

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Louisiana Dairy Industry Promotion Board  
Department of Agriculture and Forestry  
State of Louisiana  
Baton Rouge, Louisiana

December 16, 1997



*Financial and Compliance Audit Division*

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*Daniel G. Kyle, Ph.D., CPA, CFE*  
*Legislative Auditor*

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**Daniel G. Kyle, Ph.D., CPA, CFE**

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**LOUISIANA DAIRY INDUSTRY PROMOTION BOARD**  
**DEPARTMENT OF AGRICULTURE AND FORESTRY**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

General Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 1987  
With Supplemental Information Schedule

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.

December 16, 1987

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
 DEPARTMENT OF AGRICULTURE AND FORESTRY  
 STATE OF LOUISIANA

General Purpose Financial Statements  
 and Legislative Auditor's Independent Reports  
 As of and for the Year Ended June 30, 1997  
 With Supplemental Information Schedule

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LEGISLATIVE AUDITOR

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA

Audit Report, June 30, 1997

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedule listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Louisiana Dairy Industry Promotion Board. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

MMG:THC:eds

6/2/97

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
 DEPARTMENT OF AGRICULTURE AND FORESTRY  
 STATE OF LOUISIANA  
 GOVERNMENTAL FUND - GENERAL FUND

Balance Sheet, June 30, 1997

**ASSETS**

Cash (note 2)	\$220,123
Investments (note 3)	100,079
Receivable - fees and self-generated revenues	<u>61,007</u>
<b>TOTAL ASSETS</b>	<u><b>\$381,209</b></u>

**LIABILITIES AND FUND EQUITY**

Liabilities - accounts payable	\$153,370
Fund Equity - fund balance - unreserved - undesignated	<u>228,400</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$381,770</b></u>

The accompanying notes are an integral part of this statement.

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
 DEPARTMENT OF AGRICULTURE AND FORESTRY  
 STATE OF LOUISIANA  
 GOVERNMENTAL FUND - GENERAL FUND

Statement of Revenues, Expenditures, and  
 Changes in Fund Balance - Budget (GAAP  
 Basis) and Actual  
 For the Year Ended June 30, 1997

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Assessments	\$680,800	\$786,888	(\$113,114)
Use of money and property - interest earnings	16,800	7,725	(7,875)
Miscellaneous	3,800	8,242	2,180
Total revenues	<u>698,400</u>	<u>698,293</u>	<u>(18,247)</u>
<b>EXPENDITURES</b>			
Travel	5,400	7,760	1,620
Operating services	1,750	248	604
Supplies	300	2,898	(1,798)
Professional services	1,800		1,800
Other charges:			
Advertising	650,800	695,817	(45,977)
Promotion supplies	86,800	83,214	13,326
Administrative services (note 7)	26,800	27,241	(1,241)
Total expenditures	<u>786,250</u>	<u>626,719</u>	<u>159,485</u>
<b>EXCESS (Deficiency) Of REVENUES OVER EXPENDITURES</b>	23,200	(26,460)	(49,715)
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>255,823</u>	<u>255,823</u>	<u>None</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$280,173</u>	<u>\$229,463</u>	<u>\$49,715</u>

The accompanying notes are an integral part of this statement.

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA

Notes to the Financial Statements  
As of and for the Year Ended June 30, 1997

**INTRODUCTION**

The Louisiana Dairy Industry Promotion Board is a component unit of the State of Louisiana created within the Louisiana Department of Agriculture and Forestry, as provided by Louisiana Revised Statute (R.S.) 3:537.1-12. The board consists of nine members, eight of whom are appointed by the Commissioner of Agriculture and Forestry. These eight members represent three geographical areas of the state and are selected by the commissioner from a slate of candidates proposed by the Louisiana Farm Bureau Federation and by dairy cooperatives having a membership of at least 25 producers. The ninth member is the Commissioner of Agriculture and Forestry, who serves as ex-officio with all rights, duties, and privileges of the other members. There are eight alternates appointed by the Commissioner of Agriculture and Forestry who serve in the absence of the appointed members. All board members and alternates serve terms concurrent with the commissioner and receive \$40 per diem for attending board meetings and other official business of the board.

The board is charged with the responsibility of promoting knowledge of the health giving qualities and dietary values of milk and other dairy products and effectively promoting the consumption of Louisiana milk and other Louisiana dairy products to assure a sufficient quantity of such products for Louisiana consumers. The board does not use a brand name in promoting the consumption of Louisiana milk and other dairy products. The board has no employees. Operations of the board are funded entirely with self-generated revenues. All funds collected by the board are used for operational and promotional purposes and not for the influencing of government policy or actions. All collection and administrative functions of the board are performed by personnel of the Louisiana Department of Agriculture and Forestry. The board reimburses the department for these services.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards.

**B. REPORTING ENTITY**

GASB Codification Section 2100 defines the governmental reporting entity to be the State of Louisiana. The board is considered to be a component unit of the State of Louisiana because the state exercises oversight responsibility in that the commissioner



LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

appoints the board members and public service is rendered within the state's boundaries. The accompanying financial statements present information on the transactions of the Louisiana Dairy Industry Promotion Board, a component unit of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements which include the activity contained in the accompanying financial statements.

**C. FUND ACCOUNTING**

The board uses a fund (General Fund) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

The operations of the General Fund are accounted for with a set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. The General Fund is the general operating fund of the board and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. General operating expenditures are paid from this fund.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement of this fund presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the General Fund.

The board uses the following practices in recording revenues and expenditures:

**Revenues**

Assessments are recorded when they become both measurable and available to finance expenditures of the current period, generally considered 45 days after the end of the fiscal year. Interest and miscellaneous income are recorded when received.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA**

**Notes to the Financial Statements (Continued)**

**E. BUDGET PRACTICES**

The board adopted an annual budget that was submitted to the Department of Agriculture and Forestry for the 1990-97 fiscal year on June 11, 1990.

The annual budget is prepared and reported on the modified accrual basis of accounting. The budget is adopted on an object basis. The board does not recognize or record encumbrances in its budgetary practices. Formal budgetary integration is employed as a management control device during the year. Budgeted amounts included in the accompanying financial statements represent the final amended budget.

**F. CASH AND INVESTMENTS**

Cash includes interest-bearing demand deposits. 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. Furthermore, the board may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal offices in 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. However, if funds are determined to be available for investment for a period of time less than 90 days, the board is authorized to invest such funds in direct United States Treasury obligations that mature not more than 90 days after the date of purchase. The board invested in mutual funds (Automated Government Money Trust), which is not an authorized investment.

**G. GENERAL FIXED ASSETS AND  
LONG-TERM OBLIGATIONS**

The board has no fixed assets or long-term obligations at June 30, 1997.

**H. COMPENSATED ABSENCES, PENSION  
BENEFITS, AND POSTRETIREMENT  
HEALTH CARE AND LIFE INSURANCE  
BENEFITS**

The board has no full-time employees. The board pays a portion of the salary of an employee of the Department of Agriculture and Forestry for accounting services. Therefore, there are no compensated absences, pension benefits, or postretirement benefits provided by the board.

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
Notes to the Financial Statements (Continued)

2. CASH

At June 30, 1997, the board has cash in demand accounts (bank balances) totaling \$220,123. Under state law, these deposits (or the resulting bank balances) 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. At June 30, 1997, the board has \$298,382 in deposits (collected bank balances). These deposits are secured from risk by \$180,000 of federal deposit insurance (GAAP Category 1) and \$138,382 of pledged securities. These securities are held in the name of the pledging fiscal agent bank at the Federal Reserve Bank in the form of safekeeping receipts held by the state treasurer (GAAP Risk Category 2).

3. INVESTMENTS

As reflected on Statement A, the board has investments of \$108,670 at June 30, 1997, as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Investments not categorized - mutual funds - government securities	<u>\$108,670</u>	<u>\$108,670</u>

The mutual fund investments (Automated Government Money Trust Fund) consist of United States Treasury notes and United States Treasury obligations bought under repurchase agreements. The mutual funds are not classified as to category of credit risk because this is not required by GAAP Codification Section 50.105.

4. LEASE OBLIGATIONS

The board has no capital or operating lease commitments at June 30, 1997.

5. LITIGATION AND CLAIMS

There is no litigation pending against the board at June 30, 1997.

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA

Notes to the Financial Statements (Continued)

6. SUBSEQUENT EVENTS

There were no subsequent events that would affect the board's financial statements.

7. ADMINISTRATIVE SERVICES

As shown on Statement 8, the board incurred administrative services totaling \$37,341 in payments to the Department of Agriculture and Forestry for the year ended June 30, 1997. Those payments included \$26,341 pursuant to P.L.S. 3:557.7(B) for administering and collecting assessments on the sale of milk and milk products and \$11,000 for part-time staff as authorized by the board.

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULE  
For the Year Ended June 30, 1997

**PER DIEM PAID BOARD MEMBERS AND ALTERNATES**

The schedule of per diem paid board members and alternates was prepared in compliance with House Concurrent Resolution No. 46 of the 1979 Session of the Louisiana Legislature.

Per diem payments are authorized by Louisiana Revised Statute 3:307.4 and are included in the travel expenditures of the General Fund. Board members and alternates are paid \$40 per day for each day spent in actual attendance of meetings of the board or meetings of duly appointed committees or subcommittees.

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
 DEPARTMENT OF AGRICULTURE AND FORESTRY  
 STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members and Alternates  
 For the Year Ended June 30, 1997

	<u>NUMBER</u>	<u>AMOUNT</u>
Lenny Conroy	4	\$100
Roy Ingraffia	3	120
Ed Joiner, Alternate	1	40
Carl Ryzer	2	80
B.H. Jacobee, Alternate	1	40
C.W. Lee, Jr., Alternate	1	40
Daniel Lyons	3	120
Bryan Mitchell	3	120
Eugene Robertson	3	120
James Rogers	4	160
Jerry Simpson, Alternate	1	40
Philip Towne	3	120
		<hr/>
Total		<u>\$1,160</u>

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



OFFICE OF  
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December 3, 1997

Report on Compliance and on Internal Control Over  
Financial Reporting Related to an Audit of the Financial Statements  
Performed in Accordance With Government Auditing Standards

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the Louisiana Dairy Industry Promotion Board, a component unit of the State of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated December 3, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Louisiana Dairy Industry Promotion Board's general purpose financial statements are free of 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. The results of our tests disclosed the following instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the following paragraph:

**Improper Investment in Mutual Fund**

The Louisiana Dairy Industry Promotion Board invested in a mutual fund in violation of state law. Louisiana Revised Statute (R.S.) 49:327(C) requires boards to invest monies under their control in time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal office in the State of Louisiana, in savings accounts or in shares of savings and loan associations and savings banks as defined by R.S. 6:703(15) and (16), or in share accounts and share certificate accounts of federally or state chartered credit unions. Boards are also authorized to invest funds in direct United States Treasury obligations that mature not more than 20 days after the date of purchase. At June 30, 1997, the board has



LEGISLATIVE AUDITOR

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA

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December 3, 1987  
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approximately \$188,870 invested in the Automated Government Money Trust, which is not an authorized investment under R.S. 48:327(C).

The board should invest its monies in accordance with state law. In a written response dated September 26, 1987, Mr. Skip Pflieger, Acting Assistant Commissioner, stated the board concurs in part with this finding. The Department of Agriculture and Forestry, who invests the funds of the board, was trying to maximize the return on the taxpayers' dollar and was not aware that state departments and boards were unauthorized to invest in a mutual fund. The commissioner will try to amend the statute to allow state departments and boards to invest in mutual funds.

The results of our tests also disclosed the following instance of noncompliance that, although not material to the financial statements, is required to be reported herein under Government Auditing Standards.

**State Law Not Followed in Awarding  
of Consulting Contract**

The Louisiana Dairy Industry Promotion Board failed to follow state statutes in awarding a consulting service contract totaling \$88,500. R.S. 39:1502(A) provides that a contract is neither valid nor will the state be bound by a contract until it is first approved in writing by the director of Office of Contractual Review (OCR). R.S. 39:1499(2) states that contracts for consulting services that have a total maximum compensation of \$50,000 or more shall be awarded through a request for proposal process under rules and regulations issued by OCR. Furthermore, R.S. 39:1500 states that adequate public notice of the request for proposals shall be given by advertising in the official journal of the state at least once a week for three different weeks.

The board did not award the consulting services contract through a request for proposal process and did not obtain the required written approval of the contract from OCR. Management of the board was not aware that these statutes and OCR rules and regulations applied to this contract. Failure to award and approve consulting service contracts as required by state statute and OCR rules and regulations increases the risk that the board will not receive the best service at the most affordable cost.

The board should obtain the approval of OCR for all consulting service contracts and should follow applicable state statutes and OCR rules and regulations for awarding contracts. In a written response dated December 3, 1987, Mr. Bryce Malone, Assistant Commissioner of Marketing, stated that the board concurs in part with the finding. The board is currently seeking approval from OCR for the remainder of the 1988 contract.

LEGISLATIVE AUDITOR

LOUISIANA DAIRY INDUSTRY PROMOTION BOARD  
DEPARTMENT OF AGRICULTURE AND FORESTRY  
STATE OF LOUISIANA  
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However, it is Mr. Maloney's belief that the vendor is the only USDA approved and qualified organization that can provide these services and expertise in Louisiana.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Louisiana Dairy Industry Promotion Board's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the board and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

BHHC:THC:ada

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