

**LOUISIANA PILOTAGE FEE COMMISSION**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

# LOUISIANA PILOTAGE FEE COMMISSION

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## Independent Auditor's Report

To the Board of Commissioners  
Louisiana Pilotage Fee Commission  
Baton Rouge, Louisiana

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and the General Fund of the Louisiana Pilotage Fee Commission (the Commission) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund (the General Fund) of the Louisiana Pilotage Fee Commission as of June 30, 2023, and the respective changes in financial position of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibility of Management for the Audit of the Financial Statements***

The Commission's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 and budgetary comparison information on page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary information listed in the table of contents as Schedules 2 and 3 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules 2 and 3 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules 2 and 3 are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2023, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

Denham Springs, Louisiana  
December 18, 2023

# LOUISIANA PILOTAGE FEE COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2023

Louisiana Pilotage Fee Commission (the "Commission") is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with the Commission's financial statements and footnotes, which follow this section.

### **Financial Highlights**

- Total assets were \$131,374 as of June 30, 2023. The Commission had liabilities totaling \$51,269 resulting in net position of \$80,105.
- The majority of total assets (62.46%) was composed of Cash and Cash Equivalents.

### **Overview of Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of the Commission's financial condition and performance.

The financial statements report information on the Commission using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the nature and amount of the Commission's resources and obligations at year-end and provides a basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

The Statement of Activities accounts for the revenues and expenses for the fiscal year and provides information on how net position changed during the year. This statement measures the success of the Commission's operations in a format that can be used to determine if the Commission has recovered its costs through self-generated revenues and other income.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the Commission's accounting policies, significant account balances, and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes comparative budget schedules, key information schedules on operations of the Commission, and schedules detailing any findings and management's response.

## Financial Analysis

The purpose of financial analysis is to help determine whether the Commission is better off due to the current year's activities. In this analysis, data from the basic financial statements, the Statement of Net Position and the Statement of Activities, are presented below. These statements report the net position, the difference between assets and liabilities, and the change in net position, which provides information for indicating the financial condition of the Commission. The information for the prior year is included for comparative purposes.

### Statement of Net Position

	Governmental Activities	
	June 30, 2023	June 30, 2022
<b><u>ASSETS</u></b>		
Cash and Cash Equivalents	\$ 82,059	\$ 173,004
Accounts Receivable	47,745	43,160
Capital Assets (Net of Accumulated Depreciation)	1,570	2,147
Total Assets	<u>\$ 131,374</u>	<u>\$ 218,311</u>
<b><u>LIABILITIES</u></b>		
Accrued Liabilities	\$ 23,358	\$ 10,756
Long-Term Liabilities:		
Due Within One Year	6,978	6,709
Due in More than One Year	20,933	20,128
Total Liabilities	<u>51,269</u>	<u>37,593</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	1,570	2,147
Unrestricted	78,535	178,571
Total Net Position	<u>80,105</u>	<u>180,718</u>
Total Liabilities and Net Position	<u>\$ 131,374</u>	<u>\$ 218,311</u>

- This Commission's assets exceeded its liabilities by \$80,105 for the current year.
- For the year ended June 30, 2023, unrestricted net position of \$78,535 represents the portion available to maintain the Commission's obligation to both citizens and creditors.

## Statement of Activities

	Governmental Activities	
	June 30, 2023	June 30, 2022
<b>General Revenues:</b>		
Self-Generated	\$ 591,825	\$ 458,556
Interest and Other Income	26	2
	591,851	458,558
<b>Expenses:</b>		
General Government	692,464	487,287
	(100,613)	(28,729)
<b>Net Position - Beginning of the Year</b>	180,718	209,447
<b>Net Position - End of the Year</b>	\$ 80,105	\$ 180,718

Total general revenues increased \$133,293 (29.07%), reflecting a 29.06% increase in surcharge fees collected over this period in FY 2022. Surcharge fees are based on ship traffic and ship traffic was up in the current year as compared to the prior year. Also, surcharge fee remained consistent for the current year. Total expenses increased \$205,177 (42.10%), from FY 2022 due to the current year increased costs for professional services connected with pending rate cases and regulatory matters. Overall, the Commission's change in net position was (\$80,105) for the year, which represents an decrease of (\$100,613) from the prior year.

### General Fund Budgetary Highlights

The actual revenues were \$93,616 greater than the budgeted amount for the year. Expenses were \$203,483 more than the budgeted amount for the year, due principally to net professional services being significantly more than initially budgeted.

### Economic Factors and Next Year's Budget

The primary source of revenue for the Commission during the year ended June 30, 2023 was proceeds from a dedicated surcharge paid by customers of pilotage services in Louisiana; namely, foreign flag vessels entering state waters via the Mississippi and Calcasieu rivers. This surcharge is established though state law (LA. R.S. 34:1122(B)(3)). The amount of this surcharge is adjusted annually by the Commission at the annual Budget Hearing, according to projections based on the total amount of surcharge revenue collected during the prior calendar year.

These revenues are considered available if they are collected within 60 days after year-end.

### Contacting the Commission

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the Commission at 8550 United Plaza Blvd., United Plaza, Suite 702, Baton Rouge, Louisiana 70809.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

## LOUISIANA PILOTAGE FEE COMMISSION

STATEMENT OF NET POSITION

AS OF JUNE 30, 2023

ASSETS

Cash and Cash Equivalents	\$ 82,059
Accounts Receivable	47,745
Capital Assets (Net of Accumulated Depreciation)	<u>1,570</u>
Total Assets	<u><u>\$ 131,374</u></u>

LIABILITIES

Accrued Liabilities	\$ 23,358
Long-Term Liabilities:	
Due Within One Year	6,978
Due in More than One Year	<u>20,933</u>
Total Liabilities	51,269

NET POSITION

Net Investment in Capital Assets	1,570
Unrestricted	<u>78,535</u>
Total Net Position	<u>80,105</u>
Total Liabilities and Net Position	<u><u>\$ 131,374</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

## LOUISIANA PILOTAGE FEE COMMISSION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total Governmental Activities Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<b>FUNCTIONS/PROGRAMS</b>				
Governmental Activities:				
General Government	<u>\$ 692,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (692,464)</u>
Total Governmental Activities	<u><u>\$ 692,464</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>(692,464)</u>
<b>General Revenues:</b>				
Self-Generated				591,825
Interest and Other Income				<u>26</u>
Total General Revenues				<u>591,851</u>
Change in Net Position				(100,613)
<b>Net Position - Beginning of Year</b>				<u>180,718</u>
<b>Net Position - End of Year</b>				<u><u>\$ 80,105</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

## LOUISIANA PILOTAGE FEE COMMISSION

BALANCE SHEET -  
GOVERNMENTAL FUND

AS OF JUNE 30, 2023

ASSETS

Cash and Cash Equivalents	\$ 82,059
Accounts Receivable	47,745
Total Assets	<u>\$ 129,804</u>

LIABILITIES AND FUND BALANCE**Liabilities:**

Accrued Liabilities	<u>\$ 23,358</u>
Total Liabilities	23,358

**Fund Balance:**

Unassigned	<u>106,446</u>
Total Fund Balance	<u>106,446</u>
Total Liabilities and Fund Balance	<u>\$ 129,804</u>

The accompanying notes to the financial statements are an integral part of this statement.

**LOUISIANA PILOTAGE FEE COMMISSION**

**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**

AS OF JUNE 30, 2023

Total Fund Balance - Governmental Fund	\$ 106,446
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Cost of Capital Assets	6,734
Less: Accumulated Depreciation	<u>(5,164)</u>
	1,570
<p>Long-Term Liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds:</p>	
Compensated Absences	<u>(27,911)</u>
Net Position - Governmental Activities	<u><u>\$ 80,105</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

## LOUISIANA PILOTAGE FEE COMMISSION

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

**Revenues:**

## Local Sources:

Self-Generated	\$ 591,825
Interest Earnings and Other Income	26
Total Revenues	591,851

**Expenditures:**

## General Government:

Salaries and Allowances	274,722
Payroll Taxes	18,620
Employee Benefits	3,606
Hearing Expense	4,167
Insurance	1,252
Professional	346,009
Medical	13,475
Miscellaneous	716
Office Supplies	1,438
Payroll Services	2,141
Per Diem	2,100
Postage	459
Printing	667
Business Licenses and Permits	1,038
Dues and Subscriptions	180
Rent Expense	15,175
Telephone	3,269
Travel	1,779
Total Expenditures	690,813
Excess (Deficiency) of Revenues Over Expenditures	(98,962)

<b>Fund Balance at Beginning of Year</b>	<b>205,408</b>
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<b>Fund Balance at End of Year</b>	<b>\$ 106,446</b>
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The accompanying notes to the financial statements are an integral part of this statement.

**LOUISIANA PILOTAGE FEE COMMISSION**

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE  
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

Total Net Change in Fund Balance - Governmental Fund	\$ (98,962)
<p>Amounts Reported for Governmental Activities in the Statement of Activities are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Depreciation Expense	(577)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.</p>	
Increase in Compensated Absences Payable	<u>(1,074)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (100,613)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.



# LOUISIANA PILOTAGE FEE COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

### INTRODUCTION

The Louisiana Pilotage Fee Commission (the “Commission”) was created by Act. No. 902 of the Louisiana 2004 Regular Session of the Legislature, effective January 1, 2005, to establish pilotage fees. The Commission consists of eleven members and seven alternates appointed by the governor as follows:

- i. Four members and four alternates to represent the industry.
- ii. Four members and three alternates to represent the associations all designated by the board of directors of the four pilot associations.
- iii. Three at-large members, and one alternate at-large.

Appointees shall be residents of the state of Louisiana and shall serve terms concurrent with that of the governor appointing them. All appointments are subject to confirmation by the Senate.

### **(1) Summary of Significant Accounting Policies -**

#### A. Basis of Presentation

The accompanying financial statements of the Louisiana Pilotage Fee Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and the provisions of GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

#### B. Reporting Entity

The Commission, for financial purposes, includes all of the funds relevant to the operations of the Commission. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Louisiana Pilotage Fee Commission.

The Louisiana Pilotage Fee Commission is a primary government and not a component unit or agency of the state government for financial reporting purposes.

# LOUISIANA PILOTAGE FEE COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

### C. Fund Accounting

- i. Government-Wide Financial Statements (GWFS) - the Statement of Net Position and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods and services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

- ii. Fund financial statements - The accounts of the Commission are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purposes and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Commission maintains one fund, the general fund. It is categorized as a governmental fund. The emphasis on fund statements is on major governmental funds. The general fund is considered major because it's the primary operating fund of the entity. It is used to account for all financial resources except those required to be accounted for in another fund.

### D. Measurement Focus/Basis of Accounting

#### **Government-Wide Financial Statements (GWFS)**

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the Commission. The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

# LOUISIANA PILOTAGE FEE COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

The Commission reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense which can be specifically identified by function is included in the direct expenses of each function. The Commission does not allocate indirect expenses.

### **Fund Financial Statements (FFS)**

#### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fund financial statements report detailed information about the Commission. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The major fund of the Commission is the General Fund.

The modified accrual basis of accounting is used by Governmental Funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined, and available means collectible within the current period or soon enough thereafter (generally 60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. The Governmental Fund uses the following practices in recording revenues and expenditures:

#### **Revenues**

The primary source of revenue for the Commission during the year ended June 30, 2023, was pilotage surcharge fees. These revenues are considered available if they are collected within 60 days after year-end.

#### **Expenditures**

Salaries are recorded as expenditures when earned. Compensated absences are recognized as expenditures when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. All other expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

# LOUISIANA PILOTAGE FEE COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

### E. Budget Practices

The Commission adopts an annual budget for the General Fund.

The proposed budget for the fiscal year ended June 30, 2023, was legally adopted by the Commission on June 23, 2022. The Commission did not make any amendments to its original budget for fiscal year ended June 30, 2023.

### F. Cash and Cash Equivalents

All cash-related items having maturing dates of three months or less from the original maturity dates are classified as cash and cash equivalents.

### G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as acquisition value.

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Useful lives are five years for computer equipment and seven years for furniture and fixtures.

### H. Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

1. Net investment in capital assets - The net investment in capital assets component of net position consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.
2. Restricted - The restricted component of net position is used when there are limitations imposed on their use of an asset by external parties such as creditors, grantors, laws or regulations of other governments.
3. Unrestricted - The unrestricted component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

# LOUISIANA PILOTAGE FEE COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

### I. Fund Balance

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. Non-spendable fund balances are associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
2. Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the Commissioners (the Commission's highest level of decision making authority),
4. Assigned fund balances are intended to be used by the Commission for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. Unassigned fund balances are the residual classification for the Commission's general fund and include all spendable amounts not contained in the other classifications.

The Commission's policy is to apply expenditures against non-spendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order, at the end of the fiscal year by adjusting journal entries.

The calculation of fund balance amounts begins with the determination of non-spendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts classified as unassigned fund balance.

As of June 30, 2023, the Commission did not have any non-spendable, restricted, committed, or assigned fund balances.

### J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and such differences may be material.

# LOUISIANA PILOTAGE FEE COMMISSION

## NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

K. Compensated Absences

Employees earn and accumulate sick leave at various rates depending on their years of service. The amount of sick leave that may be accumulated by each employee is unlimited.

L. Current Year Adoption of New Accounting Standard

During the current year, the Commission adopted GASB 96, *Subscription-Based Information Technology Arrangements*. This new accounting standard had no material effect on the Commission's financial statements

M. Subsequent Events

The Commission evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 18, 2023, the date which the financial statements were available to be issued.

**(2) Cash and Cash Equivalents -**

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit. Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the Commission may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The Commission had cash and cash equivalents totaling \$121,556 with a carrying amount of \$82,059 at June 30, 2023. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance, or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The following is a summary of cash and cash equivalents at June 30, 2023:

Book Balance	\$ 82,059
	<u>                    </u>
Bank Balance	\$ 121,556
	<u>                    </u>

*Custodial Credit Risk - Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it.

**LOUISIANA PILOTAGE FEE COMMISSION**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2023

To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities 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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the Commission regardless of its designation by the financial institution in which it is deposited. As of June 30, 2023, none of the Commission's bank balance of \$121,556 was exposed to custodial credit risk.

**(3) Changes in Capital Assets -**

Capital asset activity as of and for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<u>Governmental Activities:</u>				
Capital Assets being Depreciated:				
Computer Equipment	\$ 6,827	\$ -	\$ (1,276)	\$ 5,551
Furniture and Equipment	<u>1,183</u>	<u>-</u>	<u>-</u>	<u>1,183</u>
Total Capital Assets being Depreciated	8,010	-	(1,276)	6,734
Less: Accumulated Depreciation for:				
Computer Equipment	4,680	577	(1,276)	3,981
Furniture and Equipment	<u>1,183</u>	<u>-</u>	<u>-</u>	<u>1,183</u>
Total Accumulated Depreciation	<u>5,863</u>	<u>577</u>	<u>(1,276)</u>	<u>5,164</u>
Total Capital Assets being Depreciated, Net	<u>\$ 2,147</u>	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 1,570</u>

Depreciation expense of \$577 for the year ended June 30, 2023 was charged to operations.

**(4) Long-Term Obligation -**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2023:

	<u>Compensated</u> <u>Absences</u>
Long-Term Obligations - June 30, 2022	\$ 26,837
Additions	1,074
Deductions	<u>-</u>
Long-Term Obligations - June 30, 2023	<u>\$ 27,911</u>

**LOUISIANA PILOTAGE FEE COMMISSION**

**NOTES TO BASIC FINANCIAL STATEMENTS**

JUNE 30, 2023

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2023:

Current Portion	\$ 6,978
Long-Term Portion	<u>20,933</u>
Total	<u>\$ 27,911</u>

**Compensated Absences**

At June 30, 2023, employees of the Commission have accumulated and vested \$27,911 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

Employees earn and accumulate sick leave at various rates depending on their years of service. The amount of sick leave that may be accumulated by each employee is unlimited, but upon termination of employment, the maximum amount paid is limited to 300 hours.

**(5) Pending Litigation -**

There were no civil suits seeking damages against the Commission outstanding at June 30, 2023.

**(6) Related Party Transactions -**

The Commission had no identified related party transactions for the year ended June 30, 2023.

**(7) Leases -**

The Commission has no outstanding leases at June 30, 2023 that meet the recognition criteria of Governmental Accounting Standards Board Statement No. 87, *Leases*.

**(8) Risk Management -**

The Commission is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The Commission maintains commercial insurance policies for the claims related to the aforementioned risks. The Commission's payment of the insurance policy deductible is the only liability associated with these policies.



REQUIRED SUPPLEMENTARY INFORMATION

## LOUISIANA PILOTAGE FEE COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2023

	Original Budget*	Actual	Variance With Original Budget
<b>Revenues:</b>			
Self-Generated	\$ 498,209	\$ 591,825	\$ 93,616
Interest Earnings and Other Income	350	26	(324)
Total Revenues	498,559	591,851	93,292
<b>Expenditures:</b>			
Salaries, Allowances and Related Costs	320,130	310,423	9,707
Office Supplies	1,600	1,438	162
Telephone and Internet Expense	4,800	3,269	1,531
Rent	15,000	15,175	(175)
Printing	1,200	667	533
Postage	200	459	(259)
Miscellaneous	100	716	(616)
Insurance	2,000	1,252	748
Payroll Services	3,500	2,141	1,359
Equipment and Fixtures Acquisition Expense	1,000	-	1,000
Business Licenses and Permits	-	1,038	(1,038)
Legislative Audit Compliance	13,000	-	13,000
Dues and Subscriptions	-	180	(180)
Bank Fees	100	-	100
Training	1,000	-	1,000
Professional Services	125,000	350,176	(225,176)
Meeting Expense	11,700	3,879	7,821
Total Expenditures	500,330	690,813	(190,483)
Excess (Deficiency) of Revenues Over Expenditures	(1,771)	(98,962)	(97,191)
<b>Fund Balance at Beginning of Year</b>	205,408	205,408	-
<b>Fund Balance at End of Year</b>	\$ 203,637	\$ 106,446	\$ (97,191)

\*There were no amendments to the original budget during the current fiscal year.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

**LOUISIANA PILOTAGE FEE COMMISSION**

**SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS**

FOR THE YEAR ENDED JUNE 30, 2023

<u>Name</u>	<u>Amount</u>
Bruce Mohon	\$ 750
Noel Cassanova	600
Joseph Robinson	<u>750</u>
	<u>\$ 2,100</u>

See independent auditor's report.

LOUISIANA PILOTAGE FEE COMMISSION

SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
TO ADMINISTRATOR

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Larry McNutt</u>
Salary	\$ 186,412
Benefits - Insurance	13,475
Benefits - Retirement	3,606
Car Allowance	7,200
Employer Paid Payroll Taxes	12,868
Phone Allowance	<u>1,200</u>
	<u>\$ 224,761</u>

See independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Louisiana Pilotage Fee Commission  
Baton Rouge, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Louisiana Pilotage Fee Commission (the Commission) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 18, 2023.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2023-001 that we consider to be a significant deficiency.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Commission's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

*Hannis T. Bourgeois, LLP*

Denham Springs, Louisiana  
December 18, 2023



**LOUISIANA PILOTAGE FEE COMMISSION**

**SCHEDULE OF FINDINGS AND RESPONSES**

FOR THE YEAR ENDED JUNE 30, 2023

**A. Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- |  |                     |                            |
|--|---------------------|----------------------------|
| • Material weaknesses identified?      | <u>        </u> Yes | <u>  x  </u> No            |
| • Significant deficiencies identified? | <u>  x  </u> Yes    | <u>        </u> None Noted |

Noncompliance material to financial statements noted?          Yes   x   No

**B. Internal Control Over Financial Reporting**

**Finding Number: 2023-001 Lack of Proper Segregation of Duties (Significant Deficiency)**

**Criteria:** Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions and maintaining custody of related assets.

**Condition:** Duties throughout the financial reporting process, which are considered incompatible, are being performed by the Commission’s office assistant or Administrator. Specifically included, but not limited to:

- Individual that prepares and makes deposits also records transactions into the GL and reconciles bank accounts.
- Individual who prepares disbursement checks also records transactions into the general ledger, mails payments and reconciles bank accounts.
- Vendors are added by the individual responsible for processing payments.
- The Administrator can initiate and approve purchases and can sign checks.

Compensating controls include, but are not limited to: quarterly financial statements and other financial information review by Board and Administrator; review and approval of check register by Director and Board as part of quarterly financial review; review and approval (initial) of bank reconciliations by Administrator; review of disbursements by Administrator and Board; leave approval and review by Administrator; time entry system and payroll reconciliation of documents; review and approval of all time by Director; Board involvement in the budget process.

**Cause:** Due to the size and nature of the Commission, there are two administrative employees and as such, some incompatible duties are not adequately segregated.

**Effect:** Inadequate segregation of duties exposes the Commission to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting.

**Recommendation:** Management should remain vigilant in identifying compensating controls and ensuring that those implemented are operating effectively. We additionally recommend that as part of the Board review process a Board member, possibly the treasurer, should initial and date the board financial package that includes financial statements and disbursements register. Additionally, the Board member should initial and date the monthly bank reconciliations and bank statements as part of the Board review process.

**Management's Response:** The Commission continues to be vigilant in ensuring compensating controls are operating. Additional compensating controls will be further reviewed and implemented where possible and the Commission will implement auditor recommendations as possible.

**C. Compliance and Other Matters**

None

**LOUISIANA PILOTAGE FEE COMMISSION**

**SUMMARY SCHEDULE OF PRIOR FINDINGS**

FOR THE YEAR ENDED JUNE 30, 2023

**A. Internal Control Over Financial Reporting**

None

**B. Compliance and Other Matters**

None

**LOUISIANA PILOTAGE FEE COMMISSION**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

**JUNE 30, 2023**



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Independent Accountant’s Report  
on Applying Agreed-Upon Procedures

The Members of the Commission  
and to the Louisiana Legislative Auditor  
Louisiana Pilotage Fee Commission  
Baton Rouge, Louisiana

We have performed the procedures enumerated below, which were agreed to by Louisiana Pilotage Fee Commission (the Commission) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA’s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2022 through June 30, 2023. The Commission’s management is responsible for those C/C areas identified in the SAUPs.

The Commission has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA’s SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated exceptions are as follows:

***Written Policies and Procedures***

---

1. Obtain and inspect the entity’s written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity’s operations:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget. –  
**Finding:** While the Commission does have formal budgets, the Commission does not have any formal written budget policies and procedures.
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes. –  
**Finding:** The Commission has informal policies and procedures for purchasing; however, the Commission does not have formal written policies and procedures for purchasing that address items (1) through (5).

- c) **Disbursements**, including processing, reviewing, and approving. –

**Finding:** The Commission has policies and procedures for disbursements; however, the Commission does not have formal written policies and procedures for disbursements.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation). – **No exceptions noted.**

- e) **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules. – **No exceptions noted.**

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

**Finding:** The Commission has informal policies and procedures for contacting; however, the Commission does not have formal written policies and procedures for contracting that address items (1) through (5).

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases). – **No exceptions noted.**

- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers. – **No exceptions noted.**

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity’s ethics policy.

**Finding:** The Commission follows the Louisiana Code of Governmental Ethics and requires annual ethics trainings for its employees and council members; however, there are no formal written ethics policy for items (2), (3), and (4).

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

**Finding:** The Commission does not have any debt nor plans to issue any debt; however, the Commission does not have formal written debt service policies and procedures.

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event. –

**Finding:** While the Commission does have informal policies in place, the Commission does not have formal written Information Technology Disaster Recovery/Business Continuity policies and procedures that address items (1) through (6).

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting. – **No exceptions noted.**

### ***Board or Finance Committee***

---

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document. – **No exceptions noted.**
  - b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.* – **No exceptions noted.**
  - c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund. – **There was no negative ending unassigned fund balance in the prior year review report.**
  - d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved. – **There were no findings in the prior year.**

### ***Bank Reconciliations***

---

3. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged); – **No exceptions noted.**
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and  
**Finding:** Of the four bank reconciliations selected for testing, only one was initialed and dated for indication of review and approval.
  - c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable. – **No exceptions noted.**

### Collections (excluding electronic funds transfers)

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees responsible for cash collections do not share cash drawers/registers. – **The Commission does not receive any actual cash. The Commission receives 1 check and 1 ACH each month for pilotage surcharge fees.**
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

**Finding:** Due to the limited number of employees, the employee who collects the checks also makes the deposits and performs the bank reconciliation. This employee also posts collection to the general ledger.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

**Finding:** Due to the limited number of employees, the employee who collects the checks also makes the deposits and performs the bank reconciliation. This employee also posts collection to the general ledger.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation. – **No exceptions noted.**
6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

**Finding:** The Commission does not have a bond or insurance policy that would cover employee theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered. – **No exceptions noted.**
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip. – **No exceptions noted.**
  - c) Trace the deposit slip total to the actual deposit per the bank statement. – **No exceptions noted.**



- d) Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer). – **No exceptions noted.**
- e) Trace the actual deposit per the bank statement to the general ledger. – **No exceptions noted.**

***Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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- 8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5). – **No exceptions noted.**
- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

**Finding:** Due to the Commission only having 2 employees, the Administrator can initiate a purchase request, approve a purchase, and place an order/making the purchase. However, all expenses are reviewed by the Commission board and the Commission board receives copies of the bank statements and reconciliations.
  - b) At least two employees are involved in processing and approving payments to vendors. – **No exception noted.**
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files unless another employee is responsible for periodically reviewing changes to vendor files.

**Finding:** Due to the limited number of employees, the same employee who processes payments can also add and modify vendor files. There is no formal periodical review of changes to vendor files. However, the employee can not sign checks. Also, all expenses are reviewed by the Commission board and the Commission board receives copies of the bank statements and reconciliations.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

**Finding:** Due to the limited number of employees, the same employee who processes payments can mail payments. However, the employee cannot sign checks.
  - e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means. – **No exceptions noted.**
- 10. For each location selected under #8 above, obtain the entity’s non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management’s representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:

- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

**Finding:** For one of the five transactions tested, the original itemized receipt was missing.

- b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

**Finding:** For the five transactions tested, the documentation did include indication that the expenses were reviewed and approved. However, two were reviewed and approved by the same individual who initiated the transactions. All expenses are reviewed by the Commission board and the Commission board receives copies of the bank statements and reconciliations.

11. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements. – **No exceptions.**

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. – **No exceptions noted.**
13. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

**Finding:** Due to the limited number of employees, the Administrator can approve his own purchases. However, all expenses are reviewed by the Commission board and the Commission board receives copies of the bank statements and reconciliations.
  - b) Observe that finance charges and late fees were not assessed on the selected statements. – **No exceptions noted.**
14. Using the monthly statements or combined statements selected under #13 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

**Finding:** Of the eleven transactions tested, two transactions were not supported by the original itemized receipts. For the two transactions, documentation was available on the transaction and business purpose. One transaction was for Office Depot for \$27.16 for 3 USB drives and the other was for Walmart for \$54.22 for a computer bag.

### ***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

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15. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)). – **No exceptions noted.**
  - b) If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased. – **No exceptions noted.**
  - c) Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h). – **No exceptions noted.**
  - d) Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **No exceptions noted.**

### ***Contracts***

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16. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law. – **No exceptions noted.**
  - b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter). – **No exceptions noted.**
  - c) If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented). – **No exceptions noted.**
  - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract. – **No exceptions noted.**

### ***Payroll and Personnel***

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17. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files. – **No exceptions noted.**

18. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #17 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.) – **No exceptions noted.**
  - b) Observe whether supervisors approved the attendance and leave of the selected employees or officials. – **No exceptions noted.**
  - c) Observe any leave accrued or taken during the pay period is reflected in the entity’s cumulative leave records. – **No exceptions noted.**
  - d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file. – **No exceptions noted.**
19. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management’s representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management’s termination payment calculations and the entity’s policy on termination payments. Agree the hours to the employee or officials’ cumulative leave records, agree the pay rates to the employee or officials’ authorized pay rates in the employee or officials’ personnel files, and agree the termination payment to entity policy. – **There were no terminations during the fiscal period.**
20. Obtain management’s representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers’ compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines. – **No exceptions noted.**

***Ethics***

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21. Using the 5 randomly selected employees/officials from procedure #17 under “Payroll and Personnel” above obtain ethics documentation from management, and:
- a. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period. – **No exceptions noted.**
  - b. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity’s ethics policy during the fiscal period, as applicable. – **There were no ethics policy changes during the period.**
22. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170. – **No exceptions noted.**

***Debt Service***

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23. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management’s representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued. – **The Commission did not issue any debt during the fiscal period.**

24. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants). – **The Commission did not have any debt outstanding during the fiscal period.**

### *Fraud Notice*

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25. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled. – **There were no reports of misappropriations of public funds or assets noted during the fiscal period.**
26. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Finding:** The Commission does not have the notice required by R.S. 24:523 posted on its website.

### *Information Technology Disaster Recovery/Business Continuity*

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27. Perform the following procedures, **verbally discuss the results with management, and report “We performed the procedure and discussed the results with management.”**
- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.. – **We performed the procedure and discussed the results with management.**
  - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months. – **We performed the procedure and discussed the results with management.**
  - c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor. – **We performed the procedure and discussed the results with management.**
28. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network. – **There were no employee terminations during the fiscal period.**

## ***Sexual Harassment***

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29. Using the 5 randomly selected employees/officials from procedure #17 under “Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year. – **No exceptions noted.**
30. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity’s premises if the entity does not have a website). – **No exceptions noted.**
31. Obtain the entity’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:
- a) Number and percentage of public servants in the agency who have completed the training requirements;
  - b) Number of sexual harassment complaints received by the agency;
  - c) Number of complaints which resulted in a finding that sexual harassment occurred;
  - d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
  - e) Amount of time it took to resolve each complaint.

**Finding:** The Commission did not complete an annual sexual harassment report for the current fiscal period. However, the Commission indicated that there were no complaints received during the fiscal period.

### **Management’s Responses**

The Commission’s responses to the exceptions identified in our performance of the SAUPs are attached. The Commission’s responses were not subjected to any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on them.

We were engaged by the Commission to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Respectfully submitted,

*Harris T. Bourgeois, LLP*

Denham Springs, Louisiana  
December 18, 2023



ADMINISTRATOR  
Larry E. McNutt, Jr.  
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**STATE OF LOUISIANA**  
PILOTAGE FEE COMMISSION

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December 15, 2023

Hannis T. Bourgeois, LLP  
1254 Del Estes Avenue  
Suite 1101  
Denham Springs LA 70726

On behalf of the Louisiana Pilotage Fee Commission (LPFC), regarding findings contained in the 2023 draft report of Hannis T. Bourgeois, LLP (HTB) to the Legislative Auditor, Administrator Larry E. McNutt, Jr. (the Administrator) states LPFC's responsive positions as follows:

**LPFC RESPONSE TO FINDINGS:**

**1) a; 1) b; 1) c; 1) f, 1) j; 1) k; 5) b; 5) c; 6); 9) a; 9) c; 9) d; 13) a;**

These findings address the form of certain policies governing the conduct of business by the LPFC, and are largely focused on an ostensible lack of formal written policy therefor.

The LPFC is a legislatively formed quasi-public agency whose policies are defined under Title 46, Part LXX, Section 5 of the Louisiana Administrative Code (the LPFC Rules of Practice and Procedure). §12106 of the LPFC Rules defines the role of the Administrator; Employment; Duties and Responsibilities. The inclusive language of this Section describes in detail those specific duties imposed upon and subject to the discretion of the Administrator, under supervision and control of the Commission (LPFC). Further, Commissioners of the LPFC regularly in open session direct specific policies and duties to the Administrator through resolutions, which are included on the written transcript of these sessions.

It is the position of the LPFC that §12106 of the LPFC Rules of Practice and Procedure, along with the relevant transcripts of its public meetings, constitutes the official written policy of the LPFC for each of the subject findings. However, to the extent there exists a legal duty for the LPFC to modify and/or supplement its Rules to include more specific written language, the Administrator will gladly comply.

**LPFC RESPONSE TO FINDING: 1) i:**

Pursuant to §12106 (C) of the LPFC Rules of Practice and Procedure LPFC, the Administrator dutifully complies with all requirements imposed by the Louisiana Ethics Administration Program (LEAP). To assure complete compliance going forward, Administrator will draft and seek Commission approval for written policies that assure compliance with items (2), (3) and (4) of this finding.

**LPFC RESPONSE TO FINDING: 1) k:**

Pursuant to §12106 (C) of the LPFC Rules of Practice and Procedure LPFC, the Administrator dutifully has and will continue to protect the cybersecurity and disaster recovery/business continuity of this agency. To assure more complete compliance and consistency going forward, Administrator will draft and seek Commission approval for written policies that assure compliance with this finding.

**LPFC RESPONSE TO FINDING: 6):**

The LPFC office has since its inception been serviced by a very small permanent staff of one full-time and one part-time employee. The subject of this finding has previously been considered by the LPFC Chairman but it was his determination that a significant risk was not present due to what at the time was a smaller regular amount of cash on hand. Presently the LPFC has a significantly increased operating budget and amount of cash on hand. As such, Administrator will draft and propose to the Commission appropriate written policies that address this finding.

**LPFC RESPONSE TO FINDINGS: 10) a; 10) b; 14):**

The LPFC office has been made aware of these clerical issues and will endeavor to eliminate such going forward.

**LPFC RESPONSE TO FINDING 26):**

Whereas the LPFC website has always had a link to the Louisiana Division of Administration DOA that facilitated reporting of misappropriation, fraud, waste or abuse of public funds, it was not at the time of auditor's investigation in technical compliance with the specific requirements of the recently implemented version of R.S. 24:523.1. This issue has since been addressed and the LPFC website is presently in full compliance.



Thank you for your consideration of these responses. Please feel free to contact me with any additional questions or requests for information or documents.

Happy Holidays!

A handwritten signature in black ink, appearing to read 'Larry McNutt', with a stylized flourish at the end.

Larry McNutt  
Administrator