

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Department of Culture,  
Recreation and Tourism  
State of Louisiana  
Baton Rouge, Louisiana

June 17, 1998



*Financial and Compliance Audit Division*

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

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**DEPARTMENT OF CULTURE,  
RECREATION AND TOURISM  
STATE OF LOUISIANA  
Baton Rouge, Louisiana**

**Management Letter  
Dated May 14, 1968**

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.

June 17, 1968





OFFICE OF  
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May 14, 1998

**DEPARTMENT OF CULTURE,  
RECREATION AND TOURISM**  
STATE OF LOUISIANA  
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ending June 30, 1998, we conducted certain procedures at the Department of Culture, Recreation and Tourism. Our procedures included (1) a review of the department's internal controls; (2) tests of financial transactions for the years ending June 30, 1996, and June 30, 1997; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the years ending June 30, 1996, and June 30, 1997; and (4) a review of compliance with prior year report recommendations.

The Annual Fiscal Reports of the Department of Culture, Recreation and Tourism are not audited or reviewed by us, and, accordingly, we offer no opinion or any other form of assurance on those reports. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and other selected department personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data and based on the application of the procedures referred to previously, we developed recommendations for improvements. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

In our prior report for the year ended June 30, 1996, we reported findings relating to payroll controls and cash controls. Those findings have been resolved by management.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.



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#### **Lack of Internal Audit Function**

The Department of Culture, Recreation and Tourism does not have an effective internal audit function to examine, evaluate, and report on its internal control system, including data processing, and to evaluate the extent to which its employees complied with that control system. Acts 17 and 18 of the 1996 and 1997 Regular Session of the Louisiana Legislature, respectively, require agencies with budgets in excess of \$30 million to use existing program resources for the purpose of establishing an internal auditor position. In addition, considering the size of the department's reported assets (approximately \$10 million) and revenues (approximately \$40 million), an effective internal audit function is important to ensure that the department's assets are safeguarded and that its policies and procedures are uniformly applied.

The department should establish an effective internal audit function. In a letter dated March 27, 1998, Mr. Philip J. Jones, Secretary, concurred with the finding and recommendation and outlined a plan of corrective action.

#### **Movable Property Noncompliance**

The department did not comply with state movable property regulations. Louisiana Administrative Code (LAC) 34:118.307 requires that all acquisitions of qualified movable property items be tagged and all pertinent information forwarded to the Louisiana Property Assistance Agency within 45 days after receipt of the property. In a test of 25 property items, three items (12%) were not tagged until 52 to 164 days after receipt of the items, and one item (4%) still had not been tagged as of the test date, even though it had been 112 days since it was received.

These conditions can be attributed to the decentralization of the movable property function at the department. Failure to update the movable property records and tag the items on a timely basis increases the risk of loss arising from unauthorized use and subjects the department to noncompliance with state laws and regulations.

The department should ensure that all qualified movable property items are tagged and recorded within 45 days of receipt of the items. In a letter dated April 13, 1998, Mr. Philip J. Jones, Secretary, concurred with the finding and recommendation and outlined a plan of corrective action.





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### Electronic Data Processing User Control Weaknesses

The department has not established adequate internal controls over the Government Financial System (GFS). Good user controls require that written procedures be established for the deletion of user identification codes (user ID) so that only authorized individuals are permitted access to the data files and programs necessary to perform their duties. During our review of the department's EDP user controls, the following weaknesses were observed:

- There were no adequate procedures for the deletion of user ID codes once an employee terminated employment with the department.
- Access to GFS was not removed timely for three employees who terminated employment. Access for these employees was not deleted until at least four months after termination.

Management has not emphasized the importance of security over access to GFS. Failure to establish adequate EDP user controls increases the risk that errors and/or fraud could occur and not be detected in a timely manner.

The department should establish written procedures for the deletion of user ID codes and delete terminated employees' user ID codes immediately following termination. In a letter dated March 27, 1998, Mr. Phillip J. Jones, Secretary, concurred with the finding and recommendation and outlined a plan of corrective action.

### Inadequate Controls Over Travel Imprest Account

The department was four months behind in performing bank reconciliations for the travel imprest account, and twelve months behind in reconciling the travel imprest account balance to the authorized seed amount. This occurred because management has not placed sufficient emphasis on the controls surrounding the travel imprest fund.

Good accounting controls require that the department prepare monthly bank reconciliations and reconcile the balance to the authorized seed amount to ensure that the cash for the travel imprest fund can be accounted for.

Failure to timely reconcile the travel imprest account to the bank statement and to the authorized seed amount increases the risk that errors and/or fraud could occur.



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Management should ensure that monthly bank reconciliations are prepared and that the impact fund balance is reconciled back to the authorized seed amount. In a letter dated March 27, 1998, Mr. Phillip J. Jones, Secretary, concurred with the finding and recommendation and outlined a plan of corrective action.

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The varying nature of the recommendations, their implementation costs, and their potential impact on operations of the department should be considered in reaching decisions on courses of action. Findings relating to the department's compliance with applicable laws and regulations should be addressed immediately by 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

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