

LOUISIANA ECONOMIC DEVELOPMENT

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED MARCH 16, 2022

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Louisiana Economic Development



March 2022

Audit Control # 80210086

Introduction

As a part of our audit of the State of Louisiana’s Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana for the fiscal year ended June 30, 2021, we performed procedures at the Louisiana Economic Development (LED) to provide assurances on financial information that is significant to the state’s Annual Comprehensive Financial Report; evaluate the effectiveness of LED’s internal controls over financial reporting and compliance; and determine whether LED complied with applicable laws and regulations. In addition, we determined whether management took actions to correct the finding reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Finding

Our auditors reviewed the status of the prior-year finding reported in the LED management letter dated December 21, 2020. We determined that management has resolved the prior-year finding related to Inadequate Controls over Time and Attendance.

Annual Comprehensive Financial Report – State of Louisiana

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2021, we considered internal control over financial reporting and examined evidence supporting the note disclosure required by Governmental Accounting Standards Board (GASB) Statement 77, *Tax Abatement Disclosures*. This GASB Statement requires disclosures of tax abatement information about a reporting government’s own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues.

The note disclosure tested, as adjusted, was materially correct.

Other Procedures

In addition to the Annual Comprehensive Financial Report noted above, we performed certain procedures that included obtaining, documenting, and reviewing LED's internal control and compliance with related laws and regulations over payroll.

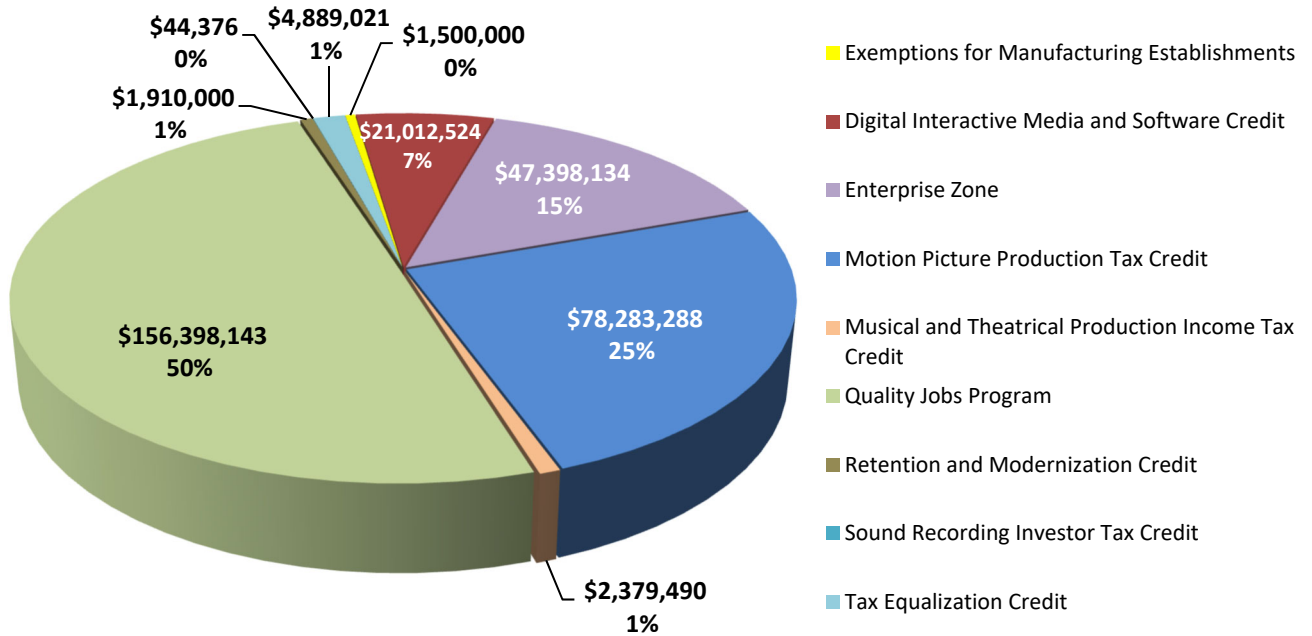
Based on the results of these procedures performed, we did not report any findings.

Trend Analysis

We compared the most current and prior-year financial activity using LED's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LED's management for any significant variances. We also prepared an analysis of fiscal year 2021 Tax Abatement Disclosures. The 11 Tax Abatement Programs administered by LED were included in the disclosure; however, two of the programs – Competitive Projects Payroll Incentive and Ports Investor Tax Credits – reported no abatements for fiscal year 2021. Of approximately \$314 million in tax credits granted, two programs – the Motion Picture Production Tax Credit and the Quality Jobs Program – represented nearly 75% of total credits.

In fiscal year 2021, the overall credits granted decreased by approximately \$9 million. The Quality Jobs Program increased by \$75 million due to 102 more rebates being issued during fiscal year 2021 than were issued in 2020, and the Motion Picture Production Tax Credit decreased by \$79 million due to Act 309 of the 2017 Regular Session. This legislation, effective on July 1, 2017, limits the program issuance cap for credits granted and certified in a fiscal year to \$150 million, and limits the taxpayer claim cap to \$180 million in a fiscal year. The time between the certification and the claiming of the credits takes several years, thus the agency is seeing a decrease in the number of tax credits being processed due to the implementation of the caps.

**Exhibit 1
Fiscal Year 2021 Tax Abatements
Total: \$313,814,976**



Source: LED Fiscal Year 2021 Annual Fiscal Report, as adjusted

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

Michael J. "Mike" Waguespack, CPA
Legislative Auditor

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LED2021

APPENDIX A: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Economic Development (LED) for the period from July 1, 2020, through June 30, 2021, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2021.

- We evaluated LED's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LED.
- Based on the documentation of LED's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on the note disclosure required by GASB Statement 77, *Tax Abatement Disclosures*, to support our opinions on the Annual Comprehensive Financial Report.
- We compared the most current and prior-year financial activity using LED's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LED's management for significant variances.

In addition, we performed procedures on payroll. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at LED and not to provide an opinion on the effectiveness of LED's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review LED's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LED's accounts are an integral part of the state of Louisiana's Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.