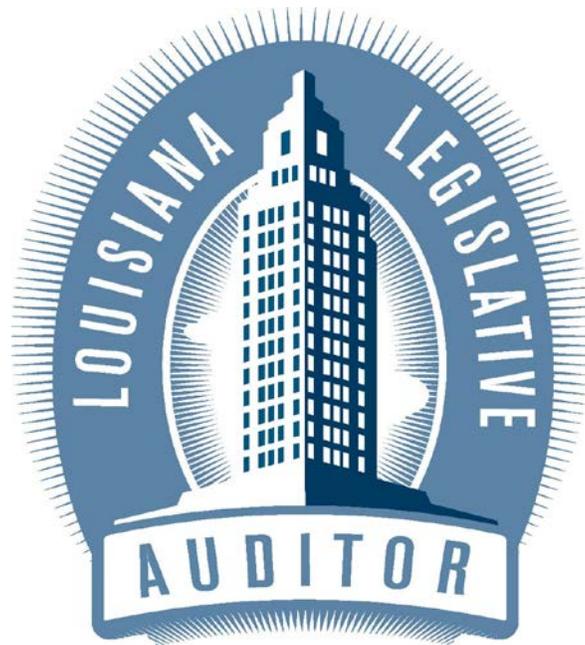


EXECUTIVE DEPARTMENT  
STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES  
MANAGEMENT LETTER  
ISSUED DECEMBER 14, 2015

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

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**ASSISTANT LEGISLATIVE AUDITOR**  
**FOR STATE AUDIT SERVICES**  
NICOLE B. EDMONSON, CIA, CGAP, MPA

**DIRECTOR OF FINANCIAL AUDIT**  
ERNEST F. SUMMERVILLE, JR., CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$1.25. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 3533 or Report ID No. 80150033 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.

---

# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Executive Department

December 2015

Audit Control # 80150033

---

## Introduction

As a part of our audit of the state of Louisiana's Comprehensive Annual Financial Report (CAFR) and the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2015, we performed procedures at the Executive Department to provide assurance on financial information that is significant to the state's CAFR; to evaluate the effectiveness of the Executive Department's internal controls over financial reporting and compliance; and to determine whether the Executive Department complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct findings reported in the prior year.

## Results of Our Procedures

---

### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in a management letter dated December 17, 2014. The prior-year findings related to recovery of Homeowner Assistance Program (HAP) awards, Small Rental Property Program (SRPP) loans, and Hazard Mitigation Grant Program (HMGP) awards have not been resolved and are addressed again in this report.

---

### Current-year Findings

#### Inadequate Grant Recovery of Homeowners Assistance Program Awards

For the fiscal year ended June 30, 2015, the Division of Administration (DOA), Office of Community Development (OCD), Disaster Recovery Unit (DRU) identified \$263 million in noncompliant HAP awards for 7,844 homeowners through post-award monitoring for the Community Development Block Grant/State's Program. Because the noncompliant awards identified for grant recovery have not been recovered as of June 30, 2015, we consider these amounts as questioned costs. In addition, questioned costs from 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 \$1.06 billion are in grant recovery.

OCD's failure to recover benefits from noncompliant homeowners could result in disallowed costs. The state could be liable for noncompliant awards if disallowed by the federal grantor; however, it is unknown whether the federal government would demand repayment of these awards.

In response to hurricanes Katrina and Rita, the state was awarded approximately \$9.5 billion to administer HAP as part of the Road Home program, in accordance with its Action Plan approved by the U.S. Department of Housing and Urban Development (HUD). The state's Action Plan stipulates that eligible homeowners must agree in legally-binding documents, referred to as covenants, to follow through on certain future actions in exchange for up to \$150,000 in compensation for their damaged property. Funds are disbursed to the homeowner upon the effective date of signing the covenant, which is referred to as the closing date. Homeowners agree in the covenant to provide OCD with evidence that they will occupy their damaged property or replacement property within three years of the closing date, maintain homeowner's insurance on their property, maintain flood insurance if necessary, and ensure that any required elevation conforms to the advisory base flood elevation regulation for the parish in which their home is located. The state's Action Plan states that homeowners who fail to meet all of the program's requirements may not receive benefits or may be required to repay all or some of the compensation received back to the program.

In the initial stages of the program, OCD focused on making payments to disaster victims as quickly as possible because the state had made a decision to accept additional risks associated with expedited payments with the understanding that any ineligible or unallowable payments would be detected and corrected in post-award monitoring. Awards are included in grant recovery because of duplication of benefits (homeowner's insurance proceeds or other federal assistance), lack of documentation evidencing owner-occupancy of the property, and noncompliance with one or more award covenants. In addition, individual homeowner awards have been identified for grant recovery because of errors made by the program's former contractor, ICF International Inc., in determining the grant calculation or obtaining the required documentation.

OCD has forwarded noncompliant awards to the Office of the Attorney General for collection but has also implemented procedures to assist award recipients in becoming compliant with the covenant requirements. In July 2013, HUD approved three Action Plan amendments that provided additional options for HAP participants who have not yet returned to their homes. In August 2015, HUD amended the grant terms and conditions to formalize a partnership between the state and HUD to continue to address noncompliance. The additional options allow the review of awards to determine if any unmet needs or additional assistance is necessary for participants to return home.

OCD should continue its post-award monitoring process to identify awards to be placed in recovery and continue its recovery efforts to collect those awards determined to be noncompliant. OCD's response indicates concurrence with the finding and outlines a continued plan for corrective action, stating that OCD "will continue its efforts to recover those awards determined to be ineligible..." In addition, management states it will "continue to work with homeowners to become compliant and to resolve grant compliance issues in order to reduce or

eliminate the need to recapture funds from homeowners...” (see Appendix A, pages 1-2).

### **Inadequate Recovery of Small Rental Property Program Loans**

For the fiscal year ended June 30, 2015, the DOA, OCD-DRU, identified \$18,034,418 in SRPP loans for 186 property owners under the Community Development Block Grants/State’s Program who failed to comply with one or more of their loan agreement requirements and were assigned to loan recovery status. Since OCD has not recovered these loans, we consider these amounts totaling \$18,034,418 to be questioned costs, which if disallowed could be due back to the federal grantor. In addition, questioned costs from previous fiscal years totaling \$76,218,544 remain in recovery status. Of the \$435.5 million in outstanding SRPP loans at June 30, 2015, 1,127 loans totaling \$94,252,962 are in recovery status.

In response to hurricanes Katrina and Rita, the state was awarded and has allocated approximately \$649 million to the SRPP, as part of the Road Home program. In accordance with the state’s Housing and Urban Development (HUD)-approved Action Plan Amendment 24, the SRPP offers forgivable loans to qualified property owners who agree to offer rental properties at affordable rents to be occupied by lower-income households. In exchange for accepting loans ranging between \$10,000 and \$100,000 per rental unit, property owners are required to accept limitations on rents and incomes of renters during an “affordability period,” a specified period of time based on the amount of funding received and the type of work being done (renovation or full construction) ranging between three and 20 years. The loan amounts are determined based on location of property, number of bedrooms, and the poverty level of the renter. In addition to accepting limitations on rents and income of renters, property owners also agree to maintain property insurance and maintain flood insurance, if necessary. These requirements become effective one year after the closing date and remain until the expiration of the “affordability period.” According to the loan agreements, failure to comply with any of the loan requirements shall constitute default and mandatory repayment. Good internal controls would ensure that policies and procedures are in place with an established timeline to monitor compliance with the loan agreements and provide for specific actions (i.e., loan modification, foreclosure, or repayment) if a property owner fails to comply with the loan agreement or does not provide evidence of compliance as required by the loan agreement.

The initial loans were disbursed in December 2007, with the loan requirements effective in December 2008; however, policies and procedures to identify property owners who fail to comply with loan requirements were not developed until November 2009, and OCD did not begin implementing the SRPP Non-Compliance Mitigation Plan, which addresses loan recovery, loan modification, and property recovery for noncompliant property owners until May 2012. As of June 30, 2015, OCD has not recovered any properties and has only recovered loans totaling \$649,643 from noncompliant property owners. Ultimately, if OCD does not take appropriate action to recover loans from noncompliant property owners to HUD’s satisfaction this could result in disallowed costs. OCD should complete the mitigation process as detailed in the SRPP Non-Compliance Mitigation Plan for files determined to be non-compliant. This process should include final determinations of noncompliant files and proceeding with the remedies included in

the closing documents, including foreclosure and recovery of loans. OCD should work with the Office of Attorney General and HUD to intensify mitigation efforts against noncompliant property owners. Management stated in its response that it will continue to work with its applicants to assist noncompliant property owners to come into compliance with the program (see Appendix A, page 3).

### **Hazard Mitigation Grant Program Awards Identified for Grant Recovery**

For the fiscal year ended June 30, 2015, the DOA, OCD-DRU identified \$6.3 million in noncompliant HMGP awards for 279 applicants, through a recovery review process. In addition, OCD-DRU 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. Funds not returned by contractors are identified for recovery. Because these noncompliant awards and contractor payments identified for grant recovery have not been recovered as of June 30, 2015, we consider these amounts totaling \$6.9 million as questioned costs, which if disallowed could be due back to the federal grantor. Questioned costs from previous years totaling \$17.9 million remain in grant recovery; therefore, total awards in recovery at June 30, 2015, are \$24.8 million.

The HMGP award agreement between the Federal Emergency Management Agency (FEMA), the federal awarding agency, and the state requires that the state (OCD) pursue recovery of assistance provided to applicants through error, misrepresentation, or fraud, or if the state finds that the applicant spent the funds inappropriately. Awards have been identified by OCD-DRU for recapture and demand letters have been sent to applicants and contractors. Awards are generally identified for grant recovery for the following reasons:

- Required documents were not supplied to OCD-DRU.
- Homeowners did not comply with all HMGP regulations as set forth by OCD-DRU, the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP), and FEMA.
- Grant funds were not used for the purposes intended and in accordance with the policies of OCD-DRU.

OCD-DRU should continue its grant review process to identify awards to be placed in recovery and work with the Office of the Attorney General, the U.S. Department of Homeland Security's Office of Inspector General, the Louisiana State Licensing Board for Contractors, and the Louisiana Department of Revenue to intensify collection efforts against applicants and contractors determined to be noncompliant. Effective August 29, 2015, the HMGP program transitioned from OCD-DRU to GOHSEP. GOHSEP management indicated concurrence with the finding and stated in its response that it has set an anticipated completion date of March 31, 2016, to enter into repayment agreements or file lawsuits against remaining homeowners and contractors that did not perform work as required by the program (see Appendix A, pages 4-5).

### **Inadequate Review of Procurement Exception Reports**

The DOA, Office of State Procurement (OSP) did not perform an adequate review of procurement exception reports generated for bids that were awarded to other than low bidders and for awards exceeding an employee's delegated purchasing authority, which increases the risk that inappropriate criteria are applied when bids are awarded and could result in noncompliance with applicable laws and regulations.

In accordance with OSP policy, these exception reports are run monthly and distributed to the applicable manager for review; however, during the period July 1, 2014, to March 31, 2015:

- OSP did not perform an adequate review for eight of 34 (24%) exception reports generated for bids that were awarded to other than low bidders. For six of eight exceptions, the managers explained that the review was performed but not documented. The manager responsible for the other two exceptions was unaware of the policy requiring the review.
- OSP did not perform an adequate review for five of 35 (14%) exception reports generated for awards exceeding an employee's delegated purchasing authority. For three of the five exceptions, the managers explained that the review was performed but not documented. The manager responsible for the other two exceptions was unaware of the policy requiring the review.

OSP should follow established policies for post-audit procedures, which include a monthly review by manager of the reports showing awards made to other than low bidders and awards made exceeding an employee's delegated authority. OSP concurred with the finding and outlined a plan for corrective action (see Appendix A, page 6).

### **Inaccurate Annual Fiscal Reports**

The Office of Finance and Support Services (OFSS) submitted an inaccurate Annual Fiscal Report (AFR) for the DOA and inaccurate Schedule of Expenditures of Federal Awards (SEFA) information for DOA and the Louisiana Federal Property Assistance Agency (LFPAA) for the fiscal year ending June 30, 2015. The following errors were noted:

- SEFA information for DOA was not submitted in accordance with DOA's Office of Statewide Reporting and Accounting Policy (OSRAP) instructions, as follows:
  - OFSS misclassified \$14.2 million in expenditures, which resulted in an overstatement of cash awards and an understatement of loan activity and outstanding loan balances at June 30, 2015.
  - An erroneous entry resulted in a \$10.2 million understatement of cash awards.

- Cash awards provided to non-state subrecipients were overstated by \$17.3 million, and loans provided to non-state subrecipients were understated by \$18.7 million.
- OFSS did not complete the required reconciliation of the amounts reported in the SEFA submission to the expenditure amounts in agency accounting records.
- Judgments, claims, and similar contingencies for DOA were understated by \$13.2 million because OFSS failed to accurately calculate the liability. OFSS could not provide supporting documentation to substantiate the amount disclosed in the AFR.
- DOA note disclosure for operating and capital grants was erroneously marked as “N/A” when DOA actually had more than \$343 million in operating grant revenues.
- LFPAA’s SEFA incorrectly identified donated property as cash awards and overstated total expenditures by \$1,545.

Management did not perform an adequate review of the AFR and SEFA information and has not adequately trained its staff in reporting requirements. Failure to properly compile and review the AFR and SEFA information before submitting it to OSRAP for inclusion in the state’s CAFR or the state’s Single Audit report increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected.

Management should ensure compliance with its controls over the financial reporting process and ensure that all personnel are adequately trained and supervised. In addition, management should perform a thorough review of the AFR and SEFA information to identify and correct errors before submitting to OSRAP. Management’s response indicates concurrence with the finding and states procedures have been implemented to strengthen existing controls over the financial reporting process (see Appendix A, pages 7-8).

---

## **Comprehensive Annual Financial Report - State of Louisiana**

As a part of our audit of the CAFR for the year ended June 30, 2015, we considered internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions, as follows:

### **Division of Administration (Agency 107):**

- Liabilities resulting from claims and litigations
- Revenue reported as operating and capital grants

**Coastal Protection and Restoration Authority (Agency 109):**

- Non-payroll expenditures

**Division of Administration, Office of Facility Planning and Control (Agency 115):**

- Non-payroll expenditures
- Federal revenues
- Accrued payables
- Construction contracts and retainage payable
- Amounts held on deposit for others

**Louisiana GO Zone Loan Fund (Agency 862):**

- Notes receivable

We also evaluated certain controls over procurement at DOA, OSP.

Based on the results of these procedures on the financial statements, we reported findings related to inaccurate annual fiscal reports and inadequate review of procurement exception reports. The finding related to inaccurate annual fiscal reports will also be included in the State of Louisiana's Single Audit Report for the fiscal year ended June 30, 2015. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

---

**Federal Compliance - Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2015, we performed internal control and compliance testing as required by the Office of Management and Budget (OMB) Circular A-133 on the Executive Department's major federal programs, as follows:

**Division of Administration, Office of Community Development**

- Community Development Block Grants/State's Program (CFDA 14.228)
- Hazard Mitigation Grant (CFDA 97.039)

**Division of Administration, Office of Facility Planning and Control**

- Disaster Grants - Public Assistance (Presidentially-Declared Disasters) (CFDA 97.036)

- Hazard Mitigation Grant (CFDA 97.039)

### **Coastal Protection and Restoration Authority**

- Habitat Conservation (CFDA 11.463)

Those tests included evaluating the effectiveness of the Executive Department's internal controls designed to prevent or detect material noncompliance with program requirements and determining whether the department complied with applicable program requirements.

We also performed procedures on federal expenditures and loan information submitted to OSRAP for the preparation of the state's SEFA and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by OMB Circular A-133.

Based on the results of these Single Audit procedures, we reported findings related to recovery of federal CDBG-HAP and SRPP awards and HMGP awards. We also reported a finding related to inaccurate annual fiscal reports; however, the Executive Department's federal expenditures, loan information, and the status of prior-year findings, as adjusted, are materially correct.

---

## **Other Report**

### **Louisiana Youth for Excellence - Office of the Governor**

An informational report was issued on April 29, 2015, which provides the results of our procedures relating to the Office of Louisiana Youth for Excellence (LYFE). Overall, we found that LYFE is not adequately fulfilling its duties and needs to strengthen its oversight and administration of the program to ensure required goals are being met. The full report is available in the Audit Report Library on the Legislative Auditor's website at [www.la.gov](http://www.la.gov).

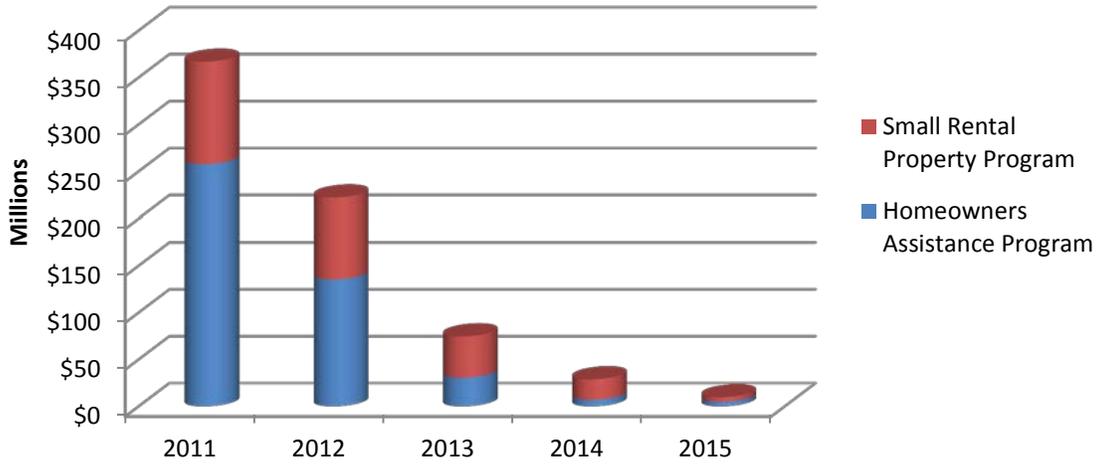
---

## **Trend Analysis**

We compared the most current and prior-year financial activity using the Executive Department's annual fiscal reports and/or system-generated reports and obtained explanations from management for any significant variances. We also prepared an analysis of payments made to applicants of the CDBG-HAP and SRPP programs (Exhibit 1) and the HMGP (Exhibit 2) for fiscal years 2011 through 2015.

In analyzing financial trends of these programs, all three show a steep decline in applicant payments since the programs are in the final stages and have moved into continued monitoring for compliance with program requirements and closeout.

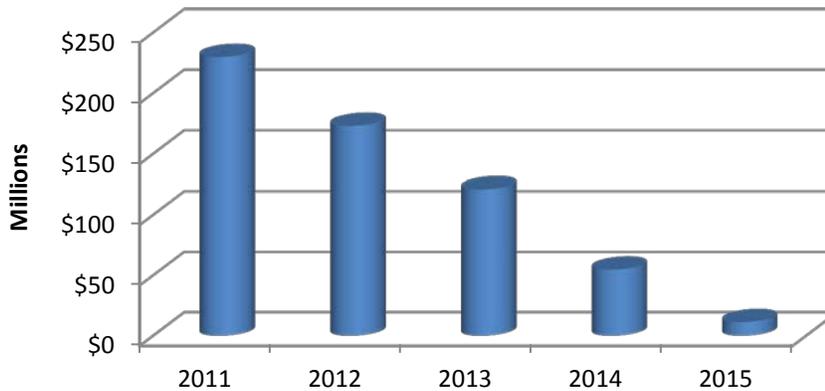
**Exhibit 1**  
**HAP and SRPP Payments to Applicants,**  
**by Fiscal Year**



**Source:** Integrated Statewide Information System (ISIS) data at June 30, 2015

Effective August 29, 2015, the remaining responsibilities of the HMGP program have moved from OCD-DRU to GOHSEP, which is the primary recipient of HMGP.

**Exhibit 2**  
**HMGP Payments to Applicants,**  
**by Fiscal Year**



**Source:** Integrated Statewide Information System (ISIS) data at June 30, 2015

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the department. The nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action.

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

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

VM:ETM:BQD:EFS:aa

EXECTIVE2015

## **APPENDIX A: MANAGEMENT'S RESPONSES**





**BOBBY JINDAL**  
GOVERNOR

**STAFFORD OLIVIA PALMIERI**  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of Community Development**  
**Disaster Recovery Unit**

November 4, 2015

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804-9397

RE: Inadequate Grant Recovery of Homeowners Assistance Program Awards

Dear Mr. Purpera:

As requested in the Louisiana Legislative Auditor's (LLA) letter dated October 20, 2015 the Division of Administration's Office of Community Development, Disaster Recovery Unit (OCD-DRU) is submitting its response to the audit finding titled "Inadequate Grant Recovery of Homeowners Assistance Program Awards."

As part of an ongoing partnership between OCD-DRU and the U.S. Dept. of Housing and Urban Development (HUD), we have announced a plan for providing additional construction assistance and administrative remedies for non-compliant Road Home grant recipients. These guidelines resulted in the issuance of Action Plan Amendment (APA) No. 65, which, in combination with existing APA Nos. 58, 59 and 60, will allow more previously identified non-compliant recipients to return home and/or elevate and become compliant with the program.

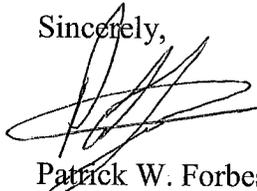
It should be noted that the non-compliant awards cited in your review were found as a result of OCD-DRU's ongoing monitoring and compliance review of applicant files. Since the last LLA audit, OCD-DRU has identified an additional \$263 million of non-compliant grants. This process has also resulted in \$213 million of previously non-compliant grants being removed from the list, either through documentation of compliance or grant recovery.

In conclusion, OCD-DRU will continue its efforts to recover those awards determined to be ineligible in accordance with policies and procedures that are acceptable to HUD. Concurrently, OCD-DRU will also continue to work with homeowners to become compliant and to resolve grant compliance issues in order to reduce or eliminate the need to recapture funds from homeowners where appropriate.

Mr. Daryl G. Purpera  
November 4, 2015  
Page 2

If you have any questions or require additional information, please feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patrick W. Forbes', written over the word 'Sincerely,'.

Patrick W. Forbes, P.E.  
Executive Director

C: Stafford Olivia Palmieri  
Thomas Groves  
Ben Huxen  
Marsha Guedry

**BOBBY JINDAL**  
GOVERNOR



**STAFFORD OLIVIA PALMIERI**  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of Community Development**  
**Disaster Recovery Unit**

December 3, 2015

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

RE: Inadequate Recovery of Small Rental Property Program Loans

Dear Mr. Purpera:

As requested in the Legislative Auditor's letter dated November 19, 2015, the Division of Administration, Office of Community Development, Disaster Recovery Unit (OCD/DRU) is submitting its response to the audit finding titled "Inadequate Recovery of Small Rental Property Program Loans."

OCD/DRU's primary focus for the Small Rental Property Program (SRPP) is to assist property owners in achieving and maintaining compliance, i.e., creating affordable housing, as opposed to foreclosure and/or recapture of funds. OCD-DRU has allocated approximately \$649 million to the SRPP program to fund approximately 4,500 applicants and maintains an ongoing monitoring process to ensure compliance.

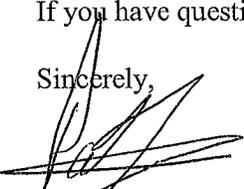
OCD-DRU and the Louisiana Housing Corporation (LHC) worked with HUD staff to determine the level of flexibility that the state has in addressing each non-compliant applicant's situation and to formulate an approach to collection efforts if needed. The collection guidelines were approved by HUD on June 20, 2014.

For the fiscal year ended June 30, 2015, OCD-DRU has identified a total of 186 applicants with awards totaling \$18,034,418 who are noncompliant with the terms of their loans. To date, 36 of these files are now compliant, totaling \$3,634,179. OCD-DRU will continue to work with its applicants to assist noncompliant property owners to come into compliance with the program.

The contact person responsible for the corrective action is Lisa Bergeron, project manager of the SRPP for LHC.

If you have questions or require additional information, please feel free to contact us.

Sincerely,



Patrick W. Forbes, P.E.  
Executive Director  
Office of Community Development



**BOBBY JINDAL**  
GOVERNOR

**State of Louisiana**  
**Governor's Office of Homeland Security**  
**and**  
**Emergency Preparedness**

**KEVIN DAVIS**  
DIRECTOR

November 3, 2015

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
1600 North Third St.  
Baton Rouge LA 70804

RE: Hazard Mitigation Grant Program Awards Identified for Grant Recovery

Dear Mr. Purpera,

I have reviewed the finding in the letter dated October 20, 2015 from your office, which covers activities for Fiscal Year 2015 of the Division of Administration (DOA) Office of Community Development (OCD) – Disaster Recovery Unit (DRU) for the Hazard Mitigation Grant Program (HMGP). Effective August 29, 2015, this program transitioned to the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP).

GOHSEP management is actively pursuing recovery of the grant funding in question. The OCD-DRU HMGP grant program issued 11,250 grant awards totaling approximately \$630 million to perform mitigation measures primarily for the elevation and reconstruction of homes damaged during Hurricanes Katrina and Rita. In order to provide homeowners with the ability to perform the mitigation measures the program was required to advance a portion of the proceeds to begin the mitigation work. In a small fraction of the cases, homeowners/contractors did not perform the work as required by the program. In those cases, the homeowners/contractors are required to repay the grant funding to the State.

As of the date of this response, GOHSEP has either entered into repayment agreements or filed lawsuits against all homeowners identified as not complying with the terms of the grant, and we are actively pursuing contractors through repayment agreements and/or lawsuits. We are actively engaged with the U.S. Department of Homeland Security Office of Inspector General for those contractors/homeowners that are believed to have committed fraud. We have met with members of the State Licensing Board for Contractors who have agreed to assist in revocation of contractors licenses in appropriate cases. We have engaged the State Office of Debt Recovery to assist in collection of outstanding judgments. Of the \$24.8 million in grant funding

Daryl Purpera  
November 3, 2015  
Page 2

identified by the LLA, the Division has recovered approximately \$2.5 million and is using all available resources to pursue the remaining funds that have not been spent for eligible mitigation activity. The anticipated completion date for either repayment agreement or the filing of lawsuits is March 31, 2016.

The person responsible for this corrective action is Mark Riley, Deputy Director of Recovery. If you have any further questions, please contact me at (225) 925-7345 or by email at [Kevin.Davis@la.gov](mailto:Kevin.Davis@la.gov).

Sincerely,

A handwritten signature in blue ink that reads "Kevin Davis". The signature is written in a cursive style with a large initial "K".

Kevin Davis

KD:MR:ct

BOBBY JINDAL  
GOVERNOR



KRISTY H. NICHOLS  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of State Procurement**

October 6, 2015

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804-9397

RE: Inadequate Review of Procurement Exception Reports

Dear Mr. Purpera:

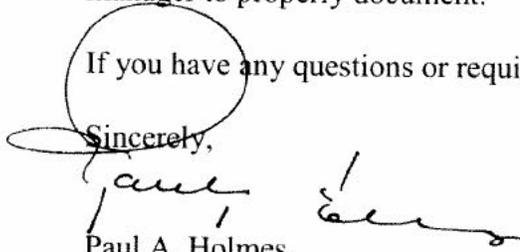
As requested in the Louisiana Legislative Auditor's (LLA) letter dated September 24, 2015, the Division of Administration's Office of State Procurement (OSP) is submitting its response to the audit finding titled "Inadequate Review of Procurement Exception Reports."

A review of the matter shows that the exception reports were routinely reviewed by management; however, in the instances noted, management failed to make notations on the reports themselves evidencing their review of same. Procurement Managers have been instructed to make notations evidencing the fact that exception reports were timely reviewed, and to note on the report itself whether or not an "irregular" award is approved.

Additionally, all exception reports will be reviewed weekly by the Data Analytics Team. Reports which fail to contain indicia of review or proper notations will be returned to the appropriate manager to properly document.

If you have any questions or require additional information, please feel free to contact us.

Sincerely,

  
Paul A. Holmes  
Director

c: Kristy Nichols  
Stafford Palmieri  
Thomas Groves  
Ben Huxen  
Marsha Guedry

BOBBY JINDAL  
GOVERNOR



STAFFORD PALMIERI  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
Office of Finance and Support Services

December 3, 2015

Daryl G. Purpera, CPA, CPE  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

Under the direction of a newly appointed Deputy Undersecretary, management of the Division of Administration's (DOA) Office of Finance and Support Services (OFSS) has implemented procedures to strengthen existing internal controls over the financial reporting process. Some of the procedures include:

- A comprehensive review of the checklists used for the preparation and review of the Schedule of Expenditures of Federal Awards (SEFA) and Annual Fiscal Report (AFR) is in process to ensure adequate controls are in place. Such review includes steps to ensure that checklists are properly updated, amounts reported are accurate, adequate supporting documentation is obtained, and multiple levels of review exist.
- Training has been scheduled for OFSS management and staff within the Financial Reporting Unit for the preparation of the SEFA and AFR. This training will be conducted on an annual basis prior to completing the reports for each fiscal year. The focus of these training sessions will include:
  1. The online SEFA reporting portal and the Office of Statewide Reporting and Accounting Policy's (OSRAP's) instructions for entering information into the portal.
  2. The elements of the checklists used in the preparation of the AFR and SEFA.
  3. The responsibilities for reviewing both the AFR and SEFA.
- Mechanisms have been put in place to ensure the existence of adequate supporting documentation and the calculation for judgments, claims, and similar contingencies incorporates the effect of annual payments on the accrued interest.

The issues noted by the Legislative Auditor have been addressed and communicated to OSRAP. The fiscal year 2015 Comprehensive Annual Financial Report (CAFR) and SEFA for the State of Louisiana accurately reflect activity for DOA.

Daryl Purpera, Legislative Auditor

December 3, 2015

Page 2

If you have any questions or need additional information, please contact Charlotte Hawkins, Accounting Manager, Financial Reporting Unit, via email at [charlotte.hawkins@la.gov](mailto:charlotte.hawkins@la.gov) or by telephone at (225) 342-5277.

Sincerely,

A handwritten signature in blue ink that reads "Marella A. Houghton". The signature is written in a cursive style.

Marella A. Houghton, CPA  
Deputy Undersecretary

Cc: Stafford Palmieri  
Jessica Starns  
Afranie Adomako, CPA  
Marsha Guedry, CPA  
Kerri Traxler  
Charlotte Hawkins, CPA

MH:ch

## APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Executive Department for the period from July 1, 2014, through June 30, 2015, to provide assurances on financial information significant to the state of Louisiana, and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The procedures included inquiry, observation, review of policies and procedures, and a review of relevant laws and regulations. Our procedures, summarized below, are a part of the audit of the state of Louisiana's Comprehensive Annual Financial Report (CAFR) and the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2015.

- We evaluated the Executive Department'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 the Executive Department.
- Based on the documentation of the Executive Department's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on the Executive Department's account balances and classes of transactions to support our opinions on the CAFR.
- We performed procedures on the following federal programs for the year ended June 30, 2015, to support the 2015 Single Audit:
  - Community Development Block Grants/State's Program (CFDA 14.228)
  - Disaster Grants - Public Assistance (Presidentially-Declared Disasters) (CFDA 97.036)
  - Hazard Mitigation Grant (CFDA 97.039)
  - Habitat Conservation (CFDA 11.463)
- We performed procedures on federal expenditure and loan information used in the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings used in the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2015, as a part of the Single Audit.

- We compared the most current and prior-year financial activity using the Executive Department's annual fiscal reports and/or system-generated reports to identify trends and obtained explanations from management for significant variances.

The purpose of this report is solely to describe the scope of our work at the Executive Department and not to provide an opinion on the effectiveness of the Executive Department'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 the Executive Department's annual fiscal reports, and, accordingly we do not express an opinion on those reports. The Executive Department's accounts are an integral part of the state of Louisiana's CAFR, upon which the Louisiana Legislative Auditor expresses opinions.