested the Department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012, in accordance with *Government Auditing Standards*.

The Annual Fiscal Reports of the Department were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. The Department'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 found no significant control deficiencies, noncompliance, or errors relating to our analytical procedures or our other audit procedures that should be communicated to management.

This letter is intended for the information and use of the Department and its management, others within the Department, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter 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 initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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