

DEPARTMENT OF WILDLIFE AND FISHERIES
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED MARCH 13, 2013

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES**
PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, 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 is 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 \$4.17. 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 website at www.la.la.gov. When contacting the office, you may refer to Agency ID No. 3361 or Report ID No. 80120043 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.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

February 28, 2013

**DEPARTMENT OF WILDLIFE AND FISHERIES
STATE OF LOUISIANA**

Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our Single Audit of the State of Louisiana for the year ended June 30, 2012, we conducted certain procedures at the Department of Wildlife and Fisheries (LDWF) for the period from July 1, 2010, through June 30, 2012.

- Our auditors obtained and documented a basic understanding of LDWF's operations and system of internal controls, including controls over major federal programs administered by LDWF, through inquiry, observation, and review of its policies and procedures documentation, including a review of the laws and regulations applicable to LDWF.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using LDWF's annual fiscal report and/or system-generated reports and obtained explanations from LDWF management for any significant variances. In addition, our auditors scheduled the split of expenditures between the various offices of LDWF for the fiscal year ended June 30, 2012, for informational purposes.
- Our auditors reviewed the status of the findings identified in the prior year management letter, dated July 6, 2010. The prior year findings relating to noncompliance with federal and state equipment management regulations and noncompliance with procurement, suspension, and debarment compliance requirement have been resolved.
- Based on the documentation of LDWF's controls, our understanding of related laws and regulations, and the results of our analytical procedures, additional procedures were performed on LDWF's revenues and receivables.
- Our auditors performed internal control and compliance testing in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133 on the federal Research and Development Cluster for the fiscal year ended June 30, 2012, as a part of the Single Audit for the State of Louisiana.

- Our auditors performed procedures to evaluate the department's administration of funding provided by BP Exploration and Production, Inc., in response to the Deepwater Horizon oil rig explosion for the seafood marketing, seafood safety testing, and fisheries monitoring programs. We also scheduled the activity of the Seafood Marketing Program administered by the Louisiana Seafood Promotion and Marketing Board for informational purposes.

Based on the application of these procedures, all significant findings are included in this report for management's consideration. We found no other issues as a result of our procedures that were determined significant enough to require disclosure in this report.

While we did not perform an audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we did perform certain procedures related to compliance with federal laws and regulations in accordance with those standards.

The annual fiscal reports of LDWF were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. LDWF's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

The following significant finding is included in this report for management's consideration.

Inadequate Controls over Revenues

LDWF has not adequately separated the collection and deposit functions for certain revenues, which has placed some of its employees in the position to be able to perpetrate and conceal errors or fraud without being detected. In addition, LDWF is not tracking or monitoring certain outstanding receivables to ensure proper collection and reporting in its annual fiscal report.

In an evaluation of controls over revenues for the Public Oyster Seed Ground Development Account, the Artificial Reef Fund, and rentals on land, we found that the same LDWF personnel responsible for invoicing companies for amounts due are also responsible for collecting outstanding balances and remitting payments to LDWF's revenue division for deposit. Although no instances of fraud were found from our limited tests, LDWF management is not performing an effective supervisory review to ensure that all companies are accurately invoiced and that amounts received are deposited.

In addition, we noted one billing dated April 1, 2011, for \$1,012,439 that was not collected until September 13, 2011, and was not reported in the LDWF annual fiscal report, resulting in an understatement of revenues and receivables. This error may have been detected and corrected had management adequately monitored and tracked its outstanding receivables.

These deficiencies exist because management does not have formal written procedures over the invoicing and collection of these revenues and has not placed sufficient emphasis on the establishment of effective internal control. The absence of adequate

controls and written policies and procedures increases the risk that employees will not perform duties in accordance with management's intentions. Failure to properly segregate duties and monitor the billing and collection of receivables increases the risk that errors and/or fraud could occur and not be prevented or detected. Failure to track and monitor outstanding receivable balances increases the risk that amounts due to the state will not be collected and financial statements could be misstated.

Management should establish formal written policies and procedures that provide for proper segregation of duties, supervisory review, and tracking and monitoring outstanding receivables for collection and reporting. Management concurred in part with the finding and outlined a plan of corrective action.

Additional Comments: Management's response explains that LDWF does not agree that the April 1, 2012, billing should have been recorded as a receivable in the AFR because the compensation amount cannot be reliably measured and companies have the option to place clutch material on the impacted water bottoms in lieu of payment. We believe that receivables are effectively established and should be recorded when companies are initially billed for damages incurred by the state. Furthermore, we contend that the different options provided to companies to liquidate receivables do not impact the establishment and reporting of such receivables that exist at year-end.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LDWF. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LDWF should be considered in reaching decisions on courses of action.

BP Monies to Louisiana Seafood Promotion and Marketing Board

The Louisiana Seafood Promotion and Marketing Board was created in 1984 by the Louisiana Legislature to aid the seafood industry in two vital aspects: product promotion and marketing development. On April 20, 2010, BP's Deepwater Horizon oil rig experienced an explosion, fire, and subsequent sinking in the Gulf of Mexico, resulting in an unprecedented spill of oil into the Gulf of Mexico along the Louisiana coast. In response to the oil spill's significant impact on Louisiana's seafood and tourism industries, BP entered into a memorandum of understanding (MOU) on November 18, 2010, with the LDWF and the Office of Lieutenant Governor to provide \$78 million to fund a Seafood Safety Testing Program for \$18 million, a Seafood Marketing Program for \$30 million, and a Tourism Program for \$30 million. LDWF agreed to develop and implement the Seafood Safety Testing Program. LDWF and BP agreed that the Louisiana Seafood Promotion and Marketing Board would develop and implement the Seafood Marketing Program. The Office of Lieutenant Governor agreed to develop and implement the Tourism Program.

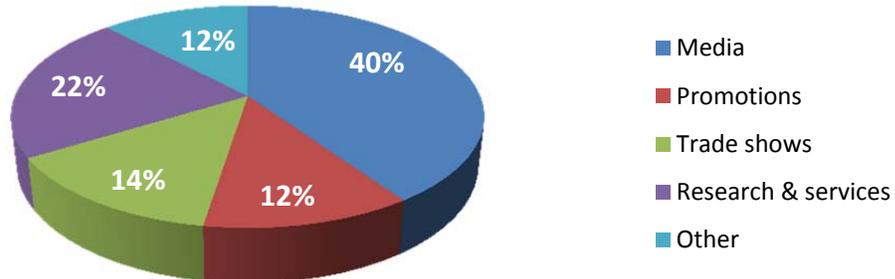
A separate informational report has been issued on the MOU between the Department of Wildlife and Fisheries, the Office of Lieutenant Governor, and BP Exploration and Production, Inc., which includes a matter for legislative consideration and managements’ responses. That report can be accessed on the Louisiana Legislative Auditor’s website at <http://www.la.gov/about/services/>.

We reviewed the use of BP funds for the Seafood Marketing Program. As of June 30, 2012, program expenditures total \$5,699,081 as detailed below.

Exhibit 1
Seafood Marketing Program
Expenditures by Category
July 1, 2010 - June 30, 2012
(Unaudited)

Seafood Marketing Campaign	\$4,176,045
Professional services contracts	635,011
Direct advertising	429,845
Event sponsorships	228,650
Travel	104,535
Salaries and related benefits	72,508
Promotional materials and supplies	50,937
Other	<u>1,550</u>
Total	<u><u>\$5,699,081</u></u>

Seafood Marketing Campaign -
Distribution of Funds as of June 30, 2012
(Unaudited)



Media: Purchases of advertising and the cost of producing advertising, including radio and television spots and sponsorship advertising.

Promotions: Costs associated with consumer events such as the WWL Fitness Challenge, Chef's Council, and the Seafood Stakeholders Summit.

Trade shows: Costs associated with setting up, presenting, maintaining, and repairing booths at trade shows and other events to advertise and promote the sale of Louisiana seafood.

Research and services: Costs associated with industry, consumer, and trade research, project management, strategic planning, and the evaluation of advertising proposals and offers.

This letter is intended solely for the information and use of LDWF and its management, others within LDWF, 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 distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

MMG:ETM:BQD:THC:dl

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendation



BOBBY JINDAL
GOVERNOR

State of Louisiana
DEPARTMENT OF WILDLIFE AND FISHERIES
OFFICE OF SECRETARY

ROBERT J. BARHAM
SECRETARY

December 12, 2012

Daryl Purpera, CPA, CFE
Director
Louisiana Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Inadequate Controls over Revenues

Dear Mr. Purpera:

This letter is in response to the above mentioned audit finding. We concur in part with your findings.

Standard Operating Procedures for Public Oyster Seed Ground Development invoicing and collection of outstanding balances have been developed. These procedures were effective June 27, 2012. The new procedures facilitate both supervisory review and adequate separation of duties. Once compensation has passed final review, it is forwarded to LDWF Revenue Section for invoicing. Payment is no longer sent to Program staff but to the Revenue Division. The Biologist Manager will review activity periodically to ensure that procedures are followed. Scott Longman, Administrator, is responsible for this corrective action.

New Standard Operating Procedures for controls over revenue for the Artificial Reef Fund and rentals on land are being developed and will be effective immediately upon completion. The new procedures will require adequate separation of duties as well as supervisory review. Anticipated completion date for the new procedures is January 1, 2013. Jason Duet, Biologist Director, is responsible for the Artificial Reef Fund corrective action, while Mike Windham, Biologist Director, is responsible for the rentals on land corrective action.

Noted in your finding was one billing dated April 1, 2011 that was not collected until September 13, 2011, and it was not reported in the AFR. This references a Public Oyster Seed Ground Development collection. LDWF has not reported uncollected Public Oyster Seed Ground Development funds in the AFR and we do not concur that this is in error.

The Secretary is charged with protecting the oyster reefs of the state, and to see that the oysters, cultch and other material improvements are efficiently protected from trespass or injury. Ultimately, the Secretary must make the final determination of the actual damage done to the seed grounds and the

amount owed to the department, taking into account all data submitted, including that provided by the permittee.

R.S. 56:434.1(B) states, in part, "The secretary is authorized to accept and receive funds or material as compensation for impacts associated with activities occurring on or over the public oyster seed grounds, seed reservations, and tonging areas."

Companies always maintain the option to either monetarily compensate the State for damages to public oyster seed grounds or take corrective action by placing cultch material on the impacted water bottoms. An agreement on the manner of compensation and the final compensation amount can sometimes span lengthy periods of time and the amount owed can change vastly from the initial assessment to the final amount agreed upon.

Consequently, the compensation amount cannot be reliably measured as multiple factors determine the final amount. In addition, gross overstatement of receivables would occur whenever companies choose to place cultch material in lieu of monetary compensation. In the case of the billing noted in your finding, my letter dated August 25, 2011 to the company detailed an agreed upon amount owed. Payment was received shortly thereafter. On August 25th, the company still had the option to place cultch material rather than pay monetarily.

We appreciate the opportunity to respond as well as the opportunity this provides us to improve our accounting practices and internal controls.

Sincerely,



Robert J. Barham
Secretary

Cc: Lois Azzarello, Undersecretary
Randy Pausina, Assistant Secretary of Fisheries
Cathy Lockett, Chief Fiscal Officer
Patrick Bateman, Internal Auditor
Edward Martin, CPA