



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 27, 2017

Jesse Noel, Executive Director,
and Members
Non-Flood Protection Asset Management Authority
6514 Spanish Fort Blvd.
New Orleans, LA 70124

Dear Mr. Noel and Members:

As you are aware, my Investigative Audit staff visited the Non-Flood Protection Asset Management Authority (NFPAMA) to examine certain agency records. This letter briefly summarizes the results of our work. We stress the importance of addressing these issues and encourage you to consider our recommendations as you work to resolve the following:

Failure to Collect Rental Revenue

NFPAMA's annual audit report for the fiscal year ending June 30, 2016, included a finding classified as a material weakness regarding the reconciliation of revenue accounts. The finding states that management did not take the appropriate action necessary to ensure that the billings, collections, and reconciliations were performed timely, but did not disclose the financial effect. We found that \$621,926 in boat slip rental fees remained outstanding as of January 31, 2017. The uncollected rental fees could be considered a de facto loan and may violate the state constitution.¹

NFPAMA was established by state law² to manage the non-flood assets owned by the Southeast Louisiana Flood Protection Authority-East (SLFPAE), including two marinas: the Orleans Marina and the South Shore Harbor Marina. NFPAMA collects rental fees for boat slips at the marinas. The fees vary based on marina and slip size, and are charged to a tenant's credit card or bank account quarterly. NFPAMA used software that would bill the tenants in batches. This billing software supposedly became inoperable around March 2016, due to a computer malfunction. According to a former NFPAMA employee, the efforts to reload the software on a

¹ **Louisiana Constitution Article VII, Section 14(A)** states, in part, "Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

² **Louisiana Revised Statute (La. R.S.) 38:330.12.1(A)** states, "The Non-Flood Protection Asset Management Authority, hereafter referred to as the 'authority', is hereby created as a political subdivision possessing full corporate power to manage, control, regulate, operate, and maintain any non-flood protection facility or improvement asset or function within a levee district within the jurisdiction of a flood protection authority."

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new computer were unsuccessful, because the original software disk could not be located. Management at the time determined it was too expensive for an updated version of the software.

This caused the accounting staff to manually process the charges to tenants one at a time. Mr. Louis Capo, SLFPAE's Internal Auditor, concluded in an internal audit report of NFPAMA's revenue collections that processing tenants' payments one at a time was extremely time consuming and not a sustainable method to collect payments.

New management was appointed at NFPAMA in February 2017 and began collecting the outstanding rental fees. As of July 7, 2017, \$225,377 in boat slip rental fees remained outstanding, a reduction of \$396,549 from the \$621,926 outstanding on January 31, 2017.

This reduction is due to the marina employees collecting the outstanding fees or negotiating payment plans with past-due tenants; however, NFPAMA did not send correspondence documenting the agreement or require the tenants to sign a repayment plan. Thirteen past due tenants were enrolled in payment plans as of July 7, 2017, with the goal to have all tenants current as of December 31, 2017. However, tenants with a large outstanding balance may extend beyond that date. Current NFPAMA management has directed their general counsel to assist in the collection of past-due rental fees and to handle any necessary evictions.

Recommendations

We recommend that NFPAMA (1) continue to actively collect all past-due fees and (2) consider state law³ that requires all debts owed to the state shall be referred to either the Attorney General's office or to the office of debt recovery for collection. NFPAMA should institute policies and procedures for handling delinquent leases and ensure that any tenant on a payment plan has a written and signed repayment agreement.

³ **La. R.S. 47:1676(A)** states, in part, "It shall be the public policy of this state to aggressively pursue the collection of accounts or claims due and payable to the state of Louisiana through all reasonable means.....All debts owed to the state shall be referred to either the attorney general's office or to the office of debt recovery for collection."

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This correspondence represents our findings and recommendations, as well as management's response. This correspondence is intended primarily for the information and use of management of NFPAMA. I trust this information will assist you in the efficient and effective operations of NFPAMA. If you have any questions, please contact Kevin Kelley or Corey Lejeune at (225)339-3800.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is written in a cursive style with a large, prominent initial "D".

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

NFPAMA

APPENDIX A

Management's Response

Non-Flood Protection Asset Management Authority

6001 Stars and Stripes Blvd., Suite 233
New Orleans, LA 70126
Tel. 504-355-5990
Fax 504-539-4283



September 21, 2017

Daryl G. Purpera, CPA, CFE
Louisiana Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Mr. Purpera,

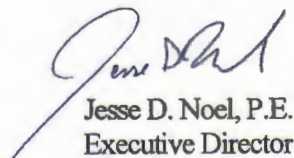
We are in receipt of your draft Audit Report documenting your findings with regards to the collection practices for the Non-Flood Protection Asset Management Authority's (NFPAMA) Marinas FYE 2016. We would like to thank the Louisiana Legislative Auditor (LLA) for their efforts in auditing our records. The LLA staff was very professional in the conduction of their business and provided minimal interruption to our staff through the audit.


We understand that you evaluated the collections associated with vessels in both Orleans Marina and South Shore Harbor Marina. We acknowledge that there was a malfunction in the software used to manage the marina tenant rent collections which resulted in rents not being collected appropriately. As noted in your report, new NFPAMA management was appointed in February of 2017 and since that time, we have aggressively pursued the collection of the outstanding rents. Additionally, we have implemented processes that prioritize current collections to prevent any recurrence. Leases are renewed annually, and any tenant with a balance as of July 1, 2017 was required to agree to a payment plan prior to the issuance of a new lease. This has resulted in 23 payment plans being set up in Orleans Marina, and 15 payment plans set up in South Shore Harbor Marina. As noted in your report, the NFPAMA has collected almost \$400,000 of the previously reported outstanding balances. All outstanding balances that are deemed uncollectible by NFPAMA staff will be referred to the Attorney General or the Office of Debt Recovery for action as recommended.

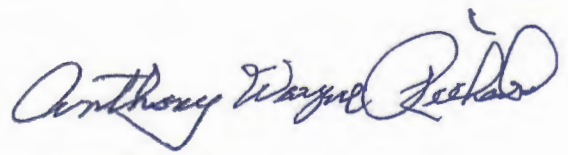
In addition to the collection efforts noted above, the software malfunction was corrected and we now have the capability to electronically batch bill the marina tenants which will result in less required manpower for processing the quarterly payments. We are working diligently with tenants via phone and email to coordinate payments and ensure that all billing is represented accurately and processed in a timely manner.

Thank you again for your office's diligence in evaluating our records and for the nature in which your staff conducted themselves. We assure you and the public that we will continue our efforts with both best practices and transparency.

Sincerely,


Jesse D. Noel, P.E.
Executive Director
Non-Flood Protection Asset Management Authority


Wilma Heaton
Chair


Anthony Wayne Richard
Finance Chair

WWW.NFPAMA.COM

WWW.MARINASINNEWORLEANS.COM

WWW.LAKEFRONTAIRPORT.COM