

ACT 461 REPORT ON FISCAL DEFICIENCIES,  
INEFFICIENCIES, FRAUD, OR OTHER SIGNIFICANT ISSUES  
DISCLOSED IN GOVERNMENTAL AUDITS

FOURTH QUARTER, FISCAL YEAR 2022



REPORT TO THE JOINT LEGISLATIVE  
COMMITTEE ON THE BUDGET  
ISSUED AUGUST 1, 2022

**LOUISIANA LEGISLATIVE AUDITOR  
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LOUISIANA LEGISLATIVE AUDITOR  
MICHAEL J. "MIKE" WAGUESPACK, CPA

August 1, 2022

Chairman Bodi White and Members of the  
Joint Legislative Committee on the Budget

Dear Chairman White and Members of the Joint Legislative Committee on the Budget:

Act 461 of the 2014 Regular Legislative Session requires the Legislative Auditor to make quarterly and annual reportings to the Joint Legislative Committee on the Budget of certain audits which have findings with a dollar impact of \$150,000 or more relative to 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, including failure to report as required, 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, and repeat findings.

Attached is our report to meet the requirements of Act 461 for the fourth quarter of Fiscal Year 2022. That report is linked and referenced to the full reports which contain the applicable findings of interest, as well as management's responses.

We are available to present the information that is of interest to your committee. We hope that this report assists you in your legislative decision-making process.

Sincerely,

A handwritten signature in blue ink, appearing to be "Mike Waguespack", written over a circular stamp or mark.

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

MJW/ch

ACT 461 REPORTING – JULY 2022

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## STATE AGENCIES

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### Delgado Community College ([Report Link](#))

- Delgado did not enter information for 321 items purchased during fiscal year 2021, totaling \$1,059,085, into the state's movable property system within 60 calendar days after receipt of these items, as required by state property regulations. For these exceptions, the items were tagged between 61 and 191 days after receipt. *(Amount: \$1,059,085) (p.1)*

### Department of Education (DOE) and the State Board of Elementary and Secondary Education ([Report Link](#))

- From May 21, 2021 to November 9, 2021, DOE paid \$486,050 on two emergency contracts without first obtaining the Louisiana Board of Elementary and Secondary Education's (BESE's) approval. The Louisiana Administrative Code requires that professional and consulting services contracts recommended by the Superintendent of Education at, or above, a certain amount (currently \$50,000) be approved by BESE. By paying contractors for professional and consulting services prior to obtaining BESE's approval, DOE may have violated a provision of the Louisiana Administrative Code. *(Amount: \$486,050) (p.5)*

### Executive Department ([Report Link](#))

- The Division of Administration (DOA), Louisiana Office of Community Development (LOCD) identified \$4,335,784 in Small Rental Property Program loans for 42 property owners under the Community Development Block Grant/State's Program (CDBG) who failed to comply with one or more of their loan agreement requirements and were assigned to loan recovery status. In addition, 1,194 noncompliant loans identified in previous years totaling \$110.4 million remain outstanding. **(Repeat)** *(Amount: \$4,335,784) (p.2)*
- The DOA, LOCD identified \$901,739 in noncompliant Restore Louisiana Homeowner Assistance Program awards for 58 homeowners through established program implementation and monitoring procedures for the CDBG program. *(Amount: \$901,739) (p.3)*

### Louisiana Department of Children and Family Services (DCFS) ([Report Link](#))

- DCFS did not have a process in place to ensure \$16 million of TANF grant funds transferred to the Social Services Block Grant (SSBG) were only used for programs or services for children or their families whose income is less than 200% of the poverty level. While DCFS was unable to initially provide support that showed TANF funds transferred to SSBG were used only for services to clients who met the income threshold, it subsequently gathered data and developed a methodology to substantiate the federal expenditures. In addition, the SSBG Post Expenditure Report included all individuals who received services through other federal programs which can be supported with SSBG funds rather than only those individuals who actually received services paid for in whole or in part with SSBG funds, as required. *(Amount: \$16,000,000) (p.2)*

### Louisiana Department of Health (LDH) ([Report Link](#))

- LDH, Office of Public Health (OPH) could not provide a detailed listing of food benefits paid, including dollar value, to eligible participants during fiscal year 2021 for the WIC Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). In fiscal year 2021, OPH reported \$75.3 million in WIC program expenditures in its Schedule of Expenditures of Federal Awards (SEFA). *(Amount: \$75,300,000) (p.2)*
- LDH did not enroll and screen Healthy Louisiana managed care providers and dental managed care providers as required by federal regulations. As a result, LDH cannot ensure the accuracy of provider information obtained from the Medicaid managed care plans and cannot ensure compliance with enrollment requirements defined by law and the Medicaid and Children's Health Insurance Program (CHIP) stat plan. **(Repeat)** *(p.3)*
- LDH, OPH lacked internal controls to ensure compliance with regulations over the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program related to the activities allowed or unallowed and the allowable costs/cost principles compliance requirements. In a sample of 60 payments made in fiscal year 2021 to vendors who provided services related to the ELC program, the following payments were noted with exceptions, some with multiple exceptions: Three (5%) were not approved by an appropriate supervisor. Five (8%) did not include enough information to determine if the expenditure was appropriate and in accordance with federal regulations. Eleven (18%) did not include enough information to determine if the account coding was accurate. *(Amount: \$4,800,000) (p.5)*
- LDH did not have adequate controls over financial reporting to ensure its financial reports were accurate, complete, and prepared in accordance with instructions from the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP). As a result, LDH submitted an inaccurate Annual Fiscal Report (AFR) for LDH Medical Vendor Payments for the fiscal year ended June 30, 2021, to OSRAP. In addition, LDH also submitted inaccurate federal schedules used to prepare the SEFA. *(Amount: \$200,000,000) (p.5)*

- LDH, OPH submitted inaccurate information for the SEFA for the year ended June 30, 2021. As a result, Immunization Cooperative Agreements program expenditures were understated by \$6,873,390; Commodity Supplemental Food program expenditures and amounts provided to nonstate subrecipients were understated by \$109,281; and HIV Care Formula Grants program expenditures were overstated by \$7,669,832 and amounts provided to non-state subrecipients were understated by \$7,967,375. In addition, a note disclosure for the Human Immunodeficiency Virus program was not submitted to OSRAP. Also, the required reconciliation of the SEFA information to OPH financial statements was not completed prior to submitting the SEFA information to OSRAP. *(Amount: \$22,619,878) (p.6)*
- LDH failed to properly implement and monitor National Correct Coding Initiative Requirements (NCCI) for Medically Unlikely Edits (MUE) and Procedure-to-Procedure (PTP) edits for the Medicaid Fee-for-Service (FFS) claims. In a test of 11,744,241 paid claims, 21,195 claims were paid but should have been evaluated by an NCCI edit and denied. *(Amount: \$605,766) (p.9)*
- For the third consecutive year, LDH, the managed care organizations (MCOs), and Magellan did not have adequate controls in place to ensure that behavioral health services in the Medicaid and CHIP programs were properly billed and that improper encounters were denied. For fiscal year 2021, we identified approximately \$8.4 million in encounters for services between July 1, 2020, and June 30, 2021, that were paid by the MCOs and Magellan even though the encounters do not appear to comply with LDH's encounter coding requirements and/or approved fee schedules. **(Repeat)** *(Amount: \$8,409,176) (p.11)*
- LDH, OPH did not ensure payroll expenditures were timely certified and approved for the Public Health Emergency Preparedness program, the HIV Prevention Activities Health Department Based program, the Epidemiology and Laboratory Capacity for Infectious Diseases program, the WIC Special Supplemental Nutrition Program for Women, Infants, and Children, and the Coronavirus Relief Fund program. **(Repeat)** *(Amount: \$3,197,767) (p.11)*

#### Louisiana Department of the Treasury ([Report Link](#))

- The Department of the Treasury did not consistently follow its policies and procedures for all grants awarded through the Main Street Recovery Program, which provided reimbursement from the federal Coronavirus Relief Fund to eligible Louisiana businesses for their COVID-19-related expenses, including business interruption. Of the \$262 million in awards to businesses, the Treasury's post-disbursement grant reviews identified awards totaling approximately \$1.9 million containing various issues indicating ineligible recipients or unsupported award calculations. *(Amount: \$1,942,595) (p.1)*

**Louisiana State University Health Science Center in Shreveport (LSUHSC-S)**  
**[\(Report Link\)](#)**

- For the second consecutive year, LSUHSC-S did not receive net physician claims revenue for physician services provided at the Monroe facility in accordance with the joint venture agreements (agreements) with the hospital partner nor were these amounts reported to LSUHSC-S. **(Repeat)** *(Amount: \$8,466,085) (p.1)*
- For the fourth consecutive year, LSUHSC-S does not have adequate controls over state and private grants and contracts to pursue collection of accounts receivable. LSUHSC-S did not send the 30-and/or 60-day collection notices timely from the date of the original invoice. **(Repeat)** *(Amount: \$389,973) (p.3)*

**Louisiana Workforce Commission [\(FAS Report Link\)](#) [\(PAS Report Link\)](#)**

- For the second consecutive year, LWC did not have adequate internal controls and did not comply with requirements of the Unemployment Insurance (UI) federal program. LWC issued more than \$5.6 billion in benefit payments to more than 619,000 claimants during fiscal year 2021. Because of the large amount of funding provided during the COVID-19 pandemic and the lack of identity or wage requirements at the beginning of the year, these programs have been exposed to identity theft and fraud schemes. **(Repeat)** *(Amount: \$257,728) (p.1)*
- Overall, we found that LWC filed accurate Internal Revenue Service (IRS) Form 1099-Gs (1099s) with the IRS for unemployment benefits paid to 698,372 (99.7%) of 700,204 claimants in calendar year 2020. However, we found that LWC did not file accurate 1099s with the IRS for 1,832 claimants during calendar year 2020, resulting in approximately \$2.1 million in over-reported unemployment benefits or benefits attributed to incorrect social security numbers (SSNs). Due to issues in its Helping Individuals Reach Employment (HiRE)6 system, LWC has not filed corrected 1099s with the IRS for calendar year 2020 for the claimants affected by these issues. These inaccurate 1099s could result in the IRS determining that these claimants owe taxes on unemployment benefits they were not paid. *(Amount: \$2,109,650) (p.3)*



## LOCAL GOVERNMENT AGENCIES

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### **Caldwell Parish Sheriff ([Report Link](#))**

- The Caldwell Parish Sheriff's Office (CPSO) received \$586,811 more in taxes and fines and fees than was deposited from July 1, 2017 to June 30, 2021. The Chief Civil Deputy at the time said she took cash collected by CPSO and deposited it into her and/or her daughters' bank accounts. *(Amount: \$586,811) (p.4)*

### **City of Oakdale ([Report Link](#))**

- During the year it was discovered that beginning on a date prior to June 30, 2020, an employee of the City initiated ACH transactions to transfer funds to her personal bank accounts without authorization. The total of unauthorized transactions is estimated to be \$248,564 and \$203,753 for the years ending June 30, 2020 and 2021, respectively. During the year it was discovered that beginning on a date prior to June 30, 2020, an employee of the City initiated ACH transactions to transfer funds to her personal bank accounts without authorization. Additionally, the City had intergovernmental revenues totaling \$236,919 seized through the United States Treasury Offset Program for payroll taxes, penalties, and interest assessed relating to the year 2016 and believed to be a result of unauthorized fraudulent payroll transactions. The employee suspected of the theft is no longer employed with the City due to her death. This matter was investigated by the Louisiana Legislative Auditor's Investigative Audit Division who issued a report dated January 12, 2022, in which potential misappropriations totaling \$897,818 were identified during the period January 1, 2014 to March 17, 2021. *[Amount: \$452,317 (2020 and 2021)] (p.75)*

### **Ouachita Parish Clerk of Court ([Report Link](#))**

- The former Clerk of Court Deputy Clerk used an online money transfer system (PayPal) to divert \$344,226 of public funds from the Clerk of Court to himself from December 24, 2014 to October 10, 2018. *(Amount: \$344,226) (p.4)*

### **Rapides Parish Council on Aging, Inc. ([Report Link](#))**

- The bookkeeper stole approximately \$217,980 by manipulating bank statements which were not reviewed appropriately. Law enforcement has been notified and an investigation is open and ongoing. The bookkeeper is no longer employed by the Council. The theft is believed to have occurred through 7/1/20 and 6/30/21. *(Amount: \$217,980) (p.42)*