

OFFICE OF FINANCIAL INSTITUTIONS

EXECUTIVE DEPARTMENT
STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Procedural Report
Issued May 21, 2025

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
BETH Q. DAVIS, CPA

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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Office of Financial Institutions

May 2025

Audit Control # 80240001

Introduction

The primary purpose of our procedures at the Office of Financial Institutions (OFI) was to evaluate certain controls OFI uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. In addition, we determined whether management has taken action to correct the finding reported in the prior report.

Results of Our Procedures

We evaluated OFI's operations and system of internal control through inquiry, observation, and review of its policies and procedures, including a review of the applicable laws and regulations. Based on the documentation of OFI's controls and our understanding of related laws and regulations, and the results of our analytical procedures, we performed procedures relating to examinations of residential mortgage lenders, credit unions, check cashers, and Louisiana domiciled broker-dealer firms; revenue collections; and payroll expenditures.

Follow-up on Prior-report Finding

We reviewed the status of the prior-report finding in OFI's procedural report dated September 7, 2022. The prior-report finding related to Examinations of Residential Mortgage Lenders Not Performed is not repeated in this report. OFI has made significant progress with performing required examinations of residential mortgage lenders.

Current-report Finding

Examinations of Check Cashers Not Performed

OFI did not perform examinations of check cashers in accordance with its policy, per management's analysis on August 10, 2024. OFI did not examine the records of 388 (100%) of 388 licensed check cashers designated for 14 corporate-wide examinations at least once every 24 months. Also, OFI did not examine the records of 217 (67%)

of 322 licensed check cashers designated for individual examinations at least once every 36 months. The OFI Commissioner is authorized by statute to examine the records of check cashers, and OFI policy established the examination schedule.

Failure to perform examinations of check cashers in accordance with OFI policy increases the risk of undetected deficiencies and noncompliance with OFI policy. Management stated the required examinations were not completed due to not being able to conduct check cashers examinations during the COVID-19 pandemic and OFI staffing issues. OFI had difficulty hiring, keeping, and training staff.

Management should address staffing issues to ensure check cashers examinations are performed at least once every 24 months or 36 months as required by OFI policy. Management concurred with the finding and outlined a plan for corrective action (see Appendix A).

Examinations of Residential Mortgage Lenders, Credit Unions, Check Cashers, and Louisiana Domiciled Broker-Dealer Firms

OFI's responsibility for regulating residential mortgage lenders, credit unions, check cashers, and Louisiana domiciled broker-dealer firms includes performing examinations in accordance with schedules established by state law or by OFI, then determining the appropriate enforcement actions authorized by the Commissioner and state law. We reviewed applicable laws and OFI's policies to obtain an understanding of the examination procedures and schedules. We reviewed examination reports to determine whether exams were completed in accordance with schedules set by state law and policy. Based on the results of these procedures, OFI did not examine the records of check cashers in accordance with its policy (see Current-report Finding).

Revenue Collections

OFI's revenue collections consist mainly of application, licensing, registration, assessment, and examination fees charged to regulated entities within OFI's three divisions: Depository, Non-Depository, and Securities. We obtained an understanding of OFI's controls over these revenue collections and reviewed selected transactions during the period July 1, 2022, through February 29, 2024. Based on the results of our procedures, OFI had adequate controls in place to ensure that revenue collections were deposited, properly recorded, and were collected in accordance with the various fee types.

Payroll Expenditures

Salaries and related benefits comprised approximately 82% of OFI's expenditures in fiscal year 2024. We obtained an understanding of OFI's controls over the time and attendance function and reviewed selected employee time statements, overtime reports, leave records, and pay rate authorizations during the period July 1, 2022, through February 29, 2024. Based on the results of our procedures, OFI had adequate controls in place to ensure review and approval of employee time statements including overtime and leave requests and employees were paid the amounts authorized.

Trend Analysis

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

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

KDN:CLL:JPT:BQD:aa

OFI 2024

APPENDIX A: MANAGEMENT’S RESPONSE



STATE OF LOUISIANA
OFFICE OF FINANCIAL INSTITUTIONS
BATON ROUGE, LOUISIANA



May 14, 2025

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

Re: Response to Audit Finding
Examinations of Check Cashers Not Performed

Dear Mr. Waguespack:

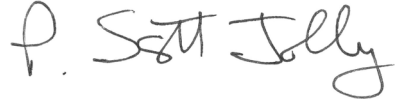
The Office of Financial Institutions (OFI) concurs with the above-referenced audit finding.

At December 31, 2023, the point-in-time of the Legislative Auditor's selection of Check Casher licensees for testing, the Non-depository Division of the OFI was responsible for the examination of 3,241 licensees across seven license types. OFI's Non-depository examination staff fluctuated between 7 to 10 examiners for an average of 8 examiners from 2020 to the beginning of 2024. Based on the number of examiners during that time period and the number of licensees at December 31, 2023, each examiner had to complete on average approximately 135 examinations per year over a three year period for OFI to remain current on examinations for all Non-depository license types. This was not possible during the noted time period because OFI's examination staff was not able to go onsite to conduct Check Casher examinations for more than 18 months as a result of the pandemic. Additionally, OFI suspended hiring for more than a year during the noted time period because of the pandemic. During this time period, OFI worked to revise its Check Casher examination and training procedures to accommodate off-site examinations so that in times of future crisis or pandemic, OFI would be able to continue to conduct Check Casher examinations using an off-site process. Once those procedures were revised and implemented, OFI retrained staff, as needed, and acclimated Check Cashers to a new off-site examination process.

During the period of the Legislative Audit, OFI slowly began to gain momentum with off-site Check Casher examinations. As of April 30, 2025, more than 8 months after the August 10, 2024, audit analysis of Check Casher examinations conducted, OFI has significantly reduced the number of Check Casher examinations not conducted at least once every 36 months. As of April 30, 2025, the past due rate for the 14 corporate-wide Check Casher examinations noted in the Legislative Auditor's finding is 50% (a 50% reduction in corporate-wide examinations that were past due) and the past due rate for the Check Casher individual (non-corporate) examinations is 45% (a reduction of 22 percentage points). Additionally, as of April 30, 2025, OFI has a Non-depository examination staff of 15 examiners. Based on the number of examinations conducted

in approximately an 8 month period and the number of Non-depository examiners currently on staff, the Non-depository Division believes that they can bring Check Casher examinations current by December 31, 2025. The Non-depository Chief Examiner is responsible for the resolution of this finding.

Sincerely,

A handwritten signature in black ink that reads "P. Scott Jolly". The signature is written in a cursive, flowing style.

P. Scott Jolly
Commissioner of
Financial Institutions

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Office of Financial Institutions (OFI) for the period from July 1, 2022, through June 30, 2024. Our objective was to evaluate certain controls OFI uses to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds. The scope of our procedures, which is summarized below, was significantly less than an audit conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit or review OFI's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. OFI's accounts are an integral part of the state of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

- We evaluated OFI'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 OFI.
- Based on the documentation of OFI's controls and our understanding of related laws and regulations, and results of our analytical procedures, we performed procedures relating to examinations of residential mortgage lenders, credit unions, check cashers, and Louisiana domiciled broker-dealer firms; revenue collections; and payroll expenditures.
- We compared the most current and prior-year financial activity using OFI's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from OFI's management for any significant variances that could potentially indicate areas of risk.

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