

DEPARTMENT OF MILITARY AFFAIRS

EXECUTIVE DEPARTMENT
STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Management Letter
Issued June 4, 2026

**LOUISIANA LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Department of Military Affairs



June 2026

Audit Control # 80250040

Introduction

As a part of our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2025, we performed procedures at the Department of Military Affairs (LMD) to evaluate the effectiveness of LMD's internal controls over compliance and determine whether LMD complied with applicable laws and regulations.

In addition to the procedures noted above, we also performed certain other procedures for the period July 1, 2023, through June 30, 2025.

We also determined whether management has taken actions to correct the finding reported in the prior engagement.

Results of Our Procedures

Follow-up on Prior-engagement Finding

Our auditors reviewed the status of the prior-year finding reported in the LMD management letter dated April 11, 2024. The prior-year finding related to *Inadequate Accounting Records and Untimely Drawdowns of Federal Funds* has not been resolved and is addressed again in this letter.

Current-engagement Findings

Inadequate Accounting Records and Untimely Drawdowns of Federal Funds

For the second consecutive year, LMD incorrectly reported expenditures on the Schedule of Expenditures of Federal Awards (SEFA) information submitted to the Office of Statewide Reporting and Accounting Policy (OSRAP) for preparation of the state's SEFA for the fiscal year ended June 30, 2024. In fiscal year 2024, STARBASE Program (Assistance Listing 12.020) expenditures totaling \$1,340,718 were incorrectly reported as National Guard Military Operations and Maintenance Projects (Assistance Listing 12.401) on the SEFA. LMD management indicated that the assistance listing number was not included on the cooperative endeavor agreement

for the program this year. As a result, the funding sources for the STARBASE program were set up incorrectly in the LaGov system, which resulted in STARBASE expenditures being recorded incorrectly.

In addition, for the second consecutive engagement, LMD did not draw federal funds for the National Guard Military Operations and Maintenance Projects in a timely manner, resulting in delays in federal reimbursements and potential lost interest revenues. Our test of 58 voucher transactions requesting reimbursement of federal program expenditures disclosed that, for 14 (24%) of the transactions tested, LMD delayed drawing federal funds for times ranging between 67 and 200 days after the expenditure was made resulting in \$1,266,819 of untimely federal drawdowns. LMD did not ensure that controls were in place to timely and accurately draw federal funds for reimbursement. LMD allowed expenditures for projects to build up in bundles and did not prioritize making timely requests for federal reimbursement as expenditures were incurred.

Good internal controls over financial reporting should include adequate procedures to prepare, review, and transmit accurate and complete financial information for OSRAP to compile the state's SEFA. LMD's *Policies and Procedures Manual*, Chapters 5-11, requires that reimbursement requests be submitted monthly for authorized expenses and bi-weekly for payroll expenses.

Failure to properly compile and review the SEFA information before submitting it to OSRAP for inclusion in the state's Single Audit Report increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected. Untimely reimbursement requests for federal program expenditures results in potential lost interest revenue for the State and increases the risk of errors.

Management should review and approve grant projects for accuracy to ensure proper setup in LMD's accounting system. In addition, management should strengthen controls over drawing federal funds for reimbursement of program expenditures to maximize the use of federal funds and avoid using state funds unnecessarily. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 1).

Inadequate Controls over Fuel Cards

LMD does not have adequate controls in place to ensure that fuel card transactions are properly monitored and comply with department policies and state regulations, increasing the risk of theft and waste. In a test of 44 fuel card transactions between July 1, 2023, and June 30, 2025, we identified the following:

- 17 (46%) of 37 transactions for state vehicles were not recorded on the Daily Vehicle Usage Log (MV-3 form).
- 7 (100%) of 7 transactions for non-vehicles were not recorded on a log.

- 3 (7%) of 44 transactions did not include evidence of supporting documentation for the purchase, such as a receipt.
- 23 (52%) of 44 transactions did not include evidence that the purchase was properly approved.

Good internal control includes ensuring that adequate records are maintained to safeguard assets. LMD has policies in place requiring fuel costs associated with a state vehicle to be accurately logged on a Daily Vehicle Usage Log (MV-3 form), which is completed, approved, and forwarded to the state fleet manager timely in accordance with Louisiana Administrative Code Title 34 Part XI.

Management is not effectively monitoring existing fuel card policies. In addition, management does not have a policy that requires non-vehicle fuel card purchases to be logged or to reconcile fuel costs on a periodic basis. As part of a monthly reconciliation process, management should ensure all fuel card transactions are accurately logged and reconciled to invoices or receipts. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 2-3).

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2025, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on LMD's major federal program, National Guard ChalleNGe Program (Assistance Listing 12.404).

Those tests included evaluating the effectiveness of LMD's internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LMD complied with applicable program requirements. Based on the results of these procedures, we did not report any findings.

Other Procedures

In addition to the Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing LMD's internal control and compliance with related laws and regulations over time sheet approvals and fuel cards. Based on the results of these procedures, we reported a finding related to *Inadequate Controls over Fuel Cards*, as described previously.

Trend Analysis

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

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LMD. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LMD should be considered in reaching decisions on courses of action. The finding related to LMD's compliance with applicable laws and regulations should be addressed immediately by management.

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MT:ETM:JPT:BQD:ch

LMD2025

APPENDIX A: MANAGEMENT'S RESPONSES



State of Louisiana

JEFF M. LANDRY
GOVERNOR

LOUISIANA NATIONAL GUARD
OFFICE OF THE ADJUTANT GENERAL
6400 St. Claude Avenue
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New Orleans, LA 70117

THOMAS C. FRILOUX
MAJOR GENERAL
THE ADJUTANT GENERAL

September 11, 2025

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

The Louisiana Military Department (LMD) concurs with the finding of untimely drawdowns of federal funds. LMD acknowledges that 24% (14) tested vouchers took between 67 & 200 days. In the previous audit finding, 91% (44) tested vouchers took between 63 & 516 days. The year-to-year findings demonstrate approximately a 74% decrease in the number of untimely drawdowns, and a 61% decrease in the longest duration of a drawdown. The enhanced processes LMD established based on the findings from the last audit are improving the timeliness of drawdowns. LMD continues to refine its process to reduce the timelines further wherever possible.

LMD also concurs with the finding of incorrectly reporting expenditures on the Schedule of Expenditures of Federal Awards. In this case the STARBASE Program listing of 12.401 changed to 12.020. During the audit, LMD corrected the CFDA number to 12.020 in the LaGov grants module.

LMD has implemented staff training and awareness protocol improvements to reduce drawdown times. LMD has improved systems and operational / quality controls to avoid errors. LMD is enhancing experience due to reducing employee turnover.

COL (LASG) Rob Billings, Director, LMD Internal Audit is the person responsible for corrective action at (225) 319-4964 or rob.r.billings.nfg@army.mil.

Sincerely,

A handwritten signature in blue ink, appearing to read "MM M. R".

Michael M. Greer
Brigadier General
LA Army National Guard
Director, Louisiana Military Department



State of Louisiana

JEFF M. LANDRY
GOVERNOR

LOUISIANA NATIONAL GUARD
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THOMAS C. FRILLOUX
MAJOR GENERAL
THE ADJUTANT GENERAL

NGLA-LMD-D

25 March 2026

MEMORANDUM FOR Michael J. "Mike" Waguespack, CPA, Louisiana Legislative Auditor

SUBJECT: Response to Audit Finding: Inadequate Controls over Fuel Cards

1. This memorandum is in response to the reportable audit finding, "Inadequate Controls over Fuel Cards," transmitted via your letter dated 18 March 2026. The finding resulted from a test of 44 fuel card transactions conducted between 1 July 2023, and 30 June 2025.

2. The Louisiana Military Department (LMD) concurs with the specific findings. In response, LMD has developed the following corrective action plan to address internal control weaknesses and ensure compliance with departmental policies as outlined in LMD CHAP 23, Fleet Operations and Management.

3. Corrective Action Plan.

a. Finding 1: Inadequate Logging of Vehicle Fuel Transactions

(1) Corrective Action Planned: Mandatory refresher training will be conducted for all vehicle operators and supervisors, reinforcing the procedures in CHAP 23, Section 23-2-4, for the proper and timely completion of the Daily Vehicle Usage Log (MV-3 form). Supervisors will be held accountable for reviewing and approving all MV-3 forms by the third working day of the following month. The LMD Fleet Manager will enforce this policy by rejecting incomplete logs.

(2) Responsible Person: LMD Fleet Manager

(3) Anticipated Completion Date: 31 May 2026

b. Finding 2: Inadequate Logging of Non-Vehicle Fuel Transactions

(1) Corrective Action Planned: In accordance with CHAP 23, Section 23-2-6.a.1, which governs fuel for small engines, LMD will immediately develop and implement a dedicated usage log for all non-vehicle WEX card transactions. This new policy will require a log

"Protect What Matters"

entry for every transaction, including a receipt, justification, and supervisory approval. The LMD Fleet manager will incorporate the review of these logs into their monthly audit process.

(2) Responsible Person: LMD Fleet Manager

(3) Anticipated Completion Date: 30 April 2026

c. Finding 3: Missing Supporting Documentation

(1) Corrective Action Planned: The mandatory training will emphasize the policy requirement (CHAP 23, Section 23-2-6.a.2) that a receipt must be attached to the usage log for every purchase. We will also reinforce the procedure from Section 23.2.6.a.3, which requires a signed "memo for record" from a supervisor if a receipt is unobtainable. Installation Transportation Coordinators and the LMD Fleet Manager will reject any transaction that lacks either a receipt or the required memorandum.

(2) Responsible Person: LMD Fleet Manager

(3) Anticipated Completion Date: 31 May 2026

d. Finding 4: Lack of Proper Approval

(1) Corrective Action Planned: The role of the supervisor in the approval process will be a key focus of the mandatory training. Per CHAP 23, Section 23-4.c, supervisors must audit, approve, and physically sign all usage logs before they are forwarded. We are implementing a hard stop in the process, whereby all Installation Transportation Coordinators will be required to return any log that is missing the required supervisor's signature.

(2) Responsible Person: LMD Fleet Manager

(3) Anticipated Completion Date: 31 May 2026

4. The Louisiana Military Department is committed to maintaining strong internal controls. We are confident this corrective action plan will rectify the identified deficiencies and prevent recurrence.

5. The point of contact for this memorandum is Cecil C. Piazza, Director of Logistics, at (225) 772-5884 or via email at cecil.piazza@la.gov.



MICHAEL M. GREER

Major General

Louisiana Army National Guard

Director, Louisiana Military Department

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Department of Military Affairs (LMD) for the period from July 1, 2024, through June 30, 2025, to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2025.

- We evaluated LMD’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 LMD.
- We performed procedures on the National Guard ChalleNGe Program (Assistance Listing 12.404) for the year ended June 30, 2025, as a part of the 2025 Single Audit.
- We compared the most current and prior-year financial activity using LMD’s Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from LMD’s management for significant variances.

In addition, we performed certain other procedures for the period from July 1, 2023, through June 30, 2025. Our objective was to evaluate certain controls LMD uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over time sheet approvals and fuel cards. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at LMD, and not to provide an opinion on the effectiveness of LMD’s internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review LMD’s Annual Fiscal Report, and accordingly, we do not express an opinion on that report. LMD’s accounts are an integral part of the State of Louisiana’s Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.