

ROAD HOME CORPORATION D/B/A
LOUISIANA LAND TRUST

A COMPONENT UNIT OF THE
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2021
ISSUED MAY 11, 2022

**LOUISIANA LEGISLATIVE AUDITOR
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LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

April 29, 2022

Independent Auditor's Report

LOUISIANA LAND TRUST
STATE OF LOUISIANA
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Road Home Corporation d/b/a Louisiana Land Trust (LLT), a component unit of the state of Louisiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise LLT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LLT as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, on our consideration of LLT's internal control over financial reporting and on 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 LLT's 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 LLT's internal control over financial reporting and compliance.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

**LOUISIANA LAND TRUST
STATE OF LOUISIANA**

**Statement of Net Position
June 30, 2021**

ASSETS

Current assets:

Cash (note 2)	\$2,969
Receivables, net (note 3)	3,979,519
Prepaid expenses	72,504
Total current assets	<u>4,054,992</u>

Noncurrent assets - capital assets, net (note 4)	<u>35,475,505</u>
TOTAL ASSETS	<u><u>39,530,497</u></u>

LIABILITIES

Current liabilities:

Accounts payable and accruals (note 3)	<u>3,902,730</u>
Total current liabilities	3,902,730

Noncurrent liabilities:

Compensated absences (note 5)	<u>79,858</u>
Total noncurrent liabilities	<u>79,858</u>
TOTAL LIABILITIES	<u><u>3,982,588</u></u>

NET POSITION

Net investment in capital assets	35,475,505
Unrestricted	<u>72,404</u>
TOTAL NET POSITION	<u><u>\$35,547,909</u></u>

The accompanying notes are an integral part of this statement.

**LOUISIANA LAND TRUST
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Net Position
For the Year Ended June 30, 2021**

OPERATING REVENUES

Federal grants and contracts	<u>\$16,058,316</u>
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OPERATING EXPENSES

Property portfolio expenses (note 8)	841,777
Neighborhood Stabilization Program expenses	4,771
Solution 4 property acquisition incentive expenses (note 9)	831,817
Pecan Acres property acquisition incentive expenses (note 11)	13,637
Salaries and related benefits	608,325
Rent (note 7)	19,705
Insurance	29,258
Travel	1,446
Depreciation	259
Professional services	223,803
Other	78,061
Total operating expenses	<u>2,652,859</u>

OPERATING INCOME	<u>13,405,457</u>
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NONOPERATING REVENUES (EXPENSES)

Federal grants - land donations, Road Home program	234,015
Proceeds from disposition of property	80,750
Property sales proceeds transferred to local governments	(61,132)
Property disposition expenses	(12,073)
Loss on disposition of properties	(1,495,798)
Net nonoperating revenues (expenses)	<u>(1,254,238)</u>

INCREASE IN NET POSITION	12,151,219
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NET POSITION - BEGINNING OF YEAR, RESTATED (note 12)	<u>23,396,690</u>
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NET POSITION - END OF YEAR	<u><u>\$35,547,909</u></u>
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The accompanying notes are an integral part of this statement.

**LOUISIANA LAND TRUST
STATE OF LOUISIANA**

**Statement of Cash Flows
For the Year Ended June 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash payments to suppliers for goods and services	(\$860,234)
Cash payments to employees for services	(600,503)
Federal grants and contracts	14,599,050
Net cash provided by operating activities	<u>13,138,313</u>

**CASH FLOWS FROM CAPITAL AND
RELATED FINANCING ACTIVITIES:**

Proceeds from sale of properties	80,750
Purchase of fixed assets	(13,504,116)
Cash paid in the disposition of properties	(3,600)
Net cash used by capital and related financing activities	<u>(13,426,966)</u>

NET DECREASE IN CASH (288,653)

CASH AT BEGINNING OF YEAR 291,622

CASH AT END OF YEAR \$2,969

**RECONCILIATION OF OPERATING INCOME TO
CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating income	\$13,405,457
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	259
Changes in assets and liabilities:	
(Increase) in receivables, net	(1,439,561)
Decrease in prepayments	37,203
Increase in accounts payable and accruals	1,128,679
Increase in compensated absences payable	6,276
Net cash provided by operating activities	<u><u>\$13,138,313</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Contributions of fixed assets	\$234,015
Loss on disposition of properties	(\$1,495,798)
Property sales proceeds transferred to local governments	(\$61,132)
Disposed assets	(\$8,473)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Road Home Corporation d/b/a Louisiana Land Trust (LLT) is a nonprofit organization formed in 2006 to manage the properties that have been purchased by the state of Louisiana under the current Road Home program and other land programs in accordance with the Louisiana Constitution, Art. VII, Section 21 (B)(1). LLT's programmatic scope expanded over the years and now includes:

- (1) Community service through the acquisition, disposition, renovation, improvement, leasing, development, and redevelopment of property;
- (2) Assisting communities in recovering from natural disasters, relocating to safe sites in the face of natural hazards;
- (3) Reducing blighted conditions in communities; developing property in a resilient, sustainable manner;
- (4) Retaining and protecting the natural, scenic, or open-space values of immovable property;
- (5) Assuring the availability of immovable property for agricultural, forest, recreational, or open-space use;
- (6) Protecting natural resources;
- (7) Maintaining or enhancing air or water quality;
- (8) Preserving the historical, archaeological, or cultural aspects of unimproved immovable property; and
- (9) Assisting local, regional, state, and federal governmental entities and other nonprofit organizations in these and related endeavors.

LLT is governed by a board of directors appointed by the governor. The members of the board serve without compensation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the

accepted standard-setting body for establishing governmental accounting principles and financial reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards* published by GASB. LLT management follows all applicable GASB pronouncements.

B. REPORTING ENTITY

Using the criteria in GASB Codification Section 2100, the Division of Administration, Office of Statewide Reporting and Accounting Policy has defined the governmental reporting entity to be the state of Louisiana. For accounting purposes, LLT is considered a discretely presented component unit of the state of Louisiana because the state exercises oversight responsibility in that the governor appoints the members of the board.¹ The accompanying financial statements present only the activity of LLT. Annually, the state of Louisiana issues an Annual Comprehensive Financial Report, which includes the activity contained in the accompanying financial statements. Those basic financial statements are audited by the Louisiana Legislative Auditor.

Blended Component Units

The LLT Community Service Corporation (LLTCSC), a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLTCSC is a wholly-owned subsidiary of LLT created on September 9, 2013, for the purpose of minimizing LLT's potential liability exposure associated with ownership of a demolition site located in New Orleans. LLTCSC does not prepare separate financial statements.

The LLT Evergreen, Inc., a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLT Evergreen, Inc. is a wholly-owned subsidiary of LLT created on December 26, 2018, for the purpose of resettlement of residents of Isle de Jean Charles due to coastal erosion and rising sea levels. LLT Evergreen, Inc. does not prepare separate financial statements.

The LLT Audubon, Inc., a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLT Audubon, Inc. is a wholly-owned subsidiary of LLT created on March 28, 2020, for the purpose of resettlement of residents of Pecan Acres due to consistent flooding. LLT Audubon, Inc. does not prepare separate financial statements.

The LLT Batture, Inc., a nonprofit corporation, is considered a blended component unit of LLT and is included in the basic financial statements. LLT Batture, Inc. is a wholly-owned subsidiary of LLT, created on December 26, 2018, for the purpose of resettlement of residents of Isle de Jean Charles due to coastal erosion and rising

¹ Although LLT is considered a component unit of the state of Louisiana for *accounting* purposes, by statute [R.S. 40:600.62(3)], LLT "shall not constitute a state agency, board, or commission; nor shall it constitute an instrumentality of the state or of any political subdivision."

sea levels. LLT Batture, Inc. does not prepare separate financial statements. LLT Batture Holding, LLC was also formed on December 26, 2018. In November 2019, LLT Batture Holding, LLC accepted a land donation of the Batture property to be used in conjunction with the Isle de Jean Charles resettlement program. LLT Batture Holding, LLC then transferred the land donation to LLT Batture, Inc. in December 2019. LLT Batture Holding, LLC, does not prepare separate financial statements nor does it hold any assets as of June 30, 2021.

C. BASIS OF ACCOUNTING

Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements, and the measurement focus refers to what transactions and events should be recorded. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles. Under this method, revenues are recognized when they are earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with LLT's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of LLT are federal grants received from the Office of Community Development through the Road Home, Restore Homeowners Solution 4, Pecan Acres Resettlement, and Isle De Jean Charles Resettlement programs. Operating expenses include demolition costs, rehab costs, property maintenance, Solution 4 program acquisition incentive payments, and Pecan Acres program acquisition incentive payments. The principal nonoperating revenues and expenses are land donations received through the Road Home program and costs resulting from the disposition of those properties.

D. CAPITAL ASSETS

Land received through the Road Home program is recorded at its estimated fair value at the time of donation. Land acquired through the Solution 4, Pecan Acres, and Isle De Jean Charles programs is recorded at its estimated fair value at the time of acquisition. Furniture, equipment, and vehicles are valued at historical cost. Depreciation of all exhaustible capital assets of LLT is charged as an expense against operations. Depreciation is computed using the straight-line method based on the estimated useful lives as follows:

	<u>Years</u>
Furniture	7
Equipment	5
Vehicles	5

E. COMPENSATED ABSENCES

Full-time and certain part-time employees earn vacation leave and sick leave at various rates depending on the employees' number of years of service. There is no limitation on the amount of vacation leave and sick leave that can be accumulated. Upon separation, employees will be compensated for unused vacation leave, up to a maximum of 400 hours. Employees are not paid for accrued sick leave upon termination.

F. NET POSITION

Net position comprises the various net earnings from revenues and expenses. Net position is classified in the following three components:

- Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position is the remaining net position that is not included in the other categories previously mentioned.

2. CASH

Cash includes noninterest-bearing demand deposits (book balances) of \$2,969 at June 30, 2021.

Custodial risk is the risk that, in the event of a bank failure, LLT's deposits may not be recovered. Under state law, demand deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of LLT by a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2021, LLT has \$6,063 in deposits (collective bank balances), all of which is secured from risk by federal deposit insurance plus pledged securities.

3. DISAGGREGATION OF RECEIVABLES AND PAYABLES

As reflected on the statement of net position, the receivables as of June 30, 2021, for LLT are as follows:

Due from Office of Community Development	<u>\$3,979,519</u>
Total	<u><u>\$3,979,519</u></u>

As reflected on the statement of net position, the accounts payable and accruals as of June 30, 2021, for LLT are as follows:

Vendors payable	\$3,876,523
Accrued salaries and benefits	24,532
Sales deposits	<u>1,675</u>
Total	<u><u>\$3,902,730</u></u>

4. CAPITAL ASSETS

A summary of changes in capital assets and related depreciation for the fiscal year ended June 30, 2021, follows:

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets not being depreciated:				
Construction-in-Progress	\$3,068,089	\$12,725,616	\$0	\$15,793,705
Land	<u>20,234,688</u>	<u>1,012,515</u>	<u>(1,565,403)</u>	<u>19,681,800</u>
Total capital assets not being depreciated	<u><u>23,302,777</u></u>	<u><u>13,738,131</u></u>	<u><u>(1,565,403)</u></u>	<u><u>35,475,505</u></u>
Capital assets being depreciated:				
Machinery and equipment	107,128	0	0	107,128
Less accumulated depreciation	<u>(106,869)</u>	<u>(259)</u>	<u>0</u>	<u>(107,128)</u>
Total capital assets being depreciated	<u><u>259</u></u>	<u><u>(259)</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Total capital assets, net	<u><u>\$23,303,036</u></u>	<u><u>\$13,737,872</u></u>	<u><u>(\$1,565,403)</u></u>	<u><u>\$35,475,505</u></u>

5. COMPENSATED ABSENCES

At June 30, 2021, LLT employees have accumulated vacation leave of \$79,858. These balances were computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements.

Compensated absences outstanding at June 30, 2021, are as follows:

	Balance June 30, 2020	Prior Period Adjustment	Restated Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Compensated absences	\$57,529	\$16,053	\$73,582	\$16,892	(\$10,616)	\$79,858

6. RETIREMENT PLAN

The employees of LLT are members of the Road Home Corporation 401(k) Profit Sharing Plan and Trust (the Plan), a defined-contribution pension plan. LLT is the administrator of the Plan. Contribution requirements for the Plan are established and may be amended by LLT's board of directors. Other benefit terms are established and amended by management. Employees are eligible to become participants in the Plan after completing one month of employment. Participants in the Plan may contribute between 0% and 92% of their eligible compensation up to the limits established by federal law. LLT provides a matching contribution equal to 100% of the first 4% of compensation deferred by each employee. Participants are fully vested immediately. For the fiscal year ended June 30, 2021, employer and employee contributions were \$4,341 and \$4,341, respectively.

LLT may also make Employer Profit Sharing Contributions in amounts determined each year by its board of directors; however, as of June 30, 2021, LLT has not made such contributions. To be eligible for the Employer Profit Sharing Contributions, employees must be contributing to the Plan and must have worked at least 500 hours of service during the plan year or be employed on the last day of the plan year. The vesting schedule for the Employer Profit Sharing Contributions is as follows:

<u>Years of Vesting Service</u>	<u>Nonforfeitable Percentage</u>
Less than 2	0%
2 years, but less than 3	20%
3 years, but less than 4	40%
4 years, but less than 5	60%
5 years, but less than 6	80%
6 years or more	100%

7. LEASE OBLIGATIONS

Operating Leases

LLT has operating leases for office space. Rental expense for the operating leases during the year ended June 30, 2021, totaled \$19,705. The future minimum rental payments applicable to these leases are as follows:

<u>Year Ending June 30:</u>	
2022	<u>\$14,779</u>
Total	<u><u>\$14,779</u></u>

8. PROPERTY PORTFOLIO EXPENSES

The following is a summary of property portfolio expenses incurred during the year ended June 30, 2021:

Solution 4 Portfolio Expenses	
Appraisals	\$2,075
Demolitions	526,726
Insurance	21,622
Maintenance	35,305
Title Work	79,542
Pecan Acres Portfolio Expenses	
Insurance	27,607
Maintenance	30,891
Property taxes	425
Demolition	21,010
Surveys	450
Isle De Jean Charles Portfolio Expenses	
Insurance	23,083
Maintenance	3,350
Other property expenses	15,960
Road Home Portfolio Expenses	
Demolition costs	25,090
Insurance	18,935
Maintenance	6,823
Property taxes	2,007
Other property expenses	<u>876</u>
Total	<u><u>\$841,777</u></u>

9. SOLUTION 4 OF RESTORE HOMEOWNERS PROJECT EXPENSES

The following is a summary of Solution 4 project expenses incurred during the year ended June 30, 2021:

Administration Expenses - Insurance	\$5,854
Administration Expenses - Rent	4,926
Administration Expenses - Travel	5
Administration Expenses - Other	11,208
Portfolio Expenses	665,270
Professional Fees	45,903
Property Acquisition Incentives	831,817
Salaries and Related Benefits	<u>126,493</u>
Total	<u><u>\$1,691,476</u></u>

The expenses outlined above are included within the operating expense amounts reported on Statement B.

10. ISLE DE JEAN CHARLES PROJECT EXPENSES

The following is a summary of Isle de Jean Charles project expenses incurred during the year ended June 30, 2021:

Administration Expenses - Insurance	\$6,275
Administration Expenses - Rent	4,926
Administration Expenses - Travel	675
Administration Expenses - Other	23,507
Portfolio Expenses	42,393
Professional Fees	89,021
Salaries and Related Benefits	<u>122,184</u>
Total	<u><u>\$288,981</u></u>

The expenses outlined above are included within the operating expense amounts reported on Statement B.

11. PECAN ACRES PROJECT EXPENSES

The following is a summary of Pecan Acres project expenses incurred during the year ended June 30, 2021:

Administration Expenses - Insurance	\$6,275
Administration Expenses - Rent	4,926
Administration Expenses - Travel	405
Administration Expenses - Other	20,857
Portfolio Expenses	80,383
Professional Fees	66,465
Property Acquisition Incentives	13,637
Salaries and Related Benefits	<u>124,610</u>
Total	<u><u>\$317,558</u></u>

The expenses outlined above are included within the operating expense amounts reported on Statement B.

12. RESTATEMENT OF BEGINNING NET POSITION

The beginning net position as reflected on Statement B has been restated to reflect the following changes:

Net position at June 30, 2020	\$23,412,743
Correction of errors	(933)
Unrecorded compensated absences	<u>(15,120)</u>
Net position at June 30, 2020, as restated	<u><u>\$23,396,690</u></u>

Had the corrections noted above, affecting fiscal year 2020, been included in the June 30, 2020, Statement of Revenues, Expenses, and Changes in Net Position, the previously reported change in net position of \$10,006,450 would have been \$9,990,397.

13. BLENDED COMPONENT UNITS

LLT Community Services Corporation (LLTCSC) is a blended component unit of LLT, and its capital asset and net position - net investment in capital assets valued at \$53,580 as of June 30, 2021, are included in LLT's basic financial statements. These are the only accounts of LLTCSC as of June 30, 2021.

LLT Evergreen, Inc. is a blended component unit of LLT, and its capital asset and net position – net investment in capital assets valued at \$11,525,000 as of June 30, 2021, are included in LLT's basic financial statements. These are the only accounts of LLT Evergreen, Inc. as of June 30, 2021, in the statement of net position.

LLT Audubon, Inc. is a blended component unit of LLT, and its capital asset and net position – net investment in capital assets valued at \$415,926 as of June 30, 2021, are included in LLT’s basic financial statements. These are the only accounts of LLT Audubon, Inc. as of June 30, 2021, in the statement of net position.

LLT Batture, Inc. is a blended component unit of LLT, and its capital asset and net position - net investment in capital assets valued at \$80,000 as of June 30, 2021, are included in LLT’s basic financial statements. These are the only accounts of LLT Batture, Inc. as of June 30, 2021, in the statement of net position.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

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



LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

April 29, 2022

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*

Independent Auditor's Report

LOUISIANA LAND TRUST
STATE OF LOUISIANA
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 Road Home Corporation d/b/a Louisiana Land Trust (LLT), a component unit of the state of Louisiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise LLT's basic financial statements, and have issued our report thereon dated April 29, 2022.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We identified the following deficiency in internal control that we consider to be a material weakness.

Inaccurate Financial Reporting

For the second consecutive year, LLT did not have adequate controls over financial reporting to ensure its financial statements were accurate and complete. As a result, LLT submitted an inaccurate Annual Fiscal Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) that contained the following errors requiring adjustment:

- LLT's non-depreciable capital assets balance was overstated by \$973,059 as a result of LLT understating current year deletions by \$1,280,850 for land improvements on Neighborhood Stabilization Program properties that were sold, Solution 4 properties transferred to parish and local governments, and Road Home properties that were sold or transferred; expensing \$296,206 in construction-in-progress costs rather than capitalizing them; and understating current-year additions by \$11,585 for Road Home properties acquired in the current period.
- LLT's accounts receivables and operating grants and contributions were understated on the AFR by \$68,594 due to an error in the calculation of LLT's estimated receivables due from the Office of Community Development.
- LLT's accounts payables were overstated by \$37,371, primarily resulting from an error in recording estimated legal fees and the incorrect inclusion of fiscal year 2022 property portfolio expenses.
- LLT's compensated absences payable was understated by \$21,766 due to unaccrued vacation leave for one employee.
- As a result of these misstatements, expenses were understated by \$953,919, capital grants and contributions were understated by \$11,585, and beginning net position was overstated by \$15,120.

In addition to the errors identified above, LLT's financial statements and note disclosures required the following adjustments:

- LLT made multiple errors in the presentation of its statement of cash flows, including improper consideration of accrued wages, compensated absences, and certain capital and related financing activities.
- Several of LLT's note disclosures were incomplete or contained errors. The compensated absences note disclosure did not reflect a prior-period adjustment made by LLT's contracted CPA. The retirement plan note

disclosure overstated employer and employee contributions. The Pecan Acres project expenses note disclosure did not include certain portfolio expenses. The restatement of beginning net position note disclosure did not include the effect on the prior year change in net position.

- The disaggregation of receivables and payables, capital assets, compensated absences, property portfolio expenses, Solution 4 project expenses, Isle De Jean Charles project expenses, Pecan Acres project expenses, and restatement of beginning net position note disclosures required adjustments due to misstatements in the financial statement account balances and transaction classes.

These errors occurred because management did not have an adequate process to review journal entries recorded in the general ledger to ensure the entries were accurate, based on sufficient support, and, where applicable, based on reasonable estimation methods. In addition, management did not perform an adequate review of the AFR, financial statements, and note disclosures, which were prepared by a contracted CPA. Failure to implement adequate internal controls over the financial reporting process increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Good internal control over financial reporting should include adequate procedures and oversight to record, process, and transmit financial data needed to prepare accurate and complete financial statements. In addition, controls should include a review process that will identify preparation errors and correct those errors before submitting the AFR to OSRAP and issuing financial statements and note disclosures.

LLT management should establish and perform adequate procedures to provide oversight of the recorded general ledger entries and perform a thorough review of the AFR, financial statements, and note disclosures to identify and correct errors before issuance. Management's response indicated concurrence with the finding and outlined a corrective action plan (See Appendix A, pages 1-2).

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. We identified the following deficiencies in internal control that we consider to be significant deficiencies.

Failure to Maintain Accurate Leave Balances

LLT failed to maintain vacation and sick leave balances for a part-time employee who was hired on February 16, 2016. As of June 30, 2021, the employee should have accrued 363 hours of vacation leave and 363 hours of sick leave. Failure to maintain leave balances for the employee resulted in a \$21,766 understatement of compensated absences payable in the financial statements and note disclosure at June 30, 2021.

This part-time employee was entitled to earn vacation and sick leave in accordance with the employee's employment letter and LLT's personnel policy. However, at the time of hiring, Human Resource personnel did not set up the employee's profile in the time and attendance system to accrue leave. Good accounting controls would ensure the proper entry of new employees in the time and attendance system, to include the appropriate leave accrual.

LLT should immediately correct the vacation and sick leave balances for the employee. In addition, management should implement adequate internal controls to ensure employee profiles are correctly set up in the time and attendance system. Management's response indicated concurrence with the finding and outlined a corrective action plan (See Appendix A, pages 3-4).

Weakness in Controls over Expenses

LLT did not ensure consistent application of established internal controls over all expense transactions for the fiscal year ended June 30, 2021. The following deficiencies were noted:

- Of the 20 non-payroll expense transactions tested, one transaction (5%) in the amount of \$19,233 did not include the Executive Director's signature of approval until after the payment was made. In addition, this payment was not made until 115 days after the invoice date because LLT temporarily misplaced the invoice. Lastly, because the approval was provided after the payment was made, LLT made a duplicate payment on the invoice, which was ultimately returned by the vendor.
- Of the 20 non-payroll expense transactions tested, the amount recorded in the general ledger for one transaction (5%) in the amount of \$32,230 incorrectly included fiscal year 2022 expenditures and also exceeded the approved amount that was paid to the contractor. These errors resulted in a \$13,455 overstatement of expenses.
- During a review of items included in accounts payable, we identified two invoices totaling \$5,062 with an invoice date of December 3, 2020. These invoices were not paid until March 29, 2022, or 481 days after the invoice date. LLT had requested and received the funds from Office of Community Development but overlooked making the payments to the vendor. The invoices were paid after the auditors questioned why they were still outstanding.

Established internal controls are intended to ensure that expenses are approved before payment, properly tracked, paid timely, and accurately reported in the accounting system. Internal controls that are not operating effectively increase the risk that errors or fraud could occur and remain undetected.

LLT management should ensure that established internal controls are consistently applied for all expense transactions. Management's response indicated concurrence with the finding and outlined a corrective action plan (See Appendix A, page 5).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LLT'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*.

LLT's Responses to the Findings

LLT's responses to the findings identified in our audit are attached in Appendix A. LLT's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KJ:CST:BQD:EFS:aa

LLT 2021

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations



Michael B. Taylor

Executive Director

April 25, 2022

Louisiana Legislative Auditors
1600 North Third Street
Baton Rouge, Louisiana 70804

Audit Period: Year End June 30, 2021

The Road Home Corporation d/b/a Louisiana Land Trust (LLT) respectfully submits the following corrective action plan for the year ended June 30, 2021.

Inaccurate Financial Reporting

Condition: Louisiana Land Trust did not have adequate controls over financial reporting to ensure its financial statements were accurate and complete. As a result, LLT submitted an inaccurate Annual Fiscal Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP)

Cause: Due to the different number of programs LLT is now involved in there were a number of misclassifications of expenses. Management did not account for the deletion of properties for Solution 4. There were some reporting difficulties due to egrants not being accurately updated with closings. Mistakes were made on behalf of LLT by the contracted CPA that should have been noticed in management's review of the AFR, financial statements, and note disclosures.

Action Taken: Management has made the appropriate adjusting entries and will resubmit the AFR to the Division of Administration. Management has sought out the help of OCD and STR to acquire the appropriate knowledge needed to move properties out of inventory in egrants. Management will work closely with the contracted CPA to prevent the careless errors from happening in the future. Management will conduct a thorough review of the completed AFR, financial statements, and note disclosures before they are submitted to Division of Administration and Office of

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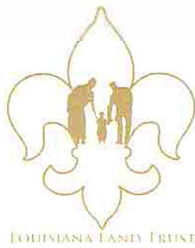


Statewide Reporting and Accounting Policy by the CPA. Management will take additional steps by reviewing the current internal controls and making any necessary adjustments.

If there are any questions regarding the actions taken, please let me know.


Michael B. Taylor

Executive Director



LOUISIANA LAND TRUST

Michael B. Taylor

Executive Director

April 25, 2022

Louisiana Legislative Auditors
1600 North Third Street
Baton Rouge, Louisiana 70804

Audit Period: Year End June 30, 2021

The Road Home Corporation d/b/a Louisiana Land Trust (LLT) respectfully submits the following corrective action plan for the year ended June 30, 2021.

Failure to Maintain Accurate Leave Balances

Condition: Louisiana Land Trust (LLT) failed to maintain vacation and sick leave balances for a part-time employee who was hired on February 16, 2016. As of June 30, 2021. The employee should have accrued 363 hours of vacation and 363 hours of sick leave. Failure to maintain leave balances for the employee resulted in a \$21,766 understatement of compensated absences payable in the financial statements and note disclosures on June 30, 2021.

Cause: Due to the oversight of benefits being offered to the Part-time employee in the employment contract, set up of the employees' profile in Paychex (LLT's Attendance system) was not completed correctly. This resulted in improper Sick and Vacation time accrual. This was an error on the part Management.

Action Taken: Management has completed the appropriate steps to correct the employees' vacation and sick time balance within the attendance system. The Employee's profile has also been updated to begin accruing vacation and sick time. In the future Management will be sure to note all benefits offered to any new hires to ensure proper setup in its Attendance System.

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If there are any questions regarding the actions taken, please let me know.


Michael B. Taylor

Executive Director



LOUISIANA LAND TRUST

Michael B. Taylor

Executive Director

April 25, 2022

Louisiana Legislative Auditors
1600 North Third Street
Baton Rouge, Louisiana 70804

Audit Period: Year End June 30, 2021

The Road Home Corporation d/b/a Louisiana Land Trust (LLT) respectfully submits the following corrective action plan for the year ended June 30, 2021.

Weakness in Controls over Expenses

Condition: The Louisiana Land Trust (LLT) did not ensure consistent application of established internal controls over all expense transactions.

Cause: Personnel changes within the Accounting department during FY21 have resulted in lack of oversight in recording, reviewing, and payment of expense transactions.

Action Taken: Management acknowledges that appropriate training on internal controls is necessary to prevent the risk of misstatement and fraud. LLT will ensure that internal controls are followed by all accounting staff to ensure that expense transactions in the future are recorded accurately and paid in a timely manner.

If there are any questions regarding the actions taken, please let me know.


Michael B. Taylor

Executive Director

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