

OFFICE OF LIEUTENANT GOVERNOR AND DEPARTMENT OF CULTURE, RECREATION, AND TOURISM STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Procedural Report
Issued September 4, 2024

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Office of Lieutenant Governor and
Department of Culture, Recreation, and Tourism

September 2024

Audit Control # 80240017

Introduction

The primary purpose of our procedures at the Office of Lieutenant Governor (OLG) and the Department of Culture, Recreation, and Tourism (CRT) was to evaluate certain controls OLG/CRT uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the findings reported in the prior report.

Results of Our Procedures

We evaluated OLG/CRT'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 OLG/CRT's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures on selected controls and transactions relating to the William R. Irby Trust, Office of State Museum admission fees, Office of State Parks admission fees, payroll and personnel, travel expenditures, and the Major Events Incentive Fund.

Follow-up on Prior-report Findings

We reviewed the status of the prior-report findings in OLG/CRT's procedural report dated May 17, 2023. We determined that management has resolved the prior-report finding related to Weakness in Controls over Admission Fee Waivers and Discounts at State Parks. As a result of improvements made by management, the prior-report findings related to Untimely Deposits of Museum Admission Fees and Weakness in Controls over Travel Expenditures have not been repeated in this report. The prior-report finding related to Control Weaknesses over William R. Irby Trust Expenditures and Noncompliance Related to Apartment Use has not been resolved and is addressed again in this report.

Current-report Finding

Control Weaknesses over William R. Irby Trust Expenditures and Noncompliance Related to Apartment Use and Budget Approval

The Department of Culture, Recreation, and Tourism's (CRT) Office of State Museum, also referred to as the Louisiana State Museum (LSM), does not have adequate policies or internal controls as it relates to maintaining sufficient documentation to demonstrate that guest stays in the apartment designated by the William R. Irby Trust (Trust) provided a tangible, direct benefit to the LSM. LSM also did not ensure proper authorization was obtained for all purchases made with funds dedicated through the Trust and did not maintain proper evidence to support approval of the annual budget. Certain uses of the apartment do not appear to comply with the Irby Public Trust and may violate the Louisiana Constitution. The consequences of possible breaches of the Trust are not determinable absent legal action. Failure to follow established policies and procedures for the expenditure of funds dedicated by the Trust and for budget authorization increases the risks that unauthorized and/or improper purchases could be made or made in excess of the LSM Board of Directors' (Board) intentions. This is the fourth consecutive engagement we have reported weaknesses relating to the Trust.

Based on our review of all 11 apartment guest stays approved by LSM on the apartment guest approval log from July 2022 through January 2024, we identified three (27%) apartment guest stays that were donated as raffles or auction items for fund-raising purposes unrelated to the museum. Donations of guest stays that do not provide a tangible, direct benefit to the LSM may violate the Irby Public Trust and the Louisiana Constitution.

We also reviewed 30 Trust expenditures occurring between July 1, 2022, and February 28, 2024, and identified twelve (40%) expenditures that lacked evidence of appropriate authorization for the purchase. Eight of the twelve expenditures were made without an approved purchase request, three of the twelve expenditures had purchase requests that were not approved prior to purchase, and one of the twelve expenditures was requested and approved by the same employee without written authorization to do so.

In addition, LSM did not maintain sufficient supporting documentation that the Trust's fiscal year 2024 budget was approved by the Board prior to the start of the fiscal year as required by LSM policy. Failure to follow established policies and procedures regarding the Trust budget approval process increases the risk of mismanaging funds.

Mr. William Ratcliffe Irby, in his 1926 will, bequeathed the Lower Pontalba Building located in New Orleans to LSM, requiring that the property and all revenues derived from the property be used for the preservation of the public landmark and for the purpose of the LSM. The Lower Pontalba Building consists of 28 residential apartment units and 12 commercial units. The Board, as trustee for the building, designated one of the residential apartments for LSM to use for museum-related purposes. LSM is

responsible for the management, operation, and maintenance of the building. The LSM's policy designates the LSM director or her designee as the person with control and approval authority for use of the apartment and requires a log be maintained showing the name of the guest and the purpose for the visit. Although the log of guest stays included a documented purpose for each stay, the purpose did not consistently support a tangible, direct museum-related benefit.

The Attorney General has consistently opined that the purpose for which an entity uses the property must be within its specific authority when considering application of Article 7, Section 14 of the Louisiana Constitution, which prohibits funds, credit, property, or things of value of the state to be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

LSM policy requires prior authorization for all purchases, except when there is a written authorization for self-approval, expenses are for utilities, or expenses are for routine vehicle maintenance and gas under \$1,000. LSM did not consistently ensure prior approvals were obtained for Trust expenditures.

We recommend the Board, as trustee for the property, consider revising the policies to require sufficient documentation supporting the use of the apartment to ensure the apartment use is limited to only those purposes with a tangible, direct benefit to LSM, and that this benefit be clearly documented. In addition, LSM should ensure prior approvals are obtained for expenditures of the Trust in accordance with the established policies and procedures. Lastly, LSM should ensure that the Board's approval of the Trust budget is properly documented. Management concurred with the finding and provided a corrective action plan (see Appendix A).

William R. Irby Trust

We obtained an understanding of the LSM's controls over the administration of the Trust and performed procedures to address the prior-report finding titled Control Weaknesses over William R. Irby Trust Expenditures and Noncompliance Related to Apartment Use.

We reviewed all LSM-approved apartment guest stays during the period July 1, 2022, through January 31, 2024, for proper approval and adequate documentation to support that the stays were for allowable uses of the apartment. Based on the results of our procedures, LSM did not resolve the prior-report finding. As noted in the Current-report Finding section, LSM did not have sufficient documentation to demonstrate that approved guest stays in the apartment designated by the Board for LSM's use provided a tangible, direct benefit to the LSM.

We performed a test of expenditures during the period of July 1, 2022, through February 28, 2024, to determine whether purchases were properly authorized, adequately supported, and in compliance with applicable policies and regulations.

Based on the results of our procedures, except as noted in the Current-report Finding section, LSM had adequate controls in place over Trust purchases and complied with applicable policies and regulations.

We reviewed the Fiscal Years 2023 and 2024 Trust budgets to determine whether they were presented to and approved by the Board prior to the start of the new fiscal year. Based on our review, we concluded that the 2023 Trust Budget was approved by the Board, as required; however, as noted in the Current-report Finding section, adequate support was not provided to verify that the Fiscal Year 2024 Trust Budget was approved by the Board.

Office of State Museum – Admission Fees

CRT's Office of State Museum (OSM) operates 10 museums, which includes the Wedell-Williams Aviation and Cypress Sawmill Museum (museum). Since December 2013, the Wedell-Williams Memorial Foundation (Foundation) agreed to pay the costs of admission fees so that admissions to the museum could remain free to the public. We performed procedures to ensure that admission fees were being billed to the Foundation timely and subsequently deposited in compliance with relevant requirements by reviewing system-generated attendance reports, daily collection reconciliations, and other documentation for the museum. The procedures performed addressed the prior-report finding titled Untimely Deposits of Museum Admission Fees.

We reviewed 18 monthly billings of admission fees totaling \$12,946 to the Foundation from July 1, 2022, through December 31, 2023. Based on the results of our procedures, we did not report any findings.

Office of State Parks – Admission Fees

CRT's Office of State Parks (OSP) operates 39 state parks and historic sites. We performed procedures to address the prior-report finding titled Weakness in Controls over Admission Fee Waivers and Discounts at State Parks. We reviewed documentation to ensure that admission fee waivers and discounts at selected state parks and historic sites were approved in accordance with established policies and procedures.

Based on the results of our procedures, OSP had adequate controls in place over admission fee waivers and discounts; therefore, the prior-report finding is considered resolved.

Payroll and Personnel

Salaries and related benefits comprise approximately 35% of OLG/CRT's expenditures in fiscal years 2023 and 2024 (through January 2024). We obtained an understanding of OLG/CRT's controls over payroll processing and analyzed payroll system reports from July 1, 2022, through January 21, 2024, to determine the timeliness of time sheet certifications and approvals. Based on the results of our procedures, OLG/CRT has adequate controls in place to ensure timely review and approval of employee time statements.

Travel Expenditures

We obtained an understanding of OLG/CRT's controls over travel expenditures, including LaCarte Purchasing Card, Controlled Billed Account, and employee reimbursement expenditures. These expenditures consisted of direct payments for flights, car rentals, hotels, conference registrations, and sponsorships and employee reimbursements for mileage, meals, and incidentals. We analyzed travel expenditures for the period of July 1, 2022, through January 31, 2024, and reviewed selected transactions to follow-up on the prior-report finding titled Weakness in Controls over Travel Expenditures. Based on the results of our procedures, we did not report any findings.

Major Events Incentive Fund

The Major Events Incentive Fund (fund) was created by Louisiana Revised Statute 51:1260 to be used for attracting, hosting, and staging major events pursuant to the Major Events Incentive Program (program). We obtained an understanding of OLG/CRT's controls over the fund. We reviewed all fund expenditures for the period July 1, 2022, through May 7, 2024, to determine if OLG/CRT had adequate controls in place to ensure uses of the fund were in compliance with program requirements and related contracts entered into pursuant to the program. Based on the results of our procedures, OLG/CRT had adequate controls in place to ensure fund expenditures were allowable per program and statutory requirements.

Trend Analysis

We compared the most current and prior-year financial activity using OLG/CRT's Annual Fiscal Reports and/or system-generated reports and obtained explanations from OLG/CRT's management for any significant variances.

Other Reports

On July 12, 2023, a report was issued by Louisiana Legislative Auditor's (LLA) Performance Audit Services on the Office of State Parks' management of Louisiana state parks and historic sites. This report is available on the LLA website.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

DG:CST:BH:BQD:aa

OLG-CRT2024

APPENDIX A: MANAGEMENT'S RESPONSE



BILLY NUNGESSER
LIEUTENANT GOVERNOR

State of Louisiana
OFFICE OF THE LIEUTENANT GOVERNOR
DEPARTMENT OF CULTURE, RECREATION & TOURISM
OFFICE OF STATE MUSEUM

SUSAN MACLAY
INTERIM ASSISTANT SECRETARY

July 17, 2024

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804

Re: Control Weaknesses over William R. Irby Trust Expenditures and Noncompliance Related to Apartment Use and Budget Approval

Dear Mr. Waguespack:

As per your staff's request on July 15, 2024, please accept this letter as our official response to the LLA's audit finding titled "Control Weaknesses over William R. Irby Trust Expenditures and Noncompliance Related to Apartment Use and Budget Approval."

We concur that sufficient documentation was not maintained to demonstrate that certain guest stays in the Irby Apartment provided a tangible, direct benefit to the LSM. The LSM and the LSM Board work collectively regarding the use of the Irby Apartment, including establishing the policies over the allowable uses of the Apartment. Additionally, the LSM Board provides oversight over the use of the Irby Apartment by periodically reviewing the guest list to ensure the uses of the Apartment are for allowable purposes as established in the Irby Policy I-14. In the future OSM staff will better ensure that documentation fully supports the direct benefit to LSM of each guest stay in the Apartment.


We concur with the finding and recommendation related to Irby Trust expenditures. Our review of these instances indicates that these expenditures were made without proper prior approval due to staff's misunderstanding of the requirements for certain types of reoccurring purchases. Corrective actions to fix this issue have already been implemented; including educating staff of the requirements that all purchases require prior approval and by conducting periodic monitoring to ensure these requirements are being followed.

We also concur with the finding and recommendation related to the approval of the Irby Trust budget. While the LSM Board did approve the fiscal year 2024 budget, sufficient documentation was not maintained in the meeting minutes to show the results of the vote approving the budget for the year. As corrective actions for this issue, a roll call vote will be obtained for future approvals of the Irby budget and staff will fully document the results of this vote in the corresponding meeting minutes.

Anticipated Completion Date: August 2024
Person Responsible for Corrective Action: Michael McKnight

We thank the LLA for its efforts to evaluate the Irby Trust. If we can be of further assistance, please do not hesitate to contact our office.

Sincerely,

A handwritten signature in cursive script that reads "Susan Maclay". The signature is written in black ink and is positioned to the right of the typed name.

Susan Maclay
Interim Director
Louisiana State Museum

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Office of Lieutenant Governor (OLG) and Department of Culture, Recreation, and Tourism (CRT) for the period from July 1, 2022, through June 30, 2024. Our objective was to evaluate certain controls OLG/CRT 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 the OLG/CRT's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The OLG/CRT's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated OLG/CRT'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 OLG/CRT.
- Based on the documentation of OLG/CRT's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to William R. Irby Trust, Office of State Museum admission fees, Office of State Parks admission fees, payroll and personnel, travel expenditures, and the Major Events Incentive Fund.
- We compared the most current and prior-year financial activity using OLG/CRT's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from OLG/CRT's management for any significant variances that could potentially indicate areas of risk.

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