

DEPARTMENT OF AGRICULTURE AND FORESTRY

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED APRIL 12, 2021

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor



Department of Agriculture and Forestry

April 2021

Audit Control # 80200144

Introduction

As a part of the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2020, we performed procedures at the Louisiana Department of Agriculture and Forestry (LDAF) to evaluate the effectiveness of LDAF's internal controls over major federal programs and to determine whether LDAF complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the LDAF management letter dated March 18, 2020. We determined that management has resolved the prior-year findings related to Lack of Controls over Cash Management Requirements, and Lack of Controls over Suspension and Debarment Requirements. The prior-year finding related to Inadequate Controls over Reporting on the Schedule of Expenditures of Federal Awards has not been resolved and is addressed again in this letter.

Current-year Finding

Inadequate Controls over Reporting on the Schedule of Expenditures of Federal Awards

LDAF did not have controls in place to ensure that the Schedule of Expenditures of Federal Awards (SEFA) information for the Emergency Food Assistance Program - Administrative Costs (CFDA 10.568) and Emergency Food Assistance Program - Food Commodities (CFDA 10.569) was accurate before submitting it to the Office of Statewide Reporting and Accounting Policy (OSRAP). While the fiscal year 2020 SEFA did include expenditures totaling \$4,969,339, the SEFA did not report these as amounts provided to subrecipients for the Administrative Costs program. In addition, LDAF did not separately report \$730,614 in COVID-19 federal funds received for the Food Commodities program.

Failure to implement appropriate controls over the preparation of the SEFA increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected. This is the second consecutive year errors were noted in LDAF's SEFA.

Federal regulations and guidance require that the SEFA include the total amount provided to subrecipients from each federal program and separately report COVID-19 federal funds on the SEFA.

LDAF should ensure appropriate controls over the financial reporting process of the SEFA are implemented, including documentation of the SEFA review process, to ensure all expenditures are reported accurately. In addition, LDAF should ensure that OSRAP's instructions are followed during the preparation of the SEFA. Management concurred in part with the finding and provided a corrective action plan (see Appendix A).

Additional Comments: In LDAF's response, management noted that the commodities delivered as part of the COVID-19 response were reclassified by the United States Department of Agriculture (USDA) after the reporting period. However, LDAF did not resubmit a corrected SEFA to OSRAP or maintain documentation of this correspondence with the USDA. Management acknowledges the need to run and save reports at year end to identify COVID-19 federal funds that should be included in the SEFA. We encourage LDAF to timely run and maintain these reports and all other documentation to support the information included in the SEFA.

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2020, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on LDAF's major federal programs, as follows:

- Food Distribution Cluster (CFDA 10.568, 10.569)
- Child Nutrition Cluster (CFDA 10.555)

Those tests included evaluating the effectiveness of LDAF's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LDAF complied with applicable program requirements. In addition, we performed procedures on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

LDAF's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

Other Information

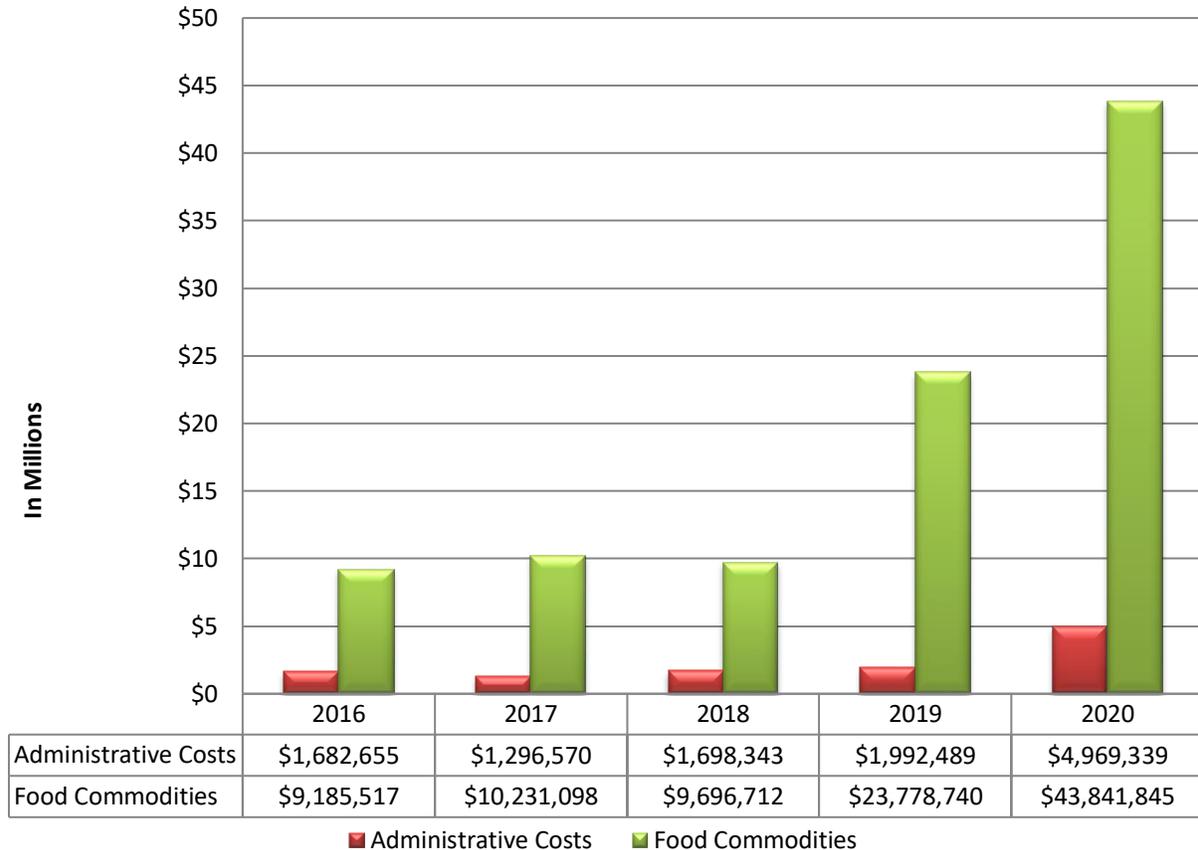
Although no procedures were performed on the SEFA, during our testing of the Food Distribution Cluster, we identified that the fiscal year 2020 SEFA contained errors as noted in the finding above related to Inadequate Controls over Reporting on the Schedule of Expenditures of Federal Awards.

Trend Analysis

We compared the most current and prior-year financial activity using system-generated reports and obtained explanations from LDAF's management for any significant variances. We also prepared an analysis of the dollar value of food commodities distributed and administrative cost payments for the last five fiscal years.

As shown in Exhibit 1, expenditures related to the Emergency Food Assistance Program – Food Commodities increased by \$20,063,105 (84%) in fiscal year 2020; and the Emergency Food Assistance Program – Administrative Costs increased by 2,976,850 (149%) in fiscal year 2020. The increase in food commodities and administrative costs is primarily due to the federal government's trade mitigation, which provides additional food commodities to state agencies and their eligible recipient agencies. Trade Mitigation is a temporary program which began in fiscal year 2019 and continued into fiscal year 2020.

Exhibit 1
Food Distribution Cluster – Emergency Food Assistance Programs
Food Commodities and Administrative Costs for Fiscal Years 2016-2020



Source: LDAF SEFA for fiscal years 2016 through 2020

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of LDAF. The nature of the recommendation, its implementation costs, and its potential impact on the operations of LDAF should be considered in reaching decisions on courses of action.

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

Respectfully submitted,

Thomas H. Cole, CPA, CGMA
 Temporary Legislative Auditor

APPENDIX A: MANAGEMENT'S RESPONSE



LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY
MIKE STRAIN DVM
COMMISSIONER



March 30, 2021

Mr. Thomas Cole, CPA
Temporary Legislative Auditor
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Dear Mr. Cole:

The Louisiana Department of Agriculture and Forestry (LDAF) is in receipt of the reportable audit finding pursuant to your letter dated December 22, 2020. To address the finding regarding controls over reporting on the Schedule of Expenditures of Federal Awards (SEFA), we provide the following explanation and procedural changes already implemented.

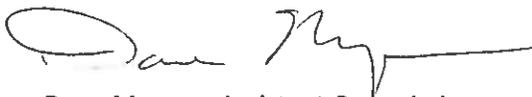
As noted in the first part of the finding, the correct amount of \$4,969,339 was properly reported in Column 1 of the SEFA, but not also in Column 2 as required. This was a misinterpretation of administrative costs for LDAF versus administrative costs for the food banks. Going forward, the amount will be included in both column 1 and column 2 of the SEFA. Please note that this involves the subsequent reporting of program activity, but had no impact on the daily operations of the program and proper delivery of commodities and administrative funds to the food banks.

However, the LDAF does not concur with the second part of the finding, which states that we did not separately identify commodities delivered as part of the federal Covid-19 response, though these commodities were included in the total reported. Given that the FFCRA funds were awarded in April and the CARES funds were awarded in mid-May, it is improbable that any commodities would have been ordered with funds allocated from these Acts and received by June 30 given the normal food distribution process. Speaking with program personnel, it is certain that these items delivered prior to June 30, 2020 were originally classified as trade mitigation, bonus, or entitlement commodities, and were subsequently reclassified by the USDA to either Cares or FFCRA commodities sometime after the reporting period. Once reclassified, the system does not differentiate between classifications – the commodity delivery will always reflect the most recent classification. Moving forward, our personnel will run and save reports at year end showing how much was delivered and classified as either CARES or FFCRA commodities, and will identify those commodities as such on the SEFA.

The personnel who prepare this report have been trained in the correct procedures. We have also added additional levels of review to ensure this change is implemented.

Kevin Finley, Deputy Undersecretary, will ensure these new procedures are placed in operation.

Sincerely,

A handwritten signature in black ink, appearing to read "Dane Morgan", with a long horizontal line extending to the right.

Dane Morgan, Assistant Commissioner
Office of Management and Finance

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Louisiana Department of Agriculture and Forestry (LDAF) for the period from July 1, 2019, through June 30, 2020, 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, were a part of our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2020.

- We evaluated LDAF'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 LDAF.
- We performed procedures on the Food Distribution Cluster (CFDA 10.568, 10.569) and the Child Nutrition Cluster (CFDA 10.555) for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We performed procedures on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2020, as a part of the 2020 Single Audit.
- We compared the most current and prior-year financial activity using LDAF's system-generated reports to identify trends and obtained explanations from LDAF's management for significant variances.

In addition, we provided other information identified in our testing of the Food Distribution Cluster related to the fiscal year 2020 Schedule of Expenditures of Federal Awards. 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 LDAF and not to provide an opinion on the effectiveness of LDAF'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 LDAF's Annual Fiscal Report, and accordingly, we do not express an opinion on that report. LDAF's accounts are an integral part of the state of Louisiana's Comprehensive Annual Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.