KEY Audit Issues 2016

and Act 461 Report

Better Information, Better Louisiana

Annual Report to the Legislature • January 2016

This annual report was prepared to comply with Louisiana Revised Statute 24:513 D(1). The purpose is to review the work of the Louisiana Legislative Auditor (LLA) office over calendar year 2015 and highlight significant issues facing state and local governments. The goal of summarizing these issues is to encourage corrective actions, such as policy changes, improved procedures, or legislative action that will resolve or reduce the impact of these concerns and increase both accountability and transparency in Louisiana government. This report also helps satisfy the annual reporting requirement of Act 461 of the 2014 Regular Session.*

The report is organized into two main categories — *State Government* and *Local Government*. The *State Government* category is further divided into specific agencies listed alphabetically. The report summaries that follow reflect only a portion of the more than 4,000 reports released in calendar 2015 and are representative of those topics, findings, and/or problems deemed most important by the LLA. These summaries do not include every finding or weakness identified in each report, but focus on the major concerns.

The reports, themselves, contain specific recommendations and/or matters for legislative consideration, and can be found on the LLA website at www.lla.la.gov. These reports include agency responses. In some instances, changes already may have been implemented or be in progress. In cases where the Legislative Auditor has made recommendations, the office checks back the following year to see if changes have occurred.

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Act 461 Reports page 29

*ACT 461 Reporting Requirements

Act 461, which was passed in the 2014 Regular Session, requires the Louisiana Legislative Auditor to make quarterly and annual reports to the Joint Legislative Committee on the Budget when audits identify more than $150,000:

- in waste or inefficiencies;
- missed revenue collections;
- erroneous or improper payments or overpayments by the state;
- theft of money;
- failure to meet funding obligations such as pension or health benefits;
- failure to comply with federal fund or grant requirements;
- failure to comply with state funding requirements;
- misappropriation of funds;
- errors in or insufficient support for disaster expenditures;
- accountability of public money associated with various disasters such as the Deepwater Horizon event; or
- repeat findings.

Overall, the cumulative financial impact of these reports is approximately **$1.8 billion**.

The mission of the Louisiana Legislative Auditor (LLA) is "to foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information."

Every year, the auditor's office releases approximately 160 reports covering a variety of topics and state agencies. In addition, the Legislative Auditor oversees the work of almost 300 independent contract audit firms that conduct more than 3,000 audits and other types of engagements on state and local government each year.

In addition to the audit reports it issues concerning the health of state and local government finances, as well as the effectiveness of state agency programs and policies, the LLA provides many other services. For example, in 2015, the office prepared 192 fiscal notes for legislation affecting expenditures of political subdivisions and 76 actuarial notes for legislation affecting state and statewide public retirement systems. The LLA also reviewed 2,763 millages levied in the state and prepared 22 legal opinions.

Daryl G. Purpera, *CPA, CFE*
Legislative Auditor

Nearly 275 employees work for the LLA. The majority conduct audit work in five areas — Actuarial, Financial, Investigative, Performance, and Recovery. Other staff work in the Local Government Services, Advisory Services, and Legal Services sections. Staff in these three sections provide guidance and training to state and local officials and quasi-public entities, conduct research, monitor legislative changes, provide written and legal opinions for both staff and public officials as requested by the Legislative Auditor, and help ensure that audit law is enforced. Staff members in the Accounting, Human Resources and Professional Development, Information Services, Publishing, and other administrative areas provide necessary support for the work of the LLA.

Much of the work performed by the LLA is required by state or federal law. Other work is the result of allegations, requests from lawmakers, and significant changes in how the government conducts business or provides services. All reports, however, are driven by the mission of the office.

Key Personnel

Thomas H. Cole, *CPA*
First Assistant Legislative Auditor/ Local Government Audit Services

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Assistant Legislative Auditor and Director of Performance Audit Services

John Morehead, *CPA*
Assistant Legislative Auditor and Director of Recovery Assistance Services

Ernest Summerville, Jr., *CPA*
Assistant Legislative Auditor and Director of Financial Audit Services

Our Vision

We envision an accountable, transparent, responsive government that provides efficient and effective services for the benefit of the people of Louisiana.

Our Goals

Plan and perform quality audit and advisory services of state and local governments and not-for-profit organizations in an efficient and effective manner.

Communicate the results of our audit services to the public, Legislature, public officials, and other decision makers timely and effectively.

STATE GOVERNMENT

Did you know?

All of our audit reports can be found online.
Log on to **www.lla.la.gov** to find current and archived reports.

The Financial, Performance, and Recovery Assistance sections of the LLA perform audits involving state agencies.

Financial Audit Services focuses on whether agencies and universities have adequate controls in place to ensure the accountability of public funds and compliance with state and federal laws, regulations, and grant agreements. Performance Audit Services evaluates the economy, efficiency, and effectiveness of state agency programs, functions, and activities. Recovery Assistance Services ensures that federal disaster recovery funds sent to the state are spent in accordance with federal and state laws, rules, and regulations. In addition to these audit services, Actuarial Services prepares actuarial cost notes for all proposed legislation affecting Louisiana public employee retirement systems, reviews all state and statewide public retirement system actuarial valuations and audited financials, certifies cost-of-living allowances for the entities, and prepares the Annual Report on Louisiana Public Retirement Systems for the Legislature and governor.

Board of Regents

LSU Health Sciences Center – Health Care Services Division – Weaknesses over State Assets in New Orleans Hospitals • November 25, 2015

HCSD did not ensure asset purchases totaling $15,137,952 for the new University Medical Center in New Orleans were considered for tagging and entry into the state's asset management system. In addition, assets assigned to the Interim Louisiana Hospital totaling $1,095,467 were reported as unlocated. In June 2013, as a result of an executed cooperative endeavor agreement, a private partner took over management and operation of the Interim Louisiana Hospital in New Orleans. In April 2015, upon completion of construction of the new hospital, the same partner assumed control of the University Medical Center New Orleans. To equip the new hospital, HCSD purchased $23,210,695 of movable equipment, while the Division of Administration, Office of Facility Planning and Control (OFPC) purchased an additional $15,137,952 of equipment. According to HCSD and the partner's property control manager, the Division of Administration neglected to provide documentation to HCSD or the partner detailing the equipment purchases. This prevented the property manager from tagging the qualifying assets and entering the information into the state's asset management system. Until proper documentation is provided by OFPC, it is unclear how much of the $15.1 million in purchased assets should have been tagged and reported to the Louisiana Property Assistance Agency.

LSU Health Sciences Center – Health Care Services Division – Weaknesses over Property Control • November 25, 2015

HCSD did not ensure the now-closed Earl K. Long Medical Center's (EKLMC) property was inventoried and certified to the Louisiana Property Assistance Agency (LPAA) and was unable to locate $4,685,445 of movable property. In addition, HCSD did not perform a physical inventory or complete the 2014 LPAA certification reporting for the EKLMC non-leased assets. Failure to establish controls over property increases the risk of misstatements, loss arising from theft or unauthorized use, and noncompliance with state laws and regulations.

South Louisiana Community College – Inadequate Collection Procedures over Student Accounts Receivable • December 23, 2015

For the second consecutive year, SLCC did not establish adequate collection procedures over student accounts receivable. In addition, students in default on obligations were allowed to enroll in the college in a subsequent semester. SLCC failed, in some cases, to establish terms or conditions for the extension of credit at the time the account was created; to send collection letters to students with outstanding balances; to turn the defaulted accounts over to the Attorney General for collection; or to restrict the admission of students in default on obligations. The outstanding student account balance at June 30, 2015, totaled $2.9 million. Failure to establish adequate collection procedures increases the risk that the accounts will become uncollectible and may impair the college's funding of ongoing operations.

Southern University – Education Assistance Scholarships • December 9, 2015

A review of the Southern University Board of Supervisors Scholarship Reports for the 2013-2014 and 2014-2015 academic years and a review of the Board's scholarship policy revealed that Southern University management has not established a System Scholarship Committee, as required by Board policy. This committee would be responsible for establishing the criteria students must meet to receive an award and for reviewing the recommendations of Board members. The review also noted that for 2013-2014, six of 63 scholarships that management awarded failed to meet policy requirements. For 2014-2015, three of 20 scholarships tested were not awarded according to the policy. In addition, the review of the required Board Scholarship Reports showed that reports submitted to the Legislature for 2013-2014 and 2014-2015 were not accurate, complete, or submitted by the required date.

Department of Children and Family Services

Inadequate Control over Temporary Assistance for Needy Families (TANF) Work Verification Plan • December 21, 2015

For the fourth consecutive year, DCFS did not maintain and verify all documentation required under the TANF program cluster, potentially subjecting the department to financial penalties from the federal government. The federal grantor could assess the state penalties totaling not less than 1% and not more than 5% of the $111 million adjusted grant award; however, the likelihood of such an assessment is unknown.

Noncompliance with TANF Eligibility • December 21, 2015

For the third consecutive year, DCFS did not have complete eligibility and related documentation for clients receiving cash benefits under the federal TANF program cluster, resulting in known questioned costs of $22,772 for which the State may be liable. Because DCFS case workers failed to include all required documentation in eight of 25 case files reviewed, it is likely there are substantial numbers of missing eligibility documents in a program that disbursed approximately $146 million in cash assistance during fiscal year 2015. These exceptions increase the risk that clients may receive benefits to which they are not entitled and could result in DCFS having to repay the funds to the federal grantor.

Inadequate Control over Child Care Assistance Program Attendance • December 21, 2015

DCFS did not review child care provider transactions with high occurrences of children checking in and out for previous days' attendance to identify potential improper payments in the Child Care Assistance Program. Children are checked in electronically using a finger scan of the parent or household designee who transfers the child to the child care provider. The process to check in a child for a previous day is referred to as "back-scanning." Excessive back-scanning increases the risk that children could be checked in for days they were not in attendance. That could allow the provider to be overpaid and possibly result in disallowed costs by the federal grantor. For six of 25 child care expenditures, full-time children were back-scanned for previous days' attendance 50 percent of the time or more. Per the federally approved state plan for the administration of the Child Care Assistance Program, DCFS should run system reports that flag errors as part of its efforts to identify program violations and administrative error to ensure program integrity.

Department of Education

Student Counts and Budget Shortfalls in the Minimum Foundation Program • March 4, 2015

The Department of Education's student count process results in inaccurate numbers, primarily because of uncorrected errors in data submitted by schools and school systems and because the initial Minimum Foundation Program (MFP) budget is based on enrollment as of February 1, which historically has a lower count than the October 1 benchmark. While the department does inform schools and school systems about data errors, it does not ensure that the errors are corrected. That can cause ineligible students to be included in a district's initial MFP allocation and the district to receive more money than it should. Through the use of data analytics, LLA audit team members identified approximately 1,000 potentially ineligible students in the October 2012 and February 2013 counts that were not included in LDOE's review sample. These students represent about $3.9 million in MFP. If LDOE were to use data analytics, it could more easily detect ineligible students and improper payments. In addition, although LDOE develops projections that account for fluctuations in the student population and adjustments in MFP allocations, those projections are not included in the Executive Budget proposal. That means less money is allocated initially for the MFP than will be needed since the amount is based on the lower February count rather than the higher October count. In recent years, these shortfalls have contributed to the need for midyear budget cuts. LDOE needs to ensure data errors are corrected and to provide its enrollment and cost projections to the Office of Planning and Budget to be included in the Executive Budget.

Recovery School District – Inadequate Controls over Movable Property • December 21, 2015

For the ninth consecutive year, the Recovery School District did not maintain and accurately report equipment as required by state equipment regulations and did not maintain accurate information in the state's movable property system.

A test of assets purchased from July 1, 2014, to June 30, 2015, that were fully or partially funded with Disaster Grants - Public Assistance federal funds disclosed that 228 assets with an acquisition cost totaling $709,295 were recorded in the Louisiana Property Assistance Agency (LPAA) asset management system (AMS) three to 85 days after the required 60-day period. The assets did not show up as late additions in AMS because RSD incorrectly used the date of entry (system default date) as the date of acquisition, rather than entering the actual acquisition date. A review of the AMS late additions report for July 1, 2014, through June 30, 2015, disclosed that RSD entered 30 assets with an acquisition cost totaling $194,577 from 226 to 1,685 days after the required 60-day period. Twenty-nine of the assets ($192,928) were purchased in 2009 and had not been tagged and recorded for almost five years.

RSD's annual certification of property inventory, which was submitted to LPAA on June 22, 2015, was disapproved by LPAA because of an unacceptable amount of current-year discrepancies. The certification disclosed $808,379 in unlocated movable property for the current period and $6,151,811 in remaining unlocated items reported in the previous three years.

Department of Environmental Quality

Inadequate Controls over the Waste Tire Management Program • May 6, 2015

The Waste Tire Management Program at DEQ was established to reduce the volume of waste tires in Louisiana by facilitating a market for recycled waste tire material. DEQ has not implemented effective monitoring procedures over the Waste Tire Management Program to ensure that waste tire data used to calculate subsidized payments to processors is reasonable. This increases the risk that subsidies paid to waste tire processors could be based on inaccurate data, resulting in overpayments. Between July 1, 2007, and June 30, 2014, DEQ disbursed $71.1 million in subsidies to six waste tire processors.

Department of Health and Hospitals

Consideration of Bayou Health Savings • July 1, 2015

Since the implementation of Medicaid managed care, known as Bayou Health, DHH has presented four different considerations of Medicaid cost savings resulting from Bayou Health. This report provided a six-year trend analysis of total Medicaid expenditures and evaluated the Bayou Health cost savings reported by DHH. No cost baselines for legacy (pre-Bayou Health) Medicaid were established prior to the implementation of Bayou Health. As a result, it was difficult to determine the cost savings. Despite the lack of baseline data, the evaluation of cost savings achieved by Bayou Health showed that total Medicaid expenditures over a six-year period have increased by more than $1.2 billion, or 19%. When comparing this growth to the Bayou Health cost growth of only 13%, the trend analysis noted that Bayou Health may be saving the state money by curbing cost growth. The report specifically addressed each of the four savings scenarios presented by DHH, only totally agreeing with a $17 million savings realized in the Bayou Health Shared Savings Program.

Bayou Health Transparency Report Follow-up • September 9, 2015

The second *Bayou Health Transparency Report* was submitted to the Legislature on December 31, 2014. A prior informational audit report, *Consideration of the Bayou Health Transparency Report*, issued in August 2014, reported the transparency report did not include the first five months of Bayou Health operations; did not provide comparable data between Bayou Health services data and the prior legacy (pre-Bayou Health) Medicaid data; included global assertions about Bayou Health cost savings and improved outcomes that were not supported; included primarily self-reported data from the Bayou Health plans without verification or validation of the data; did not include audited financial statements; and provided sections of the report with mathematical errors and inconsistencies between the report and supplemental data. Overall, the follow-up report noted that DHH addressed many of the prior recommendations and produced a more reliable report. However, the September report cited some continuing issues that DHH needs to address further, including unreported periods, self-reported data, and unaudited and unadjusted amounts in the Medicaid Loss Ratio reports. In addition, DHH is not including audited financial statements in the transparency report.

Non-Emergency Medical Transportation Program • December 2, 2015

The Non-Emergency Medical Transportation (NEMT) program provides transportation for Medicaid recipients to and from a Medicaid medical provider, and covers both non-ambulance and ambulance trips. An audit of DHH's oversight of the program found three areas of concern. DHH has not routinely analyzed all claims data to monitor the program for potentially improper payments. The audit identified $1,682,286 in NEMT claims paid that had no associated approved medical claim on the same date and $103,258 in payments for transportation that potentially violated NEMT program rules. In addition, DHH has not conducted on-site monitoring of non-ambulance providers since January 2014, and it has never monitored ambulance providers to ensure that support exists for their rides.

Inadequate Controls over Non-Emergency Medical Transportation Services • December 21, 2015

DHH paid claims totaling $349,085 to a provider of Non-Emergency Medical Transportation (NEMT) for services billed to the Medical Assistance Program (Medicaid) that were not provided in accordance with established policies. As a result, these are considered questioned costs, and the state may be liable for them. DHH allowed one transportation provider to maintain a contractual agreement with a medical services provider to be the exclusive transportation provider for the recipients of that medical service provider. This agreement is a possible violation of Medicaid regulations requiring recipient freedom of choice. This is the second consecutive year this questionable contractual agreement has been reported and the eighth consecutive year improper NEMT payments have been reported.

Inadequate Controls to Monitor Timely Filing and Prompt Payment of Medicaid Claims • December 21, 2015

For the second consecutive year, DHH failed to ensure compliance with Medicaid requirements for the timely filing and prompt payment of Medicaid claims under the Louisiana Behavioral Health Partnership. As a result, DHH may be paying the state managing organization, Magellan, for claims that do not meet federal regulations. The number of claims possibly paid in error could not be determined because DHH did not obtain the provider filed date for a portion of the year and did not monitor for compliance after it started receiving the information. The date of original claim submission is needed to determine whether a claim met Medicaid regulations. Without the provider filed date and without adequate monitoring, DHH cannot determine the length of time between the date of medical service and the date of submission of the claim, or the length of time between submission of the claim and payment by Magellan.

Noncompliance with Third-Party Liability Requirements • December 21, 2015

DHH failed to keep required processes in place to identify and recover paid claims where a third party is liable to pay for medical services provided for a Medicaid-eligible recipient. In addition, DHH did not establish alternate procedures to pursue and recover previously identified instances of third-party liability (TPL) that totaled approximately $29 million. DHH had a contract for identification and collection of TPL on previously paid claims through December 31, 2014. But when it expired, DHH did not renew the contract, contract with another vendor, or establish internal processes to identify and recover TPL. Without the required TPL processes, DHH may not identify and recover funds due to the Medicaid program from individuals, insurance companies, or other entities and programs that may be liable for payment.

Noncompliance with Medicaid Regulations for External Quality Review Reports • December 21, 2015

For the second time in three years, DHH failed to provide an external quality review (EQR) report for Magellan, the state management organization for the Louisiana Behavioral Health Partnership, as required by Medicaid regulations and the DHH Medicaid state plan. No EQR report has been submitted to the Centers for Medicare and Medicaid Services (CMS) for the period March 2013 through August 2015. The lack of the annual EQR report impairs DHH's ability to determine if Magellan complied with Medicaid managed care regulations. In addition, since Magellan is a private company and not audited by the Legislative Auditor, the auditor's ability to determine compliance with Medicaid regulations is hampered. As of August 2015, Magellan has operated as the state manager for three years and six months. However, DHH has only submitted one annual EQR report to CMS. An EQR is an analysis and evaluation of aggregated information on quality, timeliness, and access to health care services that a prepaid inpatient health plan furnishes to Medicaid beneficiaries.

Improper Uncompensated Care Payments to Two Hospitals • December 21, 2015

DHH paid two hospitals $17,308,694 for uncompensated care costs (UCC) that did not follow the approved Medicaid state plan. One hospital, New Orleans East Hospital, was paid $10,670,403 prior to the determination qualifying this new hospital for UCC payments. The other hospital, Eastern Louisiana Mental Health System, was paid $6,638,291 more than 100% of its uncompensated care costs. Payments using federal Medicaid funds that are not in accordance with the approved Medicaid state plan place DHH in noncompliance with federal regulations.

Noncompliance with Vendor Monitoring and Cost Containment Requirements • December 21, 2015

The DHH Office of Public Health (DHH/OPH) did not implement cost containment requirements or adequately monitor the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) vendors. DHH/OPH established required vendor groups but did not monitor vendor prices by group to ensure competitive pricing; did not perform procedures to identify high-risk vendors; did not perform required compliance investigations; and did not monitor, using a required methodology, vendors that receive more than 50% of their revenue from WIC food instruments. Without the proper procedures in place, it is unknown how much of the $116 million in food costs is at risk of noncompliance with program regulations.

Inadequate Monitoring of Vaccines • December 21, 2015

DHH/OPH did not perform adequate monitoring of vaccines within the Immunization Cooperative Agreements program. Three providers in Region 5 (Central Louisiana) did not have compliance site visits performed by DHH/OPH in a two-year period as required by federal regulations. The value of vaccines issued to these providers was $294,049, which constitute questioned costs. Failure to adequately monitor the storage and handling of vaccines could result in waste of vaccines or administration of potentially ineffective vaccines.

Department of Natural Resources

Severance Tax Suspension for Horizontal Wells • August 19, 2015

Revenue Loss from Horizontal Well Severance Tax Suspension			
Fiscal Year	**Oil**	**Gas**	**Total**
2010	$291,000	$238,748,000	$239,039,000
2011	1,241,000	234,884,000	236,125,000
2012	7,098,472	264,674,120	271,772,592
2013	7,667,963	227,564,460	235,232,423
2014	25,962,354	140,447,512	166,409,866
Total	**$42,260,789**	**$1,106,318,092**	**$1,148,578,881**

Source: Prepared by legislative auditor's staff using LDR's Tax Exemption Budget.

Louisiana potentially lost more than $1.1 billion in severance tax revenue between fiscal years 2010 and 2014 because of the suspension of the tax for horizontally-drilled wells. The severance tax suspension is good for two years or until the well's costs are paid. In addition, because horizontal wells produce the most oil or gas in their first two years, the state has forfeited substantial revenue that could be collected during this time period. Among other states where horizontal drilling takes place, a few allow reduced severance tax rates for these wells, but none has a severance tax suspension. In the 2015 Regular Session, lawmakers passed a bill that will gradually phase out the suspension provided the prices of oil and gas meet certain thresholds.

Department of Public Safety and Corrections

Office of State Fire Marshal – Inspection, Enforcement, and Complaint Processes • January 28, 2015

The Office of State Fire Marshal (OFSM) has not developed sufficient processes to ensure that the 25,868 structures under its jurisdiction comply with applicable fire codes and regulations. Of these structures, 17,977 (69%) are schools, universities, state buildings, or licensed outpatient facilities (i.e., mental health structures, physical therapy providers, and public health clinics). OSFM needs to establish a specific timeframe for inspections to ensure they are conducted in a timely manner, monitor the 18 certified fire prevention bureaus across the state to ensure they are conducting required inspections, place more emphasis on re-inspections, and develop and enforce a penalty system for violations.

Department of Revenue

Overpayment of Sales Tax Distributions to Local Government • December 23, 2015

LDR has overpaid the Algiers Economic Development District No. 1 (District) more than $6.9 million in sales tax distributions since the beginning of a cooperative endeavor agreement (CEA) executed in 2004, which provides for the amount of sales tax collections to be paid to the District. Rather than using 31.25% of the sales tax collections as specified in the CEA in the calculation of amounts to be remitted to the District, LDR used the total sales tax collections from the taxpayers in the District, which resulted in the overpayments.

Inadequate Planning and Management of Information Technology Projects and Systems • December 23, 2015

LDR did not adequately manage the upgrade of the Delta tax information (Delta) system or the implementation of the Scan Optics Tax Express revenue processing software (Tax Express system), resulting in the untimely deposit and posting of paper checks and errors in converted severance tax records. Issues with the Tax Express system caused more than $66 million in untimely deposits of tax payments and late postings to the related taxpayer accounts. These checks were deposited an average of 26 days after receipt and were posted to the taxpayer accounts an average of eight days after deposit and 34 days after receipt. In addition, during the upgrade of the Delta system and conversion of severance tax records, penalty and interest updates were erroneously performed on non-return documents, creating $5.4 million in residual balance errors on taxpayer accounts. Stop billing and stop refund indicators that were placed on the accounts to prevent erroneous refunds and bills are set to cease on December 31, 2015; therefore, prompt attention is needed or inaccurate bills and refunds could be released on these accounts.

Department of the Treasury

Interfund Borrowing • November 12, 2015

Interfund borrowing is the practice by which the State Treasury borrows cash from dedicated funds to maintain General Fund cash flow. This practice is necessary because much of the state's revenue is not collected until late in the fiscal year, while General Fund expenditures occur throughout the year. As of October 30, 2015, General Fund interfund borrowing totaled $1.475 billion, or $491 million more than a year ago, while dedicated funds available for borrowing totaled approximately $2.5 billion at the end of September 2015.

Overall, the report concluded that interfund borrowing is unlikely to result in significant cash flow problems for fiscal year 2016. However, future legislative changes to taxes, tax credits, or exemptions could have unanticipated consequences on General Fund cash flow, as could changes in the use of borrowable cash balances. In addition, the state's recognition in fiscal year 2014 of an accumulated cash balance in the General Fund as "surplus" resulted in a permanent decrease in General Fund cash that will continue for all future years, effectively increasing interfund borrowing.

Department of Transportation and Development

Transportation Trust Fund • August 5, 2015

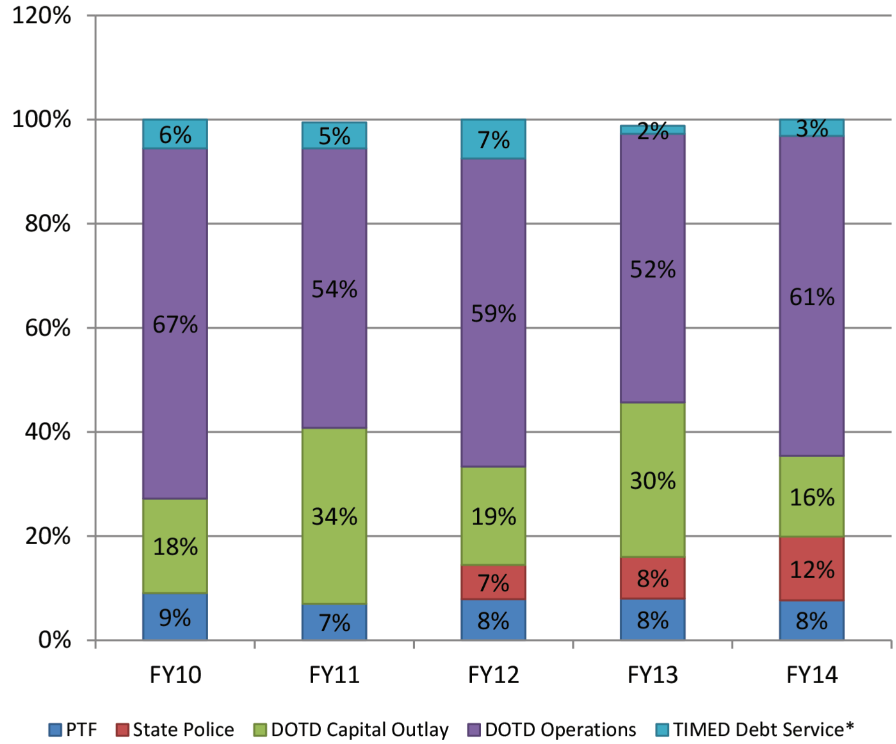
DOTD has an estimated backlog of construction projects totaling approximately $12 billion. As the costs of construction increase, concern has grown that state and federal funding will not be sufficient to address the transportation infrastructure needs of the state. With inflation and the rising cost of construction, declining federal funding, and only modest growth in state funding, the revenues of the Transportation Trust Fund (TTF) may not be sufficient to address the transportation infrastructure needs of the state without additional or increased revenue sources and/or changes to the allocation of TTF funds. The report disclosed the following:

- More than $138 million (or 4.9%) of the total $2.8 billion of the 16-cent motor fuels tax collected from fiscal years 2009 to 2014 has been used to supplement the Transportation Infrastructure Model for Economic Development (TIMED) account debt. An additional $1.2 billion of the 16-cent tax is projected to be needed over the next 30 years to pay off the TIMED debt.

- TTF disbursements to the State Police for fiscal years 2012 through 2014 totaled $152.7 million, and the fiscal year 2015 appropriated amount was $59.8 million. Act 380 of the 2015 Regular Session restricts the amount of TTF funds that can be appropriated to the Office of State Police to $45 million for fiscal year 2016, $20 million for fiscal year 2017, and $10 million for fiscal year 2018 and each fiscal year thereafter.

- Based upon the appropriations and revenue projections for fiscal year 2015 and the five prior fiscal years, the Parish Transportation Fund (PTF) funding requirement has been met and has been exceeded by approximately $99 million over the past six fiscal years.

Five-Year Trend Analysis
Percentage of TTF Disbursements (Excluding Federal Receipts)



*This includes only the additional monies used in excess of the $.04 tax dedicated for debt service.

Source: Prepared by LLA staff using data obtained from ISIS using Business Objects and DOTD Capital Outlay AFR

- The majority of TTF funds are used by DOTD for capital outlay; however, if federal receipts are excluded, the majority is used for DOTD operations.

- Methods considered by Louisiana and other states to increase transportation funding include increasing taxes on motor fuels, turning over roads to local governments, dedicating state sales tax, imposing fees for vehicle miles traveled, imposing rental car taxes and tolls, engaging in public-private partnerships, and selling bonds.

Noncompliance with Subrecipient Monitoring Requirements • December 23, 2015

DOTD did not adequately monitor its subrecipients under the Highway Planning and Construction Cluster of programs, the Alcohol Open Container Requirements program, and the Minimum Penalties for Repeat Offenders for Driving While Intoxicated program, resulting in noncompliance with federal regulations and increasing the risk of disallowed costs that would require repayment to the federal grantor. This is the second consecutive year we have reported noncompliance with subrecipient monitoring requirements.

DOTD did not properly monitor the contracted Recreational Trails program administrator to ensure the required site visits of program subrecipients were being performed; did not obtain payment documentation from certain subrecipients supporting advance payments made totaling $658,502; did not timely ensure that required audits were performed for subrecipients of program funds; did not ensure that federal award information was communicated to certain subrecipients; and did not perform the required evaluation of risk of noncompliance for program subrecipients as required by federal requirements.

Noncompliance with Period of Availability of Funds Requirements • December 23, 2015

DOTD claimed and received reimbursements outside of the period of availability of funds from the pass-through entity, the Louisiana Highway Safety Commission, for the Alcohol Open Container Requirements program and the Minimum Penalties for Repeat Offenders for Driving While Intoxicated program, resulting in $737,895 that may need to be repaid to the commission and/or the federal grantor.

Department of Veterans Affairs

Oversight of Quality of Care in Louisiana's War Veterans Homes • August 12, 2015

An examination of the department's oversight of Louisiana's five veterans homes found personnel at the homes did not always examine high-risk areas during quality assurance reviews, as required, nor did they always address deficiencies identified during such quality assurance reviews. In addition, staff did not always resolve grievances in a timely manner, and they did not consistently update care plans in the wake of reported incidents. They also did not monitor the quality of services provided by contract vendors.

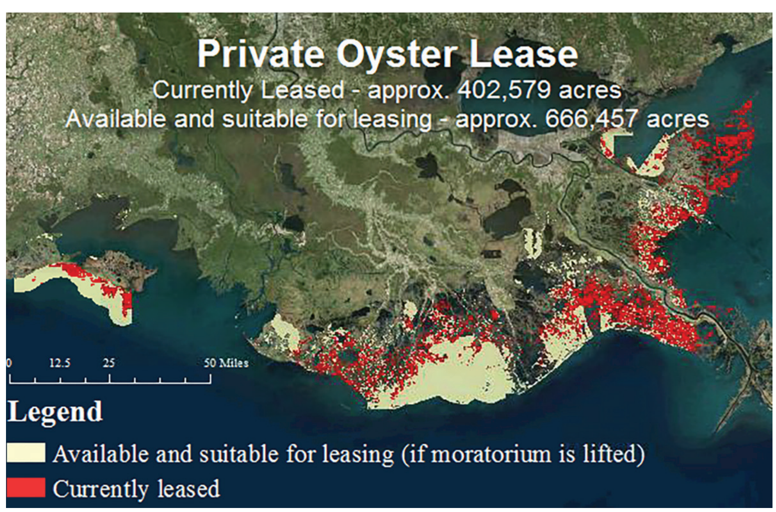
Top Five Incidents, by Veteran Home
Calendar Year 2014

Incident Type	Bossier City	Jackson	Jennings	Monroe	Reserve	Total
1. Fall	478	241	500	439	393	**2,051**
2. Skin Tear	24	457	301	161	129	**1,072**
3. Other*	23	1	155	44	79	**302**
4. Bruise	5	44	39	17	40	**145**
5. Physical Contact	30	13	17	29	22	**111**

*The Other category is not defined in policy, so we are unsure what types of incidents are included in this category.
Source: Prepared by legislative auditor's staff using information obtained from LDVA Veteran homes.

Department of Wildlife and Fisheries

Louisiana Oyster Lease Practices • February 25, 2015



Louisiana's oyster lease rates and its oyster lease application fee are low compared to other states that also produce Eastern oysters. In addition, Louisiana law does not require oyster lease holders to produce or cultivate oysters, nor does it prevent lease holders from entering into partnerships to exceed acreage limits. The department has had a moratorium on the issuance of new oyster leases since March 2002. Combined, these practices potentially have cost the state significant revenue. If the department were to lift the moratorium, as well as increase the lease rate to $5.20 per acre (which is the average lease rate of five other states surveyed), it potentially could generate an additional $4.83 million per year.

Compensation for Damages to Public Oyster Grounds • May 13, 2015

The department needs to improve its process for assessing compensation for damages to public oyster grounds. Specifically, it should increase its compensation rates to cover the cost of planting cultch or of replacing the current value of a sack of oysters and develop a timeframe for assessing compensation amounts. In addition, the department should consider requiring permit holders to secure bonds for the estimated damages to public oyster grounds.

Department of Children and Family Services; Department of Culture, Recreation and Tourism; Department of Economic Development; Department of Education; Department of Revenue

Tax Incentive Reporting – Agency Compliance with Act 191 of the 2013 Regular Session • May 27, 2015

Act 191 of the 2013 Regular Session requires, in part, that agencies annually report the return on investment of tax incentives and whether the incentives met their intended purposes. We conducted procedures to determine if these agencies were complying with the reporting requirements. We found that three of the six agencies that administer tax incentives submitted reports as of March 23, 2015. As a result, the Legislature only received information on five of the 79 tax incentives administered by these agencies. In addition, of the 79 tax incentive reports agencies were required to submit to the Legislature by March 1, 2014, 70 (89%) either were not submitted or did not comply with all of the reporting requirements. According to the Department of Revenue's Tax Exemption Budgets, the revenue loss from tax incentives claimed in fiscal years 2013 and 2014 for which agencies provided no information or did not comply with reporting requirements totaled approximately $1.1 billion and $1.3 billion, respectively.

Division of Administration

Governor's Office of Homeland Security and Emergency Preparedness – Support of Federal Reimbursements • July 2014 through June 2015

The LLA conducted agreed-upon procedures engagements for the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) to help evaluate the completeness and accuracy of documentation submitted in support of federal reimbursements under the Public Assistance and Hazard Mitigation programs. In 2015, Recovery staff conducted 10,029 reviews of federal reimbursement requests totaling $1,213,452,787. The auditor identified $192,224,177 in federal reimbursements that were not supported by sufficient documentation at the time of the review.

Office of Risk Management – Cost Savings Update Fiscal Year 2014 • September 9, 2015

ORM projects that F.A. Richard & Associates (FARA) is on track to meet the savings called for in its contract with the state. As of June 30, 2014, FARA had cumulatively reduced claims and litigation payments by approximately $43.3 million (86.6%) of the $50 million in savings called for in the contract, according to ORM. The $43.3 million included about $35.3 million in claims and litigation payments savings and $8 million in savings related to the settlement of workers' compensation claims. June 30, 2014, was the end of the fourth year of the five-year contract FARA has with the state. The company has one more year to realize the rest of the savings required in the agreement. In addition, as of June 30, 2014, ORM said it had reached about $20.3 million of the $22 million in net program savings it projected over the five-year contract period.

Office of Community Development – Inadequate Grant Recovery of Homeowners Assistance Program Awards • December 14, 2015

The Community Development Block Grant (CDBG) Homeowner Assistance Program (HAP) is the largest single housing recovery program in U.S. history, with approximately $8.9 billion in disbursements since fiscal year 2007. This program assists families affected by hurricanes Katrina and Rita get back into their homes. OCD identified noncompliant HAP awards for 7,844 homeowners totaling $263 million. In addition, awards identified as noncompliant in previous years totaling $798 million remain in recovery status. Of the $8.9 billion in total HAP awards disbursed as of June 30, 2015, 21,497 awards totaling $1 billion are in grant recovery.

Office of Community Development – Inadequate Recovery of Small Rental Property Program Loans • December 14, 2015

The CDBG Small Rental Property Program (SRPP) provides funding to property owners to repair their storm-damaged, small-scale rental properties and make their units available to low- and moderate-income tenants at affordable rates. OCD assigned property owners with SRPP loans totaling $18 million to loan recovery status for noncompliance with loan requirements. In addition, awards placed in recovery in previous years totaling $76.2 million remain in recovery status. Of the $435.5 million in SRPP outstanding loans as of June 30, 2015, 1,127 loans totaling $94.2 million are in recovery status.

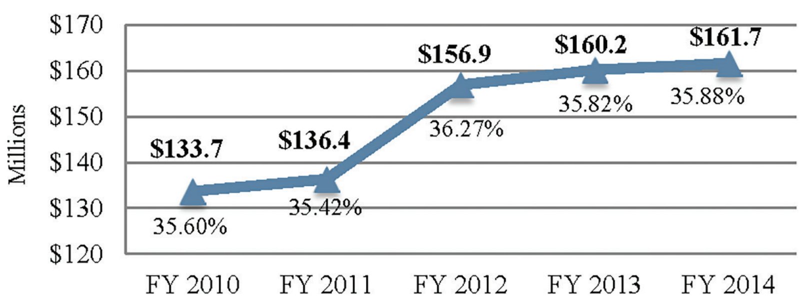
Office of Community Development – Hazard Mitigation Grant Program Awards Identified for Grant Recovery • December 14, 2015

The Hazard Mitigation Grant Program (HMGP) helps homeowners in coastal Louisiana protect their homes from damage in future natural disasters by elevating their homes, reconstructing safer structures, or installing individual mitigation measures. OCD identified $6.3 million in noncompliant awards for 279 applicants. In addition, OCD identified 31 awards affected by contractor abandonment, incomplete work, or potential fraud that were not reported in the previous fiscal year and has demanded $596,385 from contractors for work not performed.

Louisiana Lottery Corporation

House Concurrent Resolution No. 116 – 2014 Regular Session • March 11, 2015

Transfers to the State Fiscal Years 2010 through 2014
(in millions)



Source: Prepared by legislative auditor's staff using information obtained from the Lottery.

The Lottery was effective in generating additional revenue for the state from fiscal years 2010 to 2014 primarily because it increased the prize payout percentage on scratch-off games. However, the Lottery could generate even more revenue for the state by continuing to increase the prize payout percentage and transferring the unclaimed prize balance (which was an estimated $27.6 million as of June 30, 2015) to the state as well. At the same time, legislators would need to reduce the Lottery's mandated transfer percentage. If not, state officials could expect to lose revenue for K-12 education. For example, if the entire unclaimed prize balance is transferred to the state and the mandate is decreased from 35% to 25%, K-12 education could expect to lose about $16 million a year in recurring revenue.

Louisiana State Racing Commission

Noncompliance with Statutory Distribution Requirements – August 19, 2015

LSRC failed to ensure compliance with Louisiana Revised Statute 4:218(A)(2), which requires the distribution of 33% of license fees collected from off-track wagering facilities (OTB fees) to the Board of Regents. As a result, the Board of Regents did not receive more than $15 million for the period of July 1996 through April 2015 that would have been distributed to public and private institutions of higher education. In addition, in three of the most recent six fiscal years, LSRC apparently spent more than the 53% of OTB fees it is authorized to retain by law.

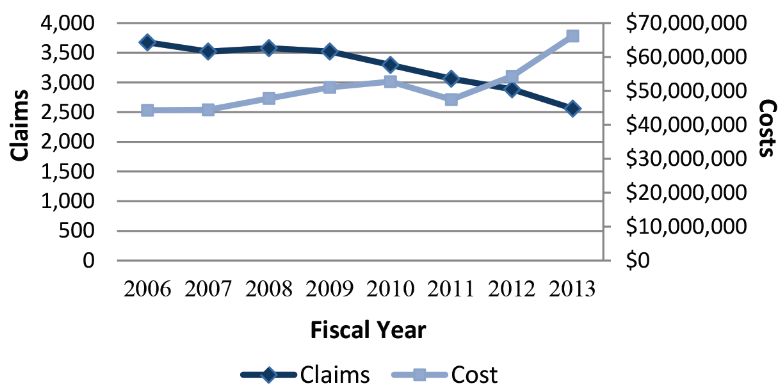
Louisiana Workforce Commission

Office of Workers' Compensation – Workers' Compensation Costs in Louisiana • February 4, 2015

Louisiana's workers' compensation costs increased 49% from fiscal years 2006 to 2013, in part because the state does not limit the length of temporary total disability benefits and because workers are off the job longer than in other states. Overall medical costs also are higher than other states because Louisiana has an outdated fee schedule, and its prescription drug costs are higher because the state does not use a drug formulary. Recommendations to help bring down the costs include limiting the length of temporary total disability benefits, updating the medical fee schedule and including outpatient procedures in it, and adopting a drug formulary.

State Employee Claims and Costs Fiscal Year 2006 to 2013

Source: Prepared by legislative auditor's staff using data from ORM.



Inadequate Subrecipient Monitoring for Workforce Investment Act Cluster • December 23, 2015

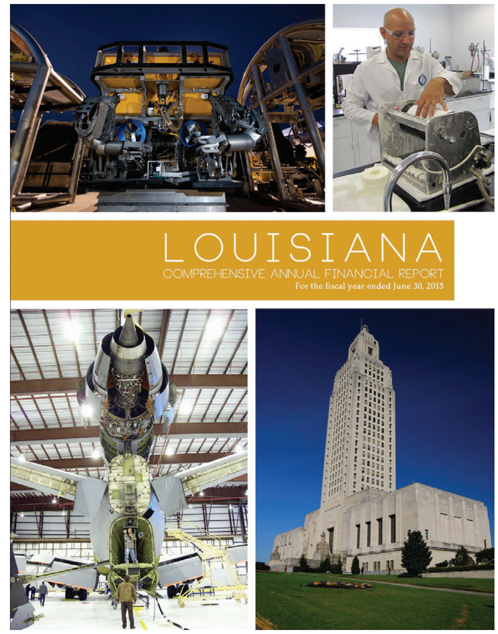
For the fourth consecutive year, LWC did not adequately monitor subrecipients of the Workforce Investment Act (WIA) Cluster program. LWC did not begin conducting required reviews until May 2015. As of June 30, 2015, monitoring reviews had been started for only four (22%) of 18 subrecipients. Failure to perform adequate monitoring impairs LWC's ability to ensure that program funds are spent in accordance with program regulations and increases the risk of improper payments that the state may have to repay to the federal government. WIA program expenditures totaled $32 million during fiscal year 2015, with approximately $28 million provided to subrecipients who were not adequately monitored.

Inadequate Subrecipient Monitoring for Community Services Block Grant • December 23, 2015

LWC did not adequately monitor subrecipients of the Community Services Block Grant (CSBG) program. LWC did not conduct required on-site reviews for any of the 42 subrecipients within a three-year period. Failure to perform adequate monitoring impairs LWC's ability to ensure that program funds are spent in accordance with program regulations and increases the risk of improper payments that the state may have to repay to the federal government. CSBG program expenditures totaled $15 million during fiscal year 2015, with approximately $14 million provided to subrecipients who were not adequately monitored.

Other Reports

Comprehensive Annual Financial Report



The Comprehensive Annual Financial Report (CAFR) is the official financial report for the State of Louisiana and presents the state's financial position at June 30, 2015, and the operating activities of the state's primary government and its component units for the fiscal year then ended. LLA's audit of the CAFR was performed in accordance with *Government Auditing Standards*, and the audit report was issued on December 22, 2015, with a "clean" opinion based on work performed by financial auditors spread across state agencies, departments, colleges, universities, and numerous other entities such as boards, commissions, districts, and public corporations. The financial information included in the CAFR is intended for use by the general public, investment companies, bond holders, and bond rating agencies to evaluate the state's financial integrity and to set bond rates.

In addition to LLA's opinion, the audit report disclosed the implementation of a new accounting standard that requires the state to record its proportionate share of pension amounts related to its participation in numerous pension plans. As a result of the implementation, the state's net pension liability at June 30, 2015, was estimated to be approximately $5.6 billion. The related actuarial valuation was performed by pension system actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2015, could be under- or overstated.

Single Audit

The 2014 Single Audit Report for the State of Louisiana, issued on March 3, 2015, included 34 findings, with 14 of those repeated from the prior year. LLA cited questioned costs of $1,018,619,403 for all federal programs. The related federal awarding agencies will make a determination as to whether the state will have to repay these questioned costs.

The report also contained LLA's opinions on the state's administration of its 31 major federal programs and a detailed schedule of the state's expenditures of federal awards, which totaled approximately $15 billion for the fiscal year ended June 30, 2014.

Based on LLA's procedures, three major federal programs had modified opinions:

- The Community Development Block Grant cluster administered by the Division of Administration, Office of Community Development, had approximately $1 billion in questioned costs because of awards paid to ineligible homeowners and small rental property owners.

- The Workforce Investment Act cluster, administered by the Louisiana Workforce Commission, did not ensure adequate monitoring of $31 million in program funds passed through to subrecipients.

- The Foster Care - Title IV-E program administered by the Department of Children and Family Services and the Department of Public Safety and Corrections, Office of Juvenile Justice, did not have adequate support or perform periodic reviews of rates used in making payments to residential care facilities.

LOCAL GOVERNMENT

Did you know?

We offer assistance and training, from internal audit training programs to use of public dollars seminars, for all manner of governmental entities, from local fire districts to state departments.

Local Government Services

The Local Government Services section provides other important services to local governments by enforcing the audit law, processing statutorily-required reports, monitoring legislative changes, providing guidance to local governments and quasi-public entities (local auditees), and overseeing the work of independent auditors who audit those entities. Local Government Services staff reviewed and processed the following local auditee engagements and reports during 2015:

Type of Report	Number		Type of Report	Number
Agreed-Upon Procedures	77		Compilations	482
Audits	2,273		Sworn Financial Statements	1,034
Reviews/Attestations	251		Other Types of Reports	74
			Total for All Types	**4,191**

During the past year, local auditee reports contained more than 600 findings related to various deficiencies in operations, controls, and compliance with laws and regulations.

Approximately 100 of these findings related to noncompliance with federal regulations in the local governments' administration of their federal programs, while more than 100 other findings cited local governments for errors in their accounting records, not complying with bond covenants or loan agreements, and having deficit fund balances. More than 90 findings related to deficiencies in various internal control areas, and more than 50 involved not properly reconciling bank accounts or other critical accounting records.

In addition, more than 20 misappropriation and/or ethics findings were reported. Other significant findings related to noncompliance with state laws covering public bids, open meetings, untimely deposits, and late filings of financial statements.

The Legislative Auditor has statutory authority to approve all millages levied in the state. In that capacity, the office's millage experts approved 2,763 millages in 2015, and the tax review officer verified all assessors' salaries and certified pension contributions to certain retirement systems. The staff conducted seven statewide training sessions to assist local governments with the legal requirements of levying millages.

Advisory Services

The Advisory Services staff serves as fiscal advisers and operational consultants to local government entities and officials. Over the past year, Advisory Services staff completed projects and responded to legislative requests touching approximately 90 local government entities by providing fiscal monitoring, internal control and compliance reviews, advising and consulting services, allegation assessments, follow-up on audit finding resolutions, and training.

The following is a summary of the services the advisers provide:

- recommendations to improve overall internal controls;
- recommendations to help governments and officials comply with applicable state laws;
- consulting and monitoring related to the fiscal status and health of government entities;

- follow-up on certain complaints received from officials and residents;
- advice to newly elected local government officials regarding overall best practices and effective financial management;
- advice to assist governments with resolving audit findings;
- training to guide the implementation of sound fiscal and operational practices and instructor support for the Center for Local Government Excellence;
- support for the Louisiana State Fiscal Review Committee;
- monthly articles for the Louisiana Municipal Association's Louisiana Municipal Review newsletter that pertain to good fiscal and operational management practices; and
- annual assessments of sheriffs participating in the Federal Equitable Sharing Program to ensure compliance with U.S. Department of Justice and Treasury requirements.

The LLA is also responsible for preparing fiscal notes for legislative instruments affecting expenditures of political subdivisions as well as receipts, expenditures, allocations, and dedications of funds of any state board, commission, or other entity not appropriated funds in any appropriation bill. Advisory Services is involved with overseeing this function. During the 2015 Regular Legislative Session, the office's analysts received 57 requests and prepared 192 fiscal notes in response.

Center for Local Government Excellence

In 2015, the LLA started an intense, hands-on training and certification program through its Center for Local Government Excellence. Recently, Level 1 sessions were held in St. Tammany Parish on October 27 and 28, 2015, and on December 15 and 16, 2015. The two-day workshops introduced participants to the basics of internal control, accounting, and financial reporting for local governments, as well as to legal issues faced by local government officials and their staffs.

Future Level 1 workshops will be held statewide beginning in March 2016 and will focus on:

- basics of internal control and best practices;
- open meetings and public records;
- public bid law and donations (Cabela);
- Human Resources laws, compliance, and administration;
- powers and responsibilities of elected and appointed officials;
- budgeting preparation and Budget Act compliance; and
- understanding governmental financial statements, assessing financial health, and fund balance management.

After completing the Level 1 training, participants should have a basic understanding of:

- internal controls and best practices;
- the basics and intricacies of the laws related to open meetings, public records, public bid, and donations (Cabela);
- recent changes in employment law, along with compliance and administration;
- governmental financial statements, including the basic fund types;
- the Local Government Budget Act and the budgeting process; and
- the powers and responsibilities of elected and appointed officials.

The goal of these training sessions is to enable local officials to take the knowledge and skills gained back to their respective local governments and use them to make a positive difference. Level 2 and Level 3 sessions also are being developed and will be offered throughout the state after all Level 1 courses have been delivered.

Investigative Audit Services

The following summaries highlight some of the reports issued by Investigative Audit Services in 2015.

District Attorney for the 42nd Judicial District • January 7, 2015

A former employee of the District Attorney for the 42nd Judicial District negotiated $136,004 of money orders made payable to, or intended for, the District Attorney's office from 2004 to 2014. The money orders were collected by the District Attorney's office for worthless checks and diversion fees, but negotiated by a former employee at the DeSoto Parish Sheriff's Office and several local banks and retailers. In a statement to the Mansfield Police Department, she said she used the money for her own personal use. The audit report was referred to the Attorney General for the State of Louisiana.

St. Bernard Parish Government – St. Bernard Cultural Center, Inc. • January 21, 2015

From January 2012 to February 2014, St. Bernard Cultural Center, Inc. (CCI) records indicate that CCI received $86,864 in cash that was never deposited into its bank account. During the same period, the former Frederick J. Sigur Civic Center manager's personal bank account was credited with $59,998 in cash deposits in excess of her paycheck. This audit was turned over to the District Attorney for the 34th Judicial District and the Attorney General for the State of Louisiana.

Evangeline Parish Sheriff • April 1, 2015

The former chief civil deputy diverted public funds totaling at least $108,976 to herself and possibly to other employees for personal use from August 17, 2011, to September 30, 2014. The former chief civil deputy issued unauthorized checks using the sheriff's signature stamp, failed to deposit cash collections, and falsified and destroyed accounting records to conceal her actions. In addition, the former chief civil deputy used the agency credit card to make unauthorized purchases totaling $6,005 from November 22, 2013, to September 10, 2014. The report was referred to the District Attorney for the 13th Judicial District of Louisiana.

Jackson Parish Hospital Service District No. 1 • April 8, 2015

The former Human Resource employee and accounts payable clerk for Jackson Parish Hospital Service District No. 1 improperly received $89,960 in payments for accrued time off and $33,197 in insurance benefits and hospital uniforms they were not entitled to receive from 2008 to 2014. The former Human Resource employee also improperly received $26,072 in payments for insurance stipends from 2009 to 2014. Finally, the hospital's records show that $121,968 was collected but not deposited into the hospital's bank account from 2012 to 2014. The former accounts payable clerk stated that she took cash from hospital collections and deposited it to her personal bank account or spent it. This audit was turned over to the Attorney General for the State of Louisiana.

Alternatives Living, Inc. • May 20, 2015

An investigative audit of the New Orleans-based nonprofit corporation found three senior management officers incurred expenses totaling $133,164 that appear to be personal in nature from July 7, 2010, to December 20, 2013. Alternatives Living, Inc. was founded for charitable, educational, and scientific purposes, including providing housing for the homeless, elderly, veterans, and others. These expenses included purchases of sporting and entertainment event tickets, lease of a luxury vehicle, purchase of a different luxury vehicle, and college tuition payments. In addition, from March 10, 2010, to December 27, 2013, Alternatives Living, Inc. incurred expenses totaling $247,925 for which there was little documentation to support the business purpose of the expenses. The expenses included checks payable to "Cash," fuel station purchases, and meals at local restaurants. The audit report was referred to the Orleans Parish District Attorney.

St. Bernard Parish Government – St. Bernard Recreation Complex, Inc. • June 3, 2015

The former office manager of the St. Bernard Parish Government's nonprofit St. Bernard Recreation Complex, Inc. (RCI) deposited 168 checks, totaling $39,239, payable to St. Bernard Parish Government or RCI into her personal bank account between April 2012 and June 2014. This same former employee also cashed or deposited to her personal bank account eight unearned and unauthorized checks from RCI's bank account payable to herself or the St. Bernard Hurricanes. These eight checks were subsequently modified and deleted in the accounting system by someone using the former office manager's user name. Finally, $22,503 in cash was collected by RCI but not deposited into St. Bernard Parish Government's bank account. For the same period, $26,892 in cash was deposited to the former office manager and her husband's bank accounts. This audit was turned over to the District Attorney for the 34th Judicial District and the Attorney General for the State of Louisiana.

Town of Elizabeth • June 3, 2015

Between June 3, 2014, and June 20, 2014, the Town of Elizabeth paid the former mayor, town gas system supervisor, and two town vendors an aggregate of $117,354 without any legal obligation to do so. The former mayor appears to have falsified minutes of a Board of Aldermen meeting authorizing such payments. The audit also noted that from August 7, 2013, to December 12, 2014, the former mayor received excess compensation totaling $4,800, including two additional payroll checks totaling $3,200 and unused leave payouts totaling $1,600. Other findings in the audit included noncompliance with the Local Government Budget Act and noncompliance with Open Meetings Law. In addition, the audit found that the Board of Aldermen improperly fixed salaries of municipal officers. All funds improperly paid to the former mayor (including excessive compensation) and others were repaid to the town. The audit report was referred to the District Attorney for the 33rd Judicial District of Louisiana and the Louisiana Board of Ethics.

Village of Port Vincent • October 28, 2015

Village of Port Vincent records indicate that fines totaling at least $16,980 were collected but not deposited into the village's bank account from January 8, 2015, through March 16, 2015. Although both the former clerk and the former assistant clerk responsible for collecting the fines denied taking any of the missing funds, the audit found that the former assistant clerk failed to issue receipts for all cash payments and appeared to have falsified public records to conceal cash payments not deposited. During the course of the audit, the Livingston Parish Sheriff's Office issued an arrest warrant for the former assistant clerk, who turned herself in to authorities on September 18, 2015. The report was turned over to the District Attorney for the 21st Judicial District of Louisiana.

CONCLUSION

Two primary concerns emerge from the reports summarized above – the failure to address the same audit findings year after year and the lack of effective internal controls, which is an ongoing problem.

In both instances, state and local governments lose money, which hampers their ability to provide services, and the public's trust is undermined. The ramifications of these problems are even more acute considering the state is facing a nearly $2.5 billion revenue shortfall over the 2016 and 2017 fiscal years.

By calling these issues to the attention of lawmakers, agency management, and the public, the Legislative Auditor hopes to encourage open, transparent discussion on how best to address these concerns, and, ultimately, to improve the efficiency and effectiveness of government for all of the state's residents.

ACT 461 REPORTS

Did you know?

The Louisiana Legislative Auditor was formed in 1962. However, similar duties had been performed by various agencies since 1907. In 1964, J.B. Lancaster was appointed the first Legislative Auditor.

Third Quarter, Fiscal Year 2015

For the third quarter of the 2015 fiscal year, we issued no audit reports that are required to be reported.

Fourth Quarter, Fiscal Year 2015

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Governor's Office of Homeland Security and Emergency Preparedness	4/29/2015	Completed work was not within the scope of the approved project.	$6,119,806*
Governor's Office of Homeland Security and Emergency Preparedness	4/29/2015	Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records or other applicable documentation.	$22,626,147*
Governor's Office of Homeland Security and Emergency Preparedness	4/29/2015	Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements.	$22,422,531*
Governor's Office of Homeland Security and Emergency Preparedness	4/29/2015	Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance.	$693,685*
Governor's Office of Homeland Security and Emergency Preparedness	4/29/2015	Completed work was not within the scope of the approved project.	$243,764
Governor's Office of Homeland Security and Emergency Preparedness	4/29/2015	Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records or other applicable documentation.	$11,752,315
Governor's Office of Homeland Security and Emergency Preparedness	4/29/2015	Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements.	$3,034,764

*Since March 2008, the LLA has noted exceptions totaling $743,756,308, which includes the $51,862,169 noted this period, and GOHSEP has resolved $644,015,276, which includes the $16,138,139 resolved this period.

Fourth Quarter, Fiscal Year 2015 (Cont.)

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Housing Authority of Kenner (Repeat Finding)	6/10/2015	US HUD issued reports that indicate the housing authority may owe HUD nearly $3 million in questioned and unsupported costs.	$2,876,158
Jackson Parish Hospital	4/8/2015	Mismanagement of Payroll Deductions.	$200,997
Olive Branch Ministries, Inc.	4/1/2015	Disbursement invoices and employee timesheet files not maintained nor available.	$258,005
St. Mary Parish Consolidated Gravity Drainage District No. 2	5/13/2015	Improper contractual arrangement and improper payments; improper payments to former board chairman; lack of board governance; missing district equipment.	$2,624,948
Town of Richwood (Repeat Finding)	4/15/2015	Compiled financial statements contained 39 adjusting journal entries (correction of errors) totaling over $2.5 million.	$2,535,964

Total for Quarter • $75,389,084

First Quarter, Fiscal Year 2016

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Louisiana State Racing Commission (LSRC)	8/19/2015	LSRC did not distribute approximately $15 million in license fees to the Board of Regents, as required by La. R.S. 4:218(A)(2), for the period July 1996 through April 2015.	$15 million
State of Louisiana	8/19/2015	Louisiana's severance tax suspension for horizontal wells has resulted in more than $1.1 billion in revenue loss for the state from fiscal years 2010 to 2014.	$1,148,578,881

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Child Development Council of Acadiana, Inc.	9/2/2015	Agency owes $1.8 million to the US Department of Health and Human Services for disallowed costs.	$1,855,599
Northwestern State University	8/5/2015	Public funds diverted to a non-University bank account.	$788,690
Northwestern State University	8/5/2015	Improper payments made from a non-University bank account.	$16,000
Northwestern State University	8/5/2015	Improper contractual arrangements.	$40,967
Orleans Parish Charter School - Institute for Academic Excellence - Sophie B. Wright Charter School	9/16/2015	MFP funds improperly used for Student Activity Fund purposes.	$267,878
Town of Independence	8/26/2015	Utility payments not deposited; town failed to enroll eligible employees in retirement systems; town billed reduced utility rates to mayor's son; town failed to report mayor's vehicle allowance as income.	$308,199

Total for Quarter • $1,166,856,214

Second Quarter, Fiscal Year 2016

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Department of Health and Hospitals	12/21/2015	DHH failed to keep required processes that identify and recover paid claims where a third party is liable for the medical services. In addition, DHH did not establish alternate procedures to pursue and recover previously identified instances of third-party liability that totaled approximately $29 million.	$29,000,000
Department of Health and Hospitals	12/21/2015	DHH paid two hospitals more than $17 million for uncompensated care costs that did not follow the approved Medicaid state plan.	$17,308,694
Department of Health and Hospitals (Repeat Finding)	12/21/2015	The amount of behavioral health claims possibly paid in error could not be determined because Magellan did not capture and report the actual date that the original claim was filed. The date of original claim submission is needed to determine whether or not the claim met Medicaid regulations.	unknown
Department of Health and Hospitals	12/2/2015	We identified 55,474 claims for $1,682,286 that did not have a medical claim on the date of transportation service and $103,258 in payments that potentially violated NEMT program rules in calendar years 2011 through 2014.	$1,785,544
Department of Health and Hospitals (Repeat Finding)	12/21/2015	DHH paid claims totaling $349,085 to a provider of Non-Emergency Medical Transportation (NEMT) for services billed to the Medicaid program that were not provided in accordance with established policies. This is the second consecutive year that we have reported the same questionable contractual agreement and the eighth consecutive year to report improper NEMT payments.	$349,085
Department of Health and Hospitals, Office of Public Health	12/21/2015	DHH-OPH did not perform adequate monitoring of vaccines within the Immunization Cooperative Agreements program. Failure to adequately monitor the storage and handling of vaccines could result in waste of vaccines or administration of potentially ineffective vaccines.	$294,049

Second Quarter, Fiscal Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Department of Public Safety and Corrections, Public Safety Services (Repeat Finding)	12/23/2015	Two employees of DPS's Office of Motor Vehicles were arrested on charges of felony theft, injuring public records, and malfeasance in office. The employees were accused of misappropriating customer payments.	$211,459
Department of Transportation and Development (Repeat Finding)	12/23/2015	DOTD did not adequately monitor its subrecipients under the Highway Planning and Construction Cluster (HPCC) of programs, the Alcohol Open Container Requirements program, and the Minimum Penalties for Repeat Offenders for Driving While Intoxicated program. Among other issues, DOTD did not obtain payment documentation from certain subrecipients supporting advance payments made totaling $658,502.	$658,502
Department of Transportation and Development	12/23/2015	DOTD claimed and received reimbursements outside of the period of availability of funds from the pass-through entity, Louisiana Highway Safety Commission (LHSC), for the Alcohol Open Container Requirements program and the Minimum Penalties for Repeat Offenders for Driving While Intoxicated program, resulting in $737,895 that may need to be repaid to the LHSC and/or the federal grantor.	$737,895
Executive Department, Division of Administration, Office of Community Development (Repeat Finding)	12/14/2015	The Office of Community Development (OCD) identified noncompliant Homeowner Assistance Program (HAP) awards for 7,844 homeowners totaling $263 million. In addition, awards identified as noncompliant in previous years totaling $798 million remain in recovery status. Of the $8.9 billion total HAP awards disbursed as of June 30, 2015, 21,497 awards totaling $1 billion are in grant recovery.	$263 million

Second Quarter, Fiscal Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Executive Department, Division of Administration, Office of Community Development (Repeat Finding)	12/14/2015	OCD assigned property owners with Small Rental Property Owner (SRPP) loans totaling $18 million to loan recovery status for noncompliance with loan requirements. In addition, awards placed in recovery in previous years totaling $76.2 million remain in recovery status. Of the $435.5 million in SRPP outstanding loans as of June 30, 2015, 1,127 loans totaling $94.2 million are in recovery status.	$18 million
Executive Department, Division of Administration, Office of Community Development (Repeat Finding)	12/14/2015	OCD identified $6.3 million in noncompliant awards for 279 applicants. In addition, OCD identified 31 awards affected by contractor abandonment, incomplete work, or potential fraud that were not reported in the previous fiscal year and has demanded $596,385 from contractors for work not performed.	$6.9 million
Governor's Office of Homeland Security and Emergency Preparedness	9/30/2015	Completed work was not within the scope of the approved project.	$5,080,155*
Governor's Office of Homeland Security and Emergency Preparedness	9/30/2015	Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records or other applicable documentation.	$24,366,128*
Governor's Office of Homeland Security and Emergency Preparedness	9/30/2015	Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements.	$41,243,954*
Governor's Office of Homeland Security and Emergency Preparedness	9/30/2015	Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance.	$2,346,115*

Second Quarter, Fiscal Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Governor's Office of Homeland Security and Emergency Preparedness	9/30/2015	GOHSEP's cost estimating tool and/or expense review form either omitted or contained duplicate and/or incorrectly categorized expenses.	$1,768,218*
Governor's Office of Homeland Security and Emergency Preparedness	9/30/2015	Completed work was not within the scope of the approved project.	$1,427,859
Governor's Office of Homeland Security and Emergency Preparedness	9/30/2015	Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records or other applicable documentation.	$2,376,678
Governor's Office of Homeland Security and Emergency Preparedness	9/30/2015	Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements.	$24,710,938
Louisiana Department of Revenue	12/23/2015	LDR overpaid the Algiers Economic Development District No. 1 more than $6.9 million in sales tax distributions since the beginning of its cooperative endeavor agreement executed in 2004, which provides for the amount of sales tax collections to be paid to the District.	$6.9 million
Louisiana Workforce Commission (Repeat Finding)	12/23/2015	For the fourth consecutive year, LWC did not adequately monitor subrecipients of the Workforce Investment Act (WIA) Cluster program. WIA program expenditures totaled $32 million during fiscal year 2015, with approximately $28 million provided to subrecipients who were not adequately monitored.	$28 million
Louisiana Workforce Commission	12/23/2015	LWC did not adequately monitor subrecipients of the Community Services Block Grant (CSBG) program. CSBG program expenditures totaled $15 million during fiscal year 2015, with approximately $14 million provided to subrecipients who were not adequately monitored.	$14 million

Second Quarter, Fiscal Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
LSU Health Sciences Center - Health Care Services Division	11/25/2015	HCSD did not ensure asset purchases totaling $15,137,952 for the new University Medical Center New Orleans were considered for tagging and entry into the state's asset management system. In addition, assets assigned to the Interim Louisiana Hospital totaling $1,095,467 were reported as unlocated.	$16,233,419
LSU Health Sciences Center - Health Care Services Division	11/25/2015	HCSD did not ensure the now-closed Earl K. Long Medical Center's property was inventoried and certified to the Louisiana Property Assistance Agency and was unable to locate $4,685,445 of movable property.	$4,685,445
Recovery School District **(Repeat Finding)**	12/21/2015	For the ninth consecutive year, RSD did not maintain and accurately report equipment as required by state equipment regulations and did not maintain accurate information in the state's movable property system. Assets were entered untimely (from three to 1,685 days after the required 60-day period); and RSD's annual certification of property inventory, which was submitted to LPAA on June 22, 2015, was disapproved by LPAA because of an unacceptable amount of current year discrepancies. The certification disclosed $808,379 in unlocated movable property for the current period and over $6.1 million in remaining unlocated items reported in the previous three years.	$808,379
South Louisiana Community College **(Repeat Finding)**	12/23/2015	The College did not establish adequate collection procedures over student accounts receivable. In addition, students in default on obligations were allowed to enroll in the College in a subsequent semester. The outstanding student account balance at June 30, 2015, totaled $2.9 million.	$2.9 million

*Since March 2008, the LLA has noted exceptions totaling $814,563,090, which includes the $74,804,570 noted this period, and GOHSEP has resolved $712,671,665 which includes the $66,362,455 resolved this period.

Second Quarter, Fiscal Year 2016 (Cont.)

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Caddo Parish Commission	11/25/2015	According to records as of December 31, 2014, the Parish has contributed public monies totaling $258,665.78 into the CPERS 401(a) retirement accounts of current and former Commissioners. Since Commissioners do not appear to be constitutionally eligible to participate, these contributions may be considered donations in violation of Article VII, Section 14 of the Louisiana Constitution and in violation of Article X, Section 29.1.	$258,666
MERS	12/2/2015	Former executive director and Board of Trustees misused system funds.	$360,077
Town of Tullos	11/12/2015	Operating loss.	$564,337
Town of Tullos	11/12/2015	Contract management - understated liabilities.	$355,326
Town of Tullos	11/12/2015	Contract management – overpayment.	$166,827

Total for Quarter • $516,797,749

Total for Calendar Year 2015

$1,759,043,047

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