

LOUISIANA INTERNATIONAL DEEP WATER
GULF TRANSFER TERMINAL AUTHORITY
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
PROCEDURAL REPORT
ISSUED MARCH 3, 2021

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Louisiana Legislative Auditor



Louisiana International Deep Water Gulf Transfer Terminal Authority

March 2021

Audit Control # 80200126

Introduction

The primary purpose of our procedures at the Louisiana International Deep Water Gulf Transfer Terminal Authority (LIGTT) was to evaluate certain controls that LIGTT uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds.

LIGTT was created by Act 699 of the 2008 Regular Legislative Session. LIGTT, as authorized by Louisiana Revised Statute (R.S.) 34:3491-34:3506, is a political subdivision of the state of Louisiana and possesses full corporate powers to promote, plan, finance, develop, construct, control, license, regulate, supervise, operate, manage, maintain, and modify deep water terminal facilities to be constructed within its jurisdiction.

Results of Our Procedures

We evaluated LIGTT's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of LIGTT's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to board meetings, cash, revenue collection, non-payroll disbursements, debit cards, travel expenditures, contracts, payroll and personnel, ethics, and budget.

Written Policies and Procedures

LIGTT provided the following policies and procedures, and we observed that it addressed each of the categories and subcategories as listed below. No reportable exceptions were noted.

- (a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
- (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 or state purchasing rules and regulations, as applicable to the entity; and (5) documentation required to be maintained for all bids and price quotes.

- (c) **Disbursements**, including processing, reviewing, and approving.
- (d) **Receipts/Collections**, including receiving, recording, and preparing deposits. The policies and procedures also include management's actions to determine the completeness of all collections for each type of revenue (e.g., periodic confirmation with outside parties, reconciliation of receipt number sequences, reasonableness of cash collections based on licenses issued).
- (e) **Payroll/Personnel**, including (1) payroll processing; and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- (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.
- (g) **Debit Cards**, 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 card purchases).
- (h) **Travel and expense reimbursement**, including (1) allowable expenses; (2) dollar thresholds by category of expense; (3) documentation requirements; (4) time frame in which requests must be submitted; and (5) required approvers.
- (i) **Ethics**, including (1) the prohibitions as defined in 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) requirement that all employees annually attest through signature verification that they have read the entity's ethics policy.

Board Meetings and Minutes

We reviewed the board minutes for fiscal year 2020 and determined the LIGTT board met (with a quorum) at least once every 90 days and referenced or included monthly budget-to-actual comparisons. No reportable exceptions were noted.

We accessed LIGTT's online information included in the Division of Administration's boards and commissions' database and determined that LIGTT submitted board meeting notices and minutes for all meetings during fiscal year 2020. No reportable exceptions were noted.

Cash

LIGTT maintains an operating account, which is used for general operations. The executive director performs cash collection and disbursement functions on LIGTT's behalf, excluding bank reconciliations which are performed by a contracted accountant. The treasurer and president approve all expenditure transactions, with the exception of general office expenses. Recurring operating expenses such as monthly phone, Internet, utilities, or any fixed expense do not need

approval unless the bill exceeds the normal range. The treasurer reviews the monthly bank reconciliations prepared by the contracted accountant.

Cash balances totaled \$102,145 at June 30, 2020. We performed procedures to reconcile cash balances to LIGTT's general ledger and confirmed the timely preparation and adequate approval of bank account reconciliations. No reportable exceptions were noted.

Revenue Collection

All of LIGTT's revenue collections are from a sub-lease of water bottoms to ABK LIGTT Development Partners, LLC. We agreed the revenue collected per the general ledger and bank statements to the lease agreement and determined the appropriate amounts were not collected in accordance with the lease agreement.

Per the lease agreement, LIGTT is to collect \$240,000 in revenue each year from sub-leasing water bottoms to ABK LIGTT Development Partners, LLC. LIGTT entered into a *Sub-Lease of Water Bottoms and Development Agreement* with the developer in August 2014. The developer was tasked with the responsibility to engineer, design, finance, construct, operate, and maintain the import and export terminal facilities. The agreement included an obligation for the developer to make a \$20,000 monthly payment to LIGTT.

LIGTT received a lease payment of \$20,000 from the developer in fiscal year 2020, which was applied to a fiscal year 2019 invoice (March 2019). As of June 30, 2020, LIGTT had not received \$300,000 (\$60,000 from fiscal year 2019 and \$240,000 from fiscal year 2020) of lease payments owed from ABK LIGTT Development Partners, LLC. The *Sub-Lease of Water Bottoms and Development Agreement* between LIGTT and ABK LIGTT Development Partners, LLC, was terminated on November 7, 2020.

LIGTT has issued a public notice of Request for Qualifications (RFQ)/Request for Proposals (RFP) seeking a new developer. LIGTT does not have another source of funding should a new developer not be secured, which could impact its ability to operate going forward.

Non-Payroll Disbursements

For all non-payroll disbursements (excluding debit card purchases and travel expenditures), we obtained policies and procedures relating to the job duties of employees involved with non-payroll purchasing and payment functions and observed that the job duties were properly segregated. We also traced selected disbursements to supporting documentation and evaluated proper segregation of duties in the processing and approval of those disbursements. No reportable exceptions were noted.

Debit Cards

LIGTT has one debit card issued to the executive director, which is used for travel and small purchases. We traced selected debit card purchases to supporting documentation and evaluated

the purpose of the purchase and compliance with laws and regulations. No reportable exceptions were noted.

Travel Expenditures

Travel expenditures include conference travel for certain board members and the executive director. Fiscal year 2020 travel expenditures totaled \$7,516 through June 30, 2020. We traced all travel expenditures to supporting documentation, evaluated compliance with laws and regulations, and observed evidence of proper review and approval. No reportable exceptions were noted.

Contracts

LIGTT contracted with a few entities to perform legal, consulting, accounting/administrative, and information technology services. LIGTT also has a lease with the state of Louisiana for water bottoms in the Gulf of Mexico. Fiscal year 2020 contract expenditures totaled \$89,076 through June 30, 2020. We traced selected contract payments to contract terms and evaluated compliance with laws and regulations. No reportable exceptions were noted.

Payroll and Personnel

Approximately 26% of LIGTT's expenditures relate to payroll costs for the year ended June 30, 2020. LIGTT has one employee, an executive director, who is a salaried employee. We traced the employee's salary to the compensation package approved by LIGTT's board and evaluated controls over time and attendance records. We also obtained management's representation that employer and employee portions of payroll taxes were paid and associated forms were filed by required deadlines. No reportable exceptions were noted.

Ethics

We evaluated evidence to determine if required ethics training was completed by LIGTT's board members and only employee. We determined the selected board members and employee completed the required annual ethics training. No reportable exceptions were noted.

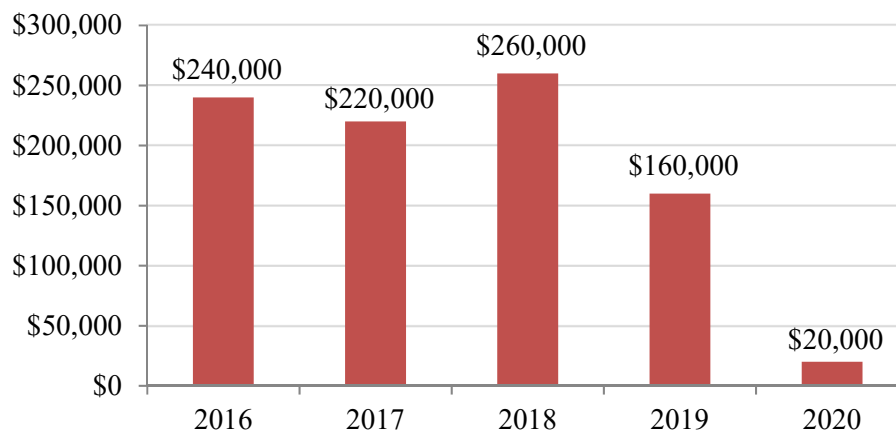
Budget

LIGTT annually adopts a budget by majority vote of its board. The budget for the year ended June 30, 2020, was approximately 10% lower than the previous year, mostly due to decreases in consultant and legal fees. We confirmed the adoption of LIGTT's budget and evaluated variances between budgeted amounts and actual revenues and expenditures for reasonableness. In addition, we obtained the budget information for fiscal year 2020 and determined the information agreed with the budget information contained in the Division of Administration's boards and commissions database. No reportable exceptions were noted.

Comparison of Activity between Years

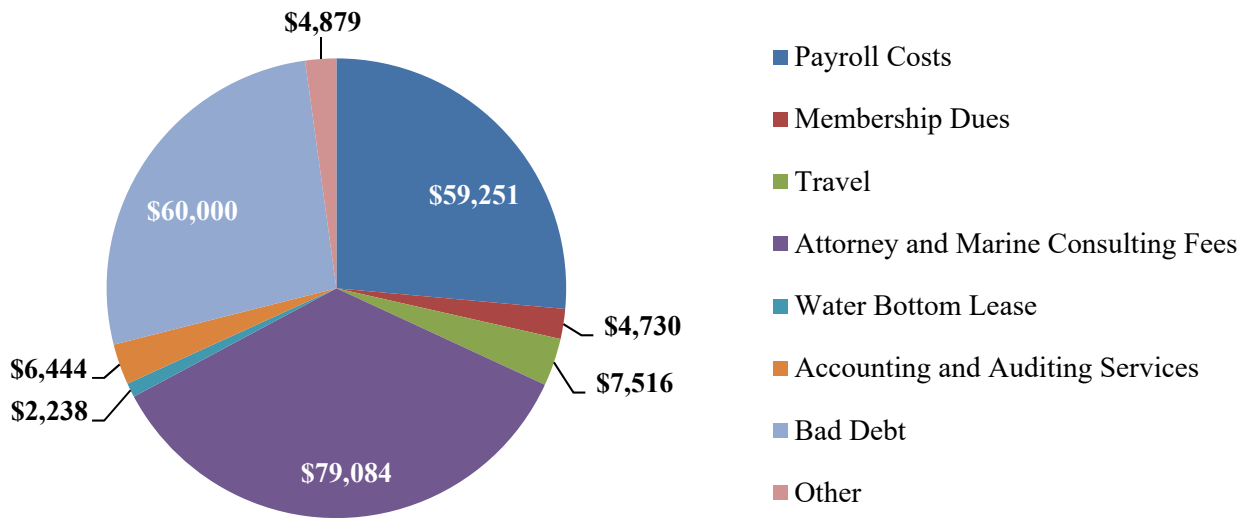
We compared the most current and prior-year financial activity using LIGTT's general ledger and other system generated reports to identify trends and obtained explanations from management for any significant variances that could potentially indicate areas of risk. Management provided reasonable explanations for all significant variances. The following charts show LIGTT's actual revenue collections from the developer under the sub-lease agreement over the last five fiscal years and fiscal year 2020 expenditures through June 30, 2020.

**Five-Year Trend of
Actual Sub-Lease Revenue Collections from Developer,
by Fiscal Year**



Source: LIGTT's Fiscal Year 2016-2020 General Ledgers

**Fiscal Year 2020 Expenditures
as of June 30, 2020
Total: \$224,142**



Source: LIGTT's General Ledger

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

Respectfully submitted,

Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor

NAD:LMN:RR:EFS:aa

APPENDIX A: SCOPE AND METHODOLOGY

We conducted certain procedures at the Louisiana International Deep-Water Gulf Transfer Terminal Authority (LIGTT) for the period from July 1, 2019, through June 30, 2020. Our objective was to evaluate certain internal controls LIGTT uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review LIGTT's Annual Fiscal Report and, accordingly, we do not express an opinion on that report. LIGTT's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated LIGTT's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LIGTT.
- Based on the documentation of LIGTT's controls and our understanding of related laws and regulations, we performed procedures on selected controls and transactions relating to board meetings, cash, revenue collection, non-payroll disbursements, debit cards, travel expenditures, contracts, payroll and personnel, ethics, and budget.
- We compared the most current and prior-year financial activity using LIGTT's general ledger and other system generated reports and obtained explanations from LIGTT's management for any significant variances.

The purpose of this report is solely to describe the scope of our work at LIGTT and not to provide an opinion on the effectiveness of LIGTT'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 purpose.