

STATE PLUMBING BOARD OF LOUISIANA

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED OCTOBER 7, 2015

**LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

October 7, 2015

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Charles E. "Chuck" Kleckley,
Speaker of the House of Representatives
Jim Finley, Chairman
State Plumbing Board of Louisiana

Dear Senator Alario, Representative Kleckley, and Mr. Finley:

This report provides the results of our procedures at the State Plumbing Board of Louisiana (Board) for the period from July 1, 2014, through June 30, 2015. Our objective was to evaluate certain controls that the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. I hope this report will benefit you in your legislative and operational decision-making processes.

We would like to express our appreciation to the management and staff of the Board for their assistance during our work.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

REW:JPT:WDG:EFS:aa

SPBLA2015

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



State Plumbing Board of Louisiana

October 2015

Audit Control # 80150154

Introduction

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

The Board ensures that licensed individuals and companies offering plumbing services meet professional levels of experience. This helps to ensure the water received in homes or businesses is sanitary and provides for effective sewerage control. In turn, this helps to provide for the safety, health, and standard of living for Louisiana citizens. The Board helps to track these service providers, offers licenses with comprehensive regulations, and assists in the efforts of Homeland Security.

Results of Our Procedures

We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on documentation of the Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, credit cards, travel expenses, contracts, payroll, and budget.

Follow-up on Prior-year Findings

We reviewed the status of the prior-year finding reported in the Agreed-Upon Procedures report dated August 26, 2014. We determined that management has resolved the prior-year finding related to evidence of written approval of attendance for payroll.

Current-year Findings

Inadequate Controls over Employee Benefits

The Board did not maintain accurate records of accrued leave balances for a portion of fiscal year 2015. In addition, the Board withheld and submitted inaccurate retirement contributions to the Louisiana State Employees' Retirement System (LASERS), resulting in total underpayments

to LASERS of \$17,640. Board controls did not require review and/or approval of leave records or retirement withholdings, which increases the risk of employee error or fraud.

Upon the resignation of the Board employee who maintained accrued leave records, Board management determined that the accrued leave balance records for this employee were recorded incorrectly. The Board recalculated leave balances from July 2014 to January 2015 and ensured that the correct amount of annual leave was paid to the employee in accordance with Board policy. The employee also took her personnel file upon resignation.

This employee was also responsible for retirement withholdings. In 2015, LASERS performed an audit as requested by the Board comparing its payroll records to LASERS' contribution records. LASERS determined that the contribution percentages applied to the Board were incorrect. Of the total underpayments, \$9,584 occurred in 2014-2015 after this employee became responsible for the withholdings and contributions. The Board has paid the total amount owed to LASERS.

The Board should ensure that reviews of withholdings, contributions, and leave records are performed and that related calculations are accurate. In addition, the Board should retrieve the personnel file from its former employee. Board management concurred with the finding and described the corrective actions that have occurred (see Appendix A).

Other Results of Our Procedures

Cash

The Board maintains an operating account and certificate of deposits, which are used for general operations, respectively. Four different staff members participate in cash collection, disbursement, and reconciliation activities. Cash balances totaled \$559,206 at June 30, 2015. We performed procedures to reconcile cash transactions to the Board's general ledger, evaluated the segregation of duties between Board staff, and confirmed the timely preparation of bank account reconciliations. No exceptions were noted.

Credit Cards

The Board has one credit card and one debit card associated with its operating cash account that are used by the director, office manager, and staff accountant for travel, small purchases, and supplies. We traced selected credit card and debit card purchases to supporting documentation and evaluated compliance with laws and regulations. We further confirmed the timely review of credit card statements. No exceptions were noted.

Travel Expenses

Travel expenses include reimbursement for board members to attend meetings, as well as conferences and exam travel for the board members. Travel expenses also include mileage and travel reimbursements for the enforcement officers and the director when they are out in the field

visiting work locations or inspecting allegations. Travel expenses are also reimbursed for any conferences or meetings the director may attend related to the Board. Travel expenses totaled \$31,452 for the year ended June 30, 2015. We traced travel expense reimbursements to supporting documentation and evaluated compliance with laws and regulations. No exceptions were noted.

Contracts

The Board contracted for the performance of consulting services regarding management, organization, regulatory compliance, and updating handbooks and policies of the Board in fiscal year 2015. The contract expenditures totaled \$3,175 for the year ended June 30, 2015. We traced selected contract payments to contract terms and evaluated compliance with laws and regulations. No exceptions were noted.

Payroll and Personnel

Approximately 57% of the Board's expenditures relate to payroll costs. Board personnel include the director, an office manager, a staff accountant, two office workers, a part-time worker, and nine enforcement officers. We traced selected employees' salaries to contract terms or pay structure, evaluated controls over time and attendance records and evaluated termination payments. Inadequate controls over employee benefits were reported. See Current-year Findings mentioned previously in this report.

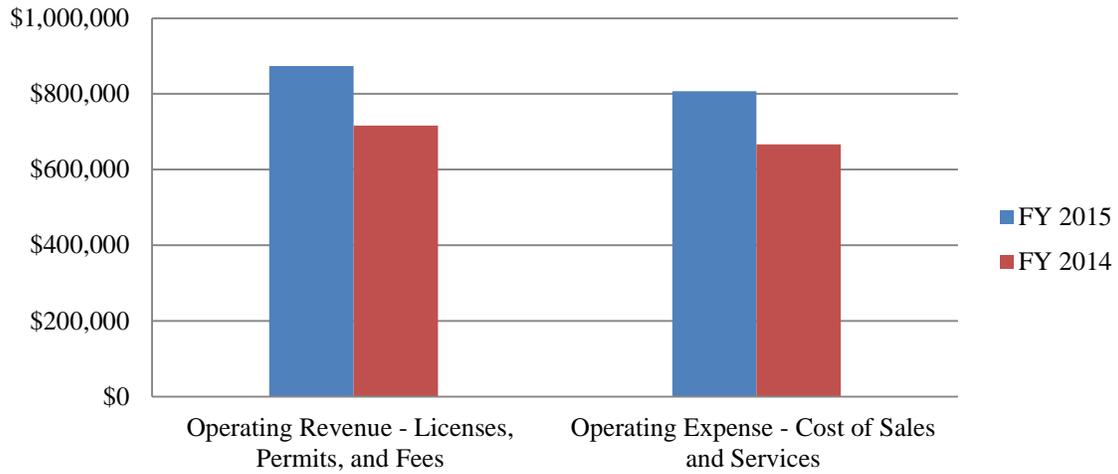
Budget

The Board annually adopts a budget by majority vote of its board of directors. The budget for the year ended June 30, 2015, was approximately 5% lower for expenditures than the previous year actuals because of timing differences related to the Other Postemployment Benefits amounts that were not received in time for the fiscal year 2015 budget preparation. We confirmed the adoption of the Board's budget and evaluated variances greater than 10% between budgeted amounts and actual revenues and expenditures for reasonableness. Both the revenues (19%) and expenditures (27%) had variances greater than 10% due to the new continuing education service that the Board began to offer in fiscal year 2015. This service was not included at the time of the budget preparation and adoption, as the Board was not given the responsibility to perform the service until a later date. No exceptions were noted.

Comparison of Activity between Years

We compared the most current and prior-year financial activity using the Board's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances.

**Comparison of the Board’s Financial Activity,
by Fiscal Year**



Note: FY14 Operating Revenue - Other is \$21,142 and for FY15 it is \$7,545. FY14 Operating Expense - Depreciation is \$6,101 and for FY15 it is \$5,450.

Source: Revenue and Expense amounts obtained from the fiscal year 2015 and fiscal year 2014 Annual Financial Reports for the State Plumbing Board of Louisiana

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

APPENDIX A: MANAGEMENT'S RESPONSE



STATE PLUMBING BOARD OF LOUISIANA

*"From Hospital to Home, Your Health Depends on Proper Plumbing
— A Cornerstone of Public Health"*

Board Members:

September 28, 2015

James C. Finley
Chairman
New Orleans

Mr. Daryl G. Purpera, CPA, CFE, Legislative Auditor
Louisiana Legislative Auditor

Kelly Craft
Vice Chairman
Lake Charles

RE: State Plumbing Board of Louisiana 2014-2015 Fiscal Audit

Rickey Fabra
Secretary/Treasurer
Metairie

Dear Mr. Pupera:

The State Plumbing Board of Louisiana is in receipt of the *Inadequate Controls over Employee Benefits* finding. The department respects the role of the Louisiana Legislative Auditors and concurs with the individual finding for inaccuracies for a portion of accrued leave balances for the fiscal year of 2015 and the inaccurate contributions to the Louisiana State Employees' Retirement System (LASERS).

Randall McGee
Pineville

Keith Bienvenu
Harahan

Upon the resignation of the employee responsible for maintaining leave balances and retirement contributions, the board internally found the administrative errors and immediately recalculated leave, made corrections and on its on merit requested an audit from the Louisiana State Employees' Retirement System resulting in contribution underpayments.

Gerald LaCour
Alexandria

Larry Reiling
Covington

The State Plumbing Board of Louisiana made corrective actions on both records of leave and retirement contributions by implementing internal controls on January 26th, 2015. The internal policy defines that the accounting position will still hold responsibility for the calculations but will need to submit calculations to the office manager for signed approval before submission. To date the internal controls put into place have proven effective.

Carl Bourgeois
Gonzales

John Barker
Executive Director
Baton Rouge

In addition, the board has reported the personnel file being taken by its former employee to local law enforcement, (file# 15-7992). This matter remains with their agency.

Sincerely,

John F. Barker
Executive Director

APPENDIX B: SCOPE AND METHODOLOGY

We conducted certain procedures at the State Plumbing Board of Louisiana (Board) for the period from July 1, 2014, through June 30, 2015. Our objective was to evaluate certain internal controls the Board uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. The scope of our procedures, which are summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. We did not audit or review the Board's Annual Fiscal Report, and, accordingly, we do not express an opinion on that report. The Board's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated the Board's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Board.
- Based on the documentation of the Board's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to cash, credit cards, travel expenses, contracts, payroll, and budget.
- We compared the most current and prior-year financial activity using the Board's annual fiscal reports and/or system-generated reports and obtained explanations from the Board's management for any significant variances.

The purpose of this report is solely to describe the scope of our work at the Board and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be and should not be used for any other purpose.