

DEPARTMENT OF WILDLIFE AND FISHERIES
PRIVATE OYSTER LEASE
REHABILITATION PROGRAM



AGREED-UPON PROCEDURES REPORT
ISSUED JUNE 25, 2008

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL
REPRESENTATIVE NOBLE E. ELLINGTON, CHAIRMAN

SENATOR NICHOLAS "NICK" GAUTREAUX
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
SENATOR JOHN R. SMITH
REPRESENTATIVE NEIL C. ABRAMSON
REPRESENTATIVE CHARLES E. "CHUCK" KLECKLEY
REPRESENTATIVE ANTHONY V. LIGI, JR.
REPRESENTATIVE CEDRIC RICHMOND

LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

DIRECTOR OF RECOVERY SERVICES
JOHN L. MOREHEAD, CPA

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 Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$17.28. 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. 3361 or Report ID No. 52070010 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 Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.

	Page
Independent Accountant’s Report on the Application of Agreed-Upon Procedures	3
Additional Information Resulting from the Application of Agreed-Upon Procedures	9
Background.....	11
Reimbursement Timeline.....	Appendix A
Management’s Response	Appendix B



LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

June 18, 2008

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

**MS. JANICE A. LANSING, UNDERSECRETARY
OFFICE OF MANAGEMENT AND FINANCE
LOUISIANA DEPARTMENT OF WILDLIFE
AND FISHERIES**

Baton Rouge, Louisiana

We performed the procedures enumerated below, which were agreed to by you, as undersecretary of the Office of Management and Finance for the Louisiana Department of Wildlife and Fisheries (LDWF), primarily to assist you in evaluating the Private Oyster Lease Rehabilitation (POLR) program. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the applicable attestation standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of management of LDWF. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and associated findings are as follows:

1. Procedure

Review POLR vendor contract terms for compliance with applicable federal and state regulations.

Finding

During our review, we did not note any exceptions as a result of this procedure. However, in performing the above procedure, additional matters came to our attention that are presented for management's consideration later in this report.

2. Procedure

Select a sample of 60 vendors who received reimbursement during the period December 29, 2006, through December 31, 2007,¹ for POLR activities and review supporting documentation to verify the following:

- a. the LDWF executed a contract with the vendor;
- b. an appropriate level of approval for vendor set-up;
- c. the system² contact information corresponds to the contract agreement;
- d. the vendor contract amount;
- e. the reimbursement amount is appropriately supported with contracts, receipts, invoices, or other documents as may be necessary;
- f. the federal tax ID for each vendor is included;
- g. the LDWF's review and approval was complete before payment;
- h. 1099 forms were prepared and sent to vendors;
- i. the vendor is eligible to receive federal grant proceeds by searching the U.S. General Services Administration (GSA) Excluded Party List System (EPLS) using the following:
 - Vendor tax ID/social security number
 - Name of vendor and/or company name
 - Vessel ID number and/or name
- j. the vendor is not delinquent in payment of child support; and
- k. the vendor has not received more than \$200,000 in reimbursements for POLR activities according to program guidelines if the sampled vendor disclosed ownership interest in more than one leaseholder account.

¹ Six vendors received their first payment after December 31, 2007. We consulted with management about the deviation in procedure and management agreed that including the six files would have minimal to no impact on the outcome of the procedure.

² LDWF contracted with Postlewaite & Netterville (P&N) to implement and maintain an electronic POLR accounting system. P&N developed the POLR system using Sage MAS 200 accounting software.

Finding

All sampled reimbursement payments are appropriately supported with documentation required by the POLR program. However, during our review, we noted that eight files are missing W-9 forms that certify the owner's tax identification number. While applying these procedures, additional matters came to our attention that are presented for management's consideration later in this report.

3. Procedure

Identify the reimbursement process timeline to include the following:

- Date South Central Planning and Development Commission (SCPDC) received the reimbursement request from the vendor
- Date SCPDC submitted the request to LDWF for processing
- Date LDWF approved payment
- Date of the reimbursement check

Finding

We prepared a schedule attached as Appendix A that identifies the dates listed above for management's consideration.

4. Procedure

Select a random sample of 60 vendors who have not yet received reimbursement for POLR activities and review supporting documentation to verify the following:

- a. LDWF executed a contract with the vendor;
- b. an appropriate level of approval for vendor set-up;
- c. the system contact information corresponds to the contract agreement;
- d. the vendor contract amount; and
- e. the vendor is eligible to receive federal grant proceeds by searching the U.S. GSA EPLS using the following:
 - Vendor tax ID/social security number
 - Name of vendor and/or company name
 - Vessel ID number and/or name

Finding

To determine the proper contract amount, LDWF multiplies the total number of leased acres by a program-determined rate.³ In one instance, the contract did not include all leases. As a result, the total acreage of the leases included in the contract is less than the total acreage used to determine the contract amount. After obtaining additional information from LDWF's survey section, we determined that the contract amount is correct and a contract amendment is needed to include all leases. In another instance, the zip code indicated on the contract differs from the contract award letter and the system vendor record. In addition, two files are missing W-9 forms. While applying these procedures, additional matters came to our attention that are presented for management's consideration later in this report.

5. Procedure

Obtain a list of all vendors and review for duplicates.

Finding

During our review, we did not note any exceptions as a result of this procedure.

6. Procedure

Review LDWF and contractor POLR accounting system access rights for appropriate segregation of duties and the following possible conflicts:

- a. the payment approver should not process payment;
- b. vendor set-up personnel should not enter, review, or approve payment; and
- c. the data entry clerk should not process or approve payment.

Finding

During our review, we did not note any exceptions as a result of this procedure.

7. Procedure

Obtain the bank reconciliation documentation for a three-month period to verify the following:

- a. amounts tie to the general ledger and the bank statement;
- b. reconciling items were resolved (if applicable); and
- c. a supervisory review of the reconciliation was conducted.

³ \$42.16/acre for leases located in Impact Zone A (Lafourche Parish and East) and \$28.10/acre for Impact Zone B (Terrebonne Parish and West).

Finding

During our review, we did not note any exceptions as a result of this procedure.

We were not engaged to and did not conduct an examination, the objective of which would be to express an opinion on LDWF's compliance with federal and state regulations, LDWF's internal control over compliance with federal and state regulations, or on LDWF's financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended primarily for the information and use of LDWF. However, by provisions of state law, this report is a public document and has been distributed to the appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

JWB:SDP:JLM:dl

POLR08

This page is intentionally blank.

Concerning Supporting Documentation

LDWF maintains original POLR contracts and related supporting documents in the contract/accounting office at the headquarters building in Baton Rouge while documentation supporting leased acreage is maintained by the survey section located in New Orleans. LDWF also maintains separate files for the POLR program.

During our review, we noted that 61 of the 120 sampled POLR program files did not contain sufficient documentation to support that a valid contract with the lease owner had been executed. Though the POLR files contain a copy of the signed contract, they lack copies of documentation to support the authority of the signer to execute a contract on behalf of the lease owner.

In addition, LDWF determined contract amounts for the POLR program based on the total⁴ leased acreage multiplied by a program-determined rate. While conducting the procedures mentioned above, we noted that none of the 120 sampled POLR program files contained sufficient lease documentation to support the contract amount. The copy of the contract maintained in the POLR files indicates the leases owned and total acreage, but the files do not contain documentation supporting the location and individual acreage of the respective leases.

To ensure the program complies with documentation requirements, it may be beneficial to create POLR program files that contain all necessary information. One method for consideration is to establish an electronic file that is accessible to multiple users from multiple locations.

Concerning Contact Changes

Though the LDWF maintains documentation that supports changes in contact information, the documentation supporting the change is not maintained in the vendor's POLR program file. Fourteen of the 120 POLR program files sampled contained differences between the vendor contact information listed on the contract and the MAS 200 system contact information. Requiring POLR vendors to submit signed change of contact information request forms and filing the request in the POLR program files will provide clear support for any contact information changes.

Concerning Vendor Approvals

LDWF files e-mails approving vendor set up and reimbursement payments in a general POLR file. Filing these e-mails in the specific POLR file it is associated with will help ensure that each vendor has been set up properly and is reimbursed correctly.

⁴ Nearly all POLR vendors owned more than one lease. The acreage of each lease listed on the contract was added together to determine the total acreage for contract amount calculation.

Concerning Funding Caps

While the terms of the federal grant⁵ do not specify or require LDWF to have a cap, LDWF developed the program with a \$200,000 cap based on similar cap requirements from previous federally funded disaster rehabilitation programs. LDWF's monitoring of the cap, in practice, is also similar to guidelines established in previous federally funded disaster recovery programs. Monitoring of the \$200,000 reimbursement cap is not consistent with the terms listed in the contract. The POLR contract terms state that an individual may not receive, either directly or indirectly, more than \$200,000 from the POLR program. However, the monitoring practice currently used may result in some individuals receiving more than \$200,000 in POLR proceeds. Management may want to reevaluate how the cap is monitored or document why stricter monitoring is not feasible.

Concerning Monitoring

The POLR program has an active, field monitoring process using available LDWF resources. Management also monitors reimbursement activities during the reimbursement review process. However, monitoring of rehabilitation activity may not be sufficient relative to the risks. During program development, management considered other, more costly, methods for monitoring reimbursable activities. For example, management evaluated the cost of implementing a boat tracking system. The estimated cost of implementing and monitoring such a system, though a more effective means of monitoring rehabilitation activities, would account for approximately 10% of the \$12 million budgeted for the POLR program therefore reducing the amount of grant funds available to the intended beneficiaries. Management should consider increasing scheduled field monitoring, implementing additional monitoring procedures, and preparing a formal memo and analysis documenting why the tracking system was not implemented.

Concerning Written Policies and Procedures

Though individuals involved with the program possess vast programmatic knowledge and some documentation indicating program requirements, program operations, and decisions regarding changes to policies and procedures is maintained, there are no written policies and procedures. Written policies and procedures provide for continuity of operations and ensure sufficient documentation of program operations is available for future needs.

Concerning Established Reimbursement Rates

The reasonableness of the reimbursement rates has been established, but the documentation is segmented through various e-mails and other documents. Management may want to consider preparing a formal document detailing how the reimbursement rates were determined to support compliance with federal guidelines.

⁵LDWF received sub-award #OR-RRR-020-2006-01 through the Gulf States Marine Fisheries Commission grant award #NA06NMF4540319 provided by a U.S. congressional appropriation to the National Oceanic and Atmospheric Administration.

LDWF is the state agency responsible for managing the state's renewable natural resources including all wildlife and all aquatic life. The control and supervision of these resources are assigned to the department in the Constitution of the State of Louisiana of 1974, Article IX, Section 7 and in revised statutes under Title 36 and Title 56.

In September 2006, LDWF received sub-award #OR-RRR-020-2006-01 through the Gulf States Marine Fisheries Commission (GSMFC) grant award #NA06NMF4540319 provided by a U.S. congressional appropriation to the National Oceanic and Atmospheric Administration (NOAA). The purpose of the first sub-award appropriation totaling approximately \$23 million is to rehabilitate and restore Louisiana's oyster resources on private oyster leases and public oyster seed grounds damaged during hurricanes Katrina and Rita. Approximately \$12 million of the \$23 million awarded is committed to the POLR program to rehabilitate and restore private oyster leases. According to the terms and conditions of the sub-award, LDWF must comply with all federal auditing principles and procedures and the GSMFC "General Procedures for Sub-awards." In addition, the LDWF must comply with applicable state regulations. To determine an appropriate method to disburse funds to private oyster leaseholders, LDWF consulted Postlewaite & Netterville, a Louisiana based public accounting and consulting firm, to assist with the development and administration of the POLR program. The Marine Fisheries Division of the LDWF administers the POLR program.

On February 12, 2008, the Legislative Auditor entered into an agreed-upon procedures engagement with the LDWF to review various aspects of the POLR program.

This page is intentionally blank.

POLR Reimbursement Timeline						
Sampled Vendor	Payment Number	Date SCPDC Received Vendor Request	Date LDWF Received Request from SCPDC	Date LDWF Approved Payment	Check Date	Total Days in Process ⁶
1	1	10/18/2007	10/26/2007	11/01/2007	11/05/2007	18
2	1	12/06/2007	12/21/2007	01/08/2008	01/10/2008	35
3	1	08/08/2007	08/16/2007	09/04/2007	09/12/2007	35
4	1	07/01/2007	08/09/2007	08/10/2007	08/22/2007	52
5	1	09/23/2007	10/16/2007	10/31/2007	11/05/2007	43
	2	11/20/2007	12/14/2007	01/02/2008	01/04/2008	45
6	1	09/24/2007	10/05/2007	10/18/2007	10/24/2007	30
	2	11/16/2007	11/27/2007	12/04/2007	12/06/2007	20
	3	11/28/2007	11/30/2007	12/19/2007	12/21/2007	23
7	1	10/24/2007	11/16/2007	11/29/2007	12/03/2007	40
8	1	08/16/2007	09/10/2007	09/26/2007	10/03/2007	48
9	1	12/03/2007	12/18/2007	01/07/2008	01/10/2008	38
10	1	09/09/2007	10/02/2007	10/15/2007	10/17/2007	38
11	1	06/21/2007	08/03/2007	08/30/2007	09/05/2007	76
	2	10/01/2007	11/09/2007	11/16/2007	11/21/2007	51
12	1	09/04/2007	11/02/2007	11/08/2007	11/14/2007	71
13	1	06/18/2007	09/05/2007	09/26/2007	10/03/2007	107
14	1	06/18/2007	08/16/2007	09/04/2007	09/12/2007	86
	2	09/12/2007	11/02/2007	11/08/2007	11/14/2007	63
15	1	06/25/2007	08/16/2007	09/04/2007	09/12/2007	79
16	1	10/08/2007	11/16/2007	12/26/2007	01/03/2008	87
	2	10/08/2007	11/16/2007	11/29/2007	12/03/2007	56
17	1	11/16/2007	11/27/2007	12/04/2007	12/06/2007	20
	2	11/14/2007	12/14/2007	01/02/2008	01/04/2008	51
18	1	06/17/2007	08/09/2007	08/16/2007	08/29/2007	73
	2	06/17/2007	08/09/2007	08/16/2007	08/29/2007	73
19	1	06/14/2007	08/03/2007	10/10/2007	10/10/2007	118
	2	06/16/2007	08/03/2007	10/10/2007	10/10/2007	116
20	1	10/31/2007	11/09/2007	11/16/2007	11/21/2007	21
	2	09/14/2007	10/02/2007	10/15/2007	10/17/2007	33
21	1	10/22/2007	11/06/2007	11/14/2007	11/19/2007	28
22	1	08/27/2007	09/25/2007	10/08/2007	10/10/2007	44
23	1	09/04/2007	11/06/2007	11/14/2007	11/19/2007	76
	2	12/26/2007	01/03/2008	01/24/2008	01/29/2008	34
24	1	09/30/2007	10/05/2007	10/18/2007	10/24/2007	24
25	1	07/02/2007	09/25/2007	10/08/2007	10/10/2007	100
26	1	09/03/2007	10/05/2007	10/18/2007	10/24/2007	51
27	1	11/03/2007	11/09/2007	11/16/2007	11/21/2007	18
	2	12/09/2007	12/21/2007	01/08/2008	01/10/2008	32
	3	09/23/2007	10/05/2007	10/18/2007	10/24/2007	31

⁶ Total days in process based on calendar days and can be affected by several factors including, but not limited to, delays in obtaining appropriate documentation from POLR participants, holidays, and weekends.

PRIVATE OYSTER LEASE REHABILITATION PROGRAM

POLR Reimbursement Timeline						
Sampled Vendor	Payment Number	Date SCPDC Received Vendor Request	Date LDWF Received Request from SCPDC	Date LDWF Approved Payment	Check Date	Total Days in Process
	4	08/11/2007	09/18/2007	10/08/2007	10/10/2007	60
	5	08/16/2007	10/02/2007	10/15/2007	10/17/2007	62
	6	09/08/2007	09/18/2007	10/08/2007	10/10/2007	32
28	1	01/11/2008	02/01/2008	02/25/2008	02/28/2008	48
	2	01/18/2008	02/01/2008	02/25/2008	02/28/2008	41
29	1	07/05/2007	08/16/2007	09/04/2007	09/12/2007	69
30	1	06/20/2007	08/03/2007	08/08/2007	08/15/2007	56
	2	07/02/2007	09/25/2007	10/08/2007	10/10/2007	100
31	1	10/05/2007	11/09/2007	11/16/2007	11/21/2007	47
32	1	10/01/2007	11/02/2007	11/08/2007	11/14/2007	44
33	1	10/04/2007	10/18/2007	10/31/2007	11/05/2007	32
	2	10/05/2007	10/18/2007	10/31/2007	11/05/2007	31
	3	10/06/2007	10/18/2007	10/31/2007	11/05/2007	30
	4	10/16/2007	11/13/2007	11/16/2007	11/21/2007	36
	5	10/17/2007	11/13/2007	11/16/2007	11/21/2007	35
	6	10/18/2007	11/13/2007	11/16/2007	11/21/2007	34
	7	10/27/2007	11/13/2007	11/16/2007	11/21/2007	25
	8	10/28/2007	11/13/2007	11/16/2007	11/21/2007	24
	9	10/09/2007	11/20/2007	11/28/2007	12/03/2007	55
	10	10/10/2007	11/20/2007	11/28/2007	12/03/2007	54
	11	10/12/2007	11/20/2007	11/28/2007	12/03/2007	52
	12	10/14/2007	11/20/2007	11/28/2007	12/03/2007	50
	13	10/15/2007	11/20/2007	11/28/2007	12/03/2007	49
	14	10/30/2007	11/20/2007	11/28/2007	12/03/2007	34
	15	10/31/2007	11/20/2007	11/28/2007	12/03/2007	33
	16	11/01/2007	11/20/2007	11/28/2007	12/03/2007	32
	17	11/02/2007	11/20/2007	11/28/2007	12/03/2007	31
	18	11/04/2007	11/27/2007	12/04/2007	12/06/2007	32
	19	11/05/2007	11/27/2007	12/04/2007	12/06/2007	31
	20	11/06/2007	11/27/2007	12/04/2007	12/06/2007	30
	21	10/16/2007	11/30/2007	12/19/2007	12/21/2007	66
	22	11/28/2007	12/14/2007	01/02/2008	01/04/2008	37
	23	11/29/2007	12/14/2007	01/02/2008	01/04/2008	36
	24	11/30/2007	12/14/2007	01/02/2008	01/04/2008	35
	25	12/01/2007	12/14/2007	01/02/2008	01/04/2008	34
	26	12/05/2007	12/14/2007	01/02/2008	01/04/2008	30
	27	12/06/2007	12/14/2007	01/02/2008	01/04/2008	29
34	1	09/30/2007	10/18/2007	10/31/2007	11/05/2007	36
	2	10/18/2007	11/13/2007	11/16/2007	11/21/2007	34
	3	12/02/2007	12/14/2007	01/02/2008	01/04/2008	33
	4	12/15/2007	12/18/2007	01/07/2008	01/10/2008	26

POLR Reimbursement Timeline						
Sampled Vendor	Payment Number	Date SCPDC Received Vendor Request	Date LDWF Received Request from SCPDC	Date LDWF Approved Payment	Check Date	Total Days in Process
35	1	11/01/2007	11/13/2007	11/16/2007	11/21/2007	20
	2	12/07/2007	12/14/2007	01/02/2008	01/04/2008	28
36	1	12/16/2007	12/21/2007	01/08/2008	01/10/2008	25
37	1	08/14/2007	08/27/2007	09/12/2007	09/19/2007	36
38	1	09/14/2007	11/02/2007	11/08/2007	11/14/2007	61
39	1	09/22/2007	10/05/2007	10/18/2007	10/24/2007	32
40	1	08/27/2007	09/10/2007	09/17/2007	10/03/2007	37
	2	12/11/2007	12/18/2007	01/07/2008	01/10/2008	30
41	1	09/30/2007	10/18/2007	10/31/2007	11/05/2007	36
	2	09/30/2007	11/13/2007	11/16/2007	11/21/2007	52
	3	07/20/2007	11/13/2007	11/16/2007	11/21/2007	124
	4	12/02/2007	12/18/2007	01/07/2008	01/10/2008	39
	5	12/02/2007	12/18/2007	01/07/2008	01/10/2008	39
	6	12/02/2007	12/28/2007	01/07/2008	01/10/2008	39
	7	12/15/2007	12/21/2007	01/08/2008	01/10/2008	26
	8	12/24/2007	01/03/2008	01/24/2008	01/28/2008	35
	9	01/03/2008	01/08/2008	01/31/2008	02/04/2008	32
42	1	06/18/2007	09/05/2007	09/26/2007	10/03/2007	107
43	1	06/22/2007	08/03/2007	08/30/2007	09/05/2007	75
44	1	10/05/2007	11/09/2007	11/16/2007	11/21/2007	47
45	1	09/18/2007	10/05/2007	10/18/2007	10/24/2007	36
46	1	01/29/2008	02/08/2008	03/07/2008	03/13/2008	44
	2	01/22/2008	02/01/2008	02/25/2008	02/28/2008	37
47	1	01/22/2008	02/01/2008	02/25/2008	02/28/2008	37
48	1	10/03/2007	10/26/2007	11/01/2007	11/05/2007	33
	2	10/03/2007	10/26/2007	11/01/2007	11/05/2007	33
	3	10/03/2007	10/26/2007	11/01/2007	11/05/2007	33
	4	10/22/2007	12/07/2007	01/08/2008	01/10/2008	80
	5	10/22/2007	12/18/2007	01/07/2008	01/10/2008	80
49	1	09/29/2007	10/18/2007	10/31/2007	11/05/2007	37
50	1	08/31/2007	09/05/2007	09/26/2007	10/03/2007	33
51	1	09/04/2007	11/06/2007	11/14/2007	11/19/2007	76
52	1	08/02/2007	09/18/2007	10/08/2007	10/10/2007	69
53	1	09/19/2007	10/05/2007	10/18/2007	10/24/2007	35
54	1	11/03/2007	11/16/2007	11/29/2007	12/03/2007	30
55	1	08/02/2007	09/18/2007	10/08/2007	10/10/2007	69
56	1	07/02/2007	11/06/2007	11/14/2007	11/19/2007	140
57	1	10/01/2007	10/05/2007	10/18/2007	10/24/2007	23

POLR Reimbursement Timeline						
Sampled Vendor	Payment Number	Date SCPDC Received Vendor Request	Date LDWF Received Request from SCPDC	Date LDWF Approved Payment	Check Date	Total Days in Process
58	1	11/12/2007	11/27/2007	12/04/2007	12/06/2007	24
	2	11/13/2007	11/27/2007	12/04/2007	12/06/2007	23
	3	11/14/2007	11/27/2007	12/04/2007	12/06/2007	22
59	1	08/22/2007	09/10/2007	09/26/2007	10/03/2007	42
60	1	09/17/2007	10/02/2007	10/15/2007	10/17/2007	30
Prepared by legislative auditor's staff.						

POLR Reimbursement Timeline	
Process Timeline	Days⁷
Average total days in process	46.41
Average total days from the date SCPDC received the vendor request to the date LDWF received the request from SCPDC	27.69
Average total days from the date LDWF received the request from SCPDC to the date LDWF approved the payment	14.29
Average total days from the date LDWF approved the payment to the check date	4.43
Prepared by legislative auditor's staff.	

⁷ Days represent calendar days.

Management's Response



BOBBY JINDAL
GOVERNOR

State of Louisiana
DEPARTMENT OF WILDLIFE AND FISHERIES
OFFICE OF MANAGEMENT & FINANCE

ROBERT J. BARHAM
SECRETARY

JANICE A. LANSING
UNDERSECRETARY

June 9, 2008

Mr. Steve Theriot, CPA
Louisiana Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Draft Report on POLR Program

Dear Mr. Theriot:

Thank you for accepting our request to review the administration of the federally-funded Private Oyster Lease Rehabilitation (POLR) program, which provides much needed assistance in rehabilitating the state's private oyster leases from damage caused by hurricanes Katrina and Rita. We have received the draft report of your review of POLR, and offer the following responses to the findings contained therein:

- **Procedure 1 Finding:** *No exceptions noted.*
- **Procedure 2 Finding:** *All sampled reimbursement payments are appropriately supported with documentation required by the POLR program. However, during our review, we noted that 8 files are missing W-9 forms that certify the owner's tax identification number.*

DWF Response: We agree with this finding and appreciate the Auditor's recognition that all payments are properly supported. The 8 files with missing W-9's were for individuals with multiple leaseholder accounts. As one individual may have multiple accounts, DWF originally obtained only one W-9 for each individual for use in multiple accounts. We have since included copies of the W-9 in all account files for each individual.

- **Procedure 3 Finding:** *Reimbursement process timelines were identified.*

DWF Response: We agree with the timeline presented and would like to point out that the average of 46 days from the date of application to the check date includes a number of instances involving incomplete/inadequate documentation submitted by the applicant. These outliers skewed the average processing time upward, as additional documentation had to then be obtained from the applicant and analyzed by POLR program staff. Considering this, we feel that our Marine Fisheries staff did an outstanding job processing these payments to oyster leaseholders in a timely manner while simultaneously ensuring compliance with program requirements.

B.1

- **Procedure 4 Finding:** *One of sixty sampled vendor contracts did not include all leases. Although the contract amount was correct, a contract amendment is needed to include all leases. In another instance, the zip code indicated on the contract differs from the contract award letter and the system vendor record. Additionally, two files are missing W-9 forms.*

DWF Response: We agree with this finding and have amended the contract as suggested and corrected the zip code. Those files in which W-9s were missing included instances where those accounts were one of multiple accounts held by one individual. As one individual may have multiple accounts, DWF originally obtained only one W-9 for each individual for use in multiple accounts. We have since included copies of the W-9 in all account files for each individual.

- **Procedure 5 Finding:** *No exceptions noted.*
- **Procedure 6 Finding:** *No exceptions noted.*
- **Procedure 7 Finding:** *No exceptions noted.*

Additional Information Section

- Concerning Supporting Documentation: *Sixty-one of 120 sampled POLR program files did not contain a copy of documentation to support the authority of the signer to execute a contract on behalf of the lease owner.*

DWF Response: While documentation of signature authority for all program participants was verified by the DWF Chief Surveyor or Attorney at the time of contract signature, such documentation is located in the LDWF Fiscal Section and copies were not always placed with the individual POLR files. We will copy the existing signature authority from the LDWF fiscal office files and include it in the POLR files.

- Concerning Supporting Documentation: *Original POLR contracts and related supporting documents are maintained in the contract/accounting office while lease documentation is maintained by the Survey Section in New Orleans. It may be beneficial to create POLR program files that contain all necessary information.*

DWF Response: DWF plans to convert lease documentation to electronic form, which will allow all information to be stored in one location that is easily accessible by other LDWF staff.

- Concerning Contact Changes: *Though the POLR program maintains documentation that supports changes in contact information, the vendor is not required to sign the request. Requiring POLR vendors to submit signed change of contact information request forms and filing the request in the POLR program files will provide clear support for any contact information changes.*

DWF Response: DWF is in the process of obtaining signed approvals of previously changed contact information and will obtain this for all future changes.

- *Concerning Vendor Approvals: Reimbursement approvals via email are filed in a general POLR file and not in specific vendor files.*

DWF Response: DWF is in the process of placing a copy of each approval email into corresponding vendor files.

- *Concerning Funding Caps: Some individuals may receive more than the \$200,000 maximum established by DWF.*

DWF Response: DWF established the \$200,000 cap per individual in an effort to distribute the limited federal funds available to the maximum number of eligible program participants. Each account may represent a corporation, partnership, individual, estate, heirs, etc. Compliance with this cap is monitored via our accounting system, which prevents any one individual from being paid more than \$200,000. However because some individuals may have minority interests in multiple accounts of which DWF is unaware, the possibility does exist for a participant to receive more than \$200,000. We know of no practical, cost effective way of preventing this. Ultimately, we feel that the inclusion of the cap was appropriate and necessary and that it is being monitored in as practical and cost effective manner as is feasible.

- *Concerning Monitoring: Management should consider increasing scheduled field monitoring, implementing additional monitoring procedures and preparing a formal memo and analysis documenting why the tracking system was not implemented.*

DWF Response: While increased field monitoring would be desirable, we feel that DWF has conducted as much field monitoring as feasible given manpower constraints. For example from July 23, 2007 to May 14, 2008, DWF physically monitored POLR work being done by participants on over 170 occasions

Our research indicated that the cost for a vessel tracking system would be approximately \$2,000 per vessel and \$35 per month for online monitoring of each vessel (mandated by contract to last 2 years). With 573 POLR program participants this works out to \$1,146,000 (\$2,000 x 573) for the systems themselves and \$481,320 in monitoring costs (\$ 35 per vessel x 24 months x 581 participants) for a total cost of \$1.63 million. This cost was deemed unacceptable because it would take away nearly 13.6% of the funds meant restore the state's oyster fishing grounds. Additional DWF staff time would also have been needed to monitor these systems resulting in greater program costs and even less money available for oyster ground restoration.

- *Concerning Written Policies and Procedures: Written policies and procedures should be developed to provide for continuity of operations and ensure sufficient documentation of program operations.*

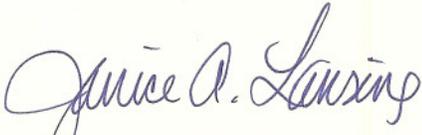
DWF Response: We are in the process of developing a POLR procedures manual.

- Concerning Established Reimbursement Rates: *Management should consider preparing a formal document detailing how reimbursement rates were determined.*

DWF Response: We will address this in the POLR procedures manual discussed above.

We would like to commend your staff for the professionalism and cooperation they exhibited during this engagement. Thank you for your assistance, and if you should have any questions or need additional information please contact me at 765-2860.

Sincerely,



Janice A. Lansing
Undersecretary

c: Robert Barham, Secretary
John Roussel, Deputy Assistant Secretary
Karen Foote, Division Administrator
Jeff LaCour, Internal Auditor