Better Information, Better Louisiana

Key Audit Issues 2015

and Act 461 Report

Annual Report to the Legislature • February 2015

Purpose

This annual report was prepared to comply with Louisiana Revised Statute 24:513 D (1). The purpose is to review the work of the Legislative Auditor's Office over calendar year 2014 and highlight significant issues facing state and local governments in 2014. The goal of summarizing these issues is to encourage corrective actions, such as policy changes, improved procedures, or legislative action that will resolve or reduce the impact of these concerns and increase both accountability and transparency in Louisiana government. This report also helps satisfy the annual reporting requirement of Act 461 of the 2014 Regular Session.

The report is organized into two main categories — State Government and Local Government. The State Government category is further divided into specific agencies organized alphabetically. The report summaries that follow reflect only a portion of the 162 audits released in calendar year 2014 and are representative of those topics, findings, and/or problems deemed most important by the Legislative Auditor's Office. The findings summarized in this report do not include every finding or weakness identified in each report, but focus on the major concerns.

The reports, themselves, contain specific recommendations and/or matters for legislative consideration, and can be found on the Legislative Auditor's website at www.lla.la.gov. These reports include management's responses. In some instances, changes may already have been implemented or be in progress. In cases where the Legislative Auditor has made recommendations, the office follows up the following year to see if changes have occurred.

ACT 461 Reporting Requirements

Act 461, which was passed in the 2014 Regular Session, requires the Legislative Auditor to make quarterly and annual reports to the Joint Legislative Committee on the Budget when audits identify more than $150,000:

- in 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;
- 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; or
- repeat findings.

Appendix A contains the first two quarterly reports from fiscal year 2014-2015, which summarize the audit findings meeting these criteria. Overall, the cumulative financial impact of these two reports is approximately $1.2 billion.

Introduction

The mission of the Louisiana Legislative Auditor (LLA) is "to foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information."

Every fiscal year, the auditor's office releases approximately 150 reports covering a variety of topics and state agencies. In addition, the Legislative Auditor oversees the work of more than 300 independent contract audit firms that conduct more than 2,000 audits on state and local government each fiscal year.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

In addition to the audit reports it issues concerning the health of state and local government finances, as well as the effectiveness of state agency programs and policies, the office provides many other services. Among those services, the office prepared more than 350 fiscal notes for legislation affecting expenditures of political subdivisions, prepared more than 180 actuarial notes for legislation affecting state and statewide public retirement systems, reviewed all millages levied in the state, prepared 29 legal opinions, and answered more than 800 legal questions from independent certified public accountants and public officials.

More than 250 employees work in the Legislative Auditor's Office. The majority conduct audit work in five areas — Actuarial, Financial, Investigative, Performance, and Recovery. Others conduct work in the Local Government Services, Advisory Services, and Legal Services sections. Staff in these three sections do not issue audit reports, but they provide guidance and training to state and local officials and quasi-public entities, conduct research, monitor legislative changes, and help ensure that audit law is enforced.

Other staff in Accounting, Human Resources and Professional Development, IS, Publishing, and other administrative areas provide necessary support for the work of the Legislative Auditor's Office.

Much of the work performed by the Legislative Auditor's Office is required by state or federal law. Other work is the result of allegations, requests from lawmakers, and significant changes in how the government conducts business or provides services. All reports, however, are driven by the mission of the office.

Our Vision

We envision an accountable, transparent, responsive government that provides efficient and effective services for the benefit of the people of Louisiana.

Section 1: State Government

The Financial, Performance, and Recovery Assistance sections of the Legislative Auditor's Office perform audits involving state agencies. Financial Audit Services focuses on whether agencies and universities have adequate controls in place to ensure the accountability of public funds and compliance with state and federal laws, regulations, and grant agreements. Performance Audit Services evaluates the economy, efficiency, and effectiveness of state agency programs, functions, and activities. Recovery Assistance Services ensures that federal disaster recovery funds sent to the state are spent in accordance with federal and state laws, rules, and regulations. In addition to these audit services, the Actuarial Services section prepares actuarial cost notes for all proposed legislation affecting Louisiana public employee retirement systems, reviews all state and statewide public retirement system actuarial valuations and audited financials, certifies cost-of-living allowances for the entities, and prepares the Annual Report on Louisiana Public Retirement Systems for the Legislature and governor.

Board of Regents

LOUISIANA STATE UNIVERSITY AND A&M COLLEGE – EVALUATION OF SCHOLARSHIP ADMINISTRATION • MAY 28, 2014

The Board of Supervisors (BOS) is composed of 15 members and one student member. Each year, the BOS members can award up to 20 scholarships each. In addition, the LSU System president may award 20 scholarships each academic year. The audit found that the determining factors of academic excellence, special talent, and financial need for BOS scholarship awards were not defined by specific criteria, the documentation did not indicate which determining factor(s) were met by award recipients, and BOS scholarship documentation was not adequately retained or recorded. In addition, the information contained in the BOS Scholarship Report submitted to the Legislature on July 25, 2013, pursuant to Louisiana Revised Statute 17:1608, was not accurate and complete. The statute requires the board to annually report to the Legislature every scholarship awarded by a member of the management board for the preceding academic year.

Department of Agriculture and Forestry

LOUISIANA AGRICULTURAL FINANCE AUTHORITY – LACASSINE SYRUP MILL • JULY 9, 2014

The informational report determined the estimated net losses of taxpayers' funds associated with the Lacassine Syrup Mill (mill) project totaled approximately $71 million. In March 2004, the authority issued $45 million in revenue bonds to construct the mill and in November 2006, the authority sold the mill to Cementos Andinos S.A. (Cementos), in a non-cash transaction under a $60 million promissory note. In addition, Cementos borrowed $11 million from two local banks for operating purposes. The Department of Agriculture and Forestry and the authority guaranteed these loans.

The mill operated for approximately one month during the 2007 and 2008 harvest seasons and did not generate any net operating revenue. The mill was idle from 2008 until it was sold for disassembly in 2013. The Legislative Auditor reported the mill's history from its inception through Cementos's default on its promissory note and the two guaranteed loans and the ultimate sale of the mill.

Estimated Minimum Costs

Bond principal and interest paid:
$61,642,005

Additional mill costs:
$7,416,709

Costs associated with guaranteed loans:
$7,679,129

Net proceeds from final sale of the mill:
-$5,250,000

LLC interest payments:
-$400,000

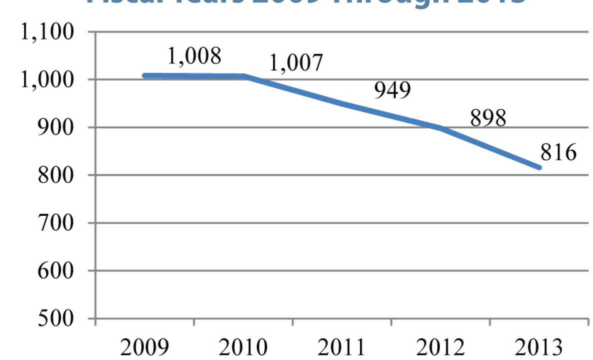
Total estimated minimum costs:
$71,087,843

Department of Children and Family Services

CHILD WELFARE: INTAKE, ALTERNATIVE RESPONSE, AND CHILD PROTECTION ACTIVITIES • APRIL 9, 2014

The Department of Children and Family Services (DCFS) did not always conduct its intake, alternative response, and child protection investigation activities in compliance with its policies and other requirements, such as timely investigation referrals, service referrals, and risk assessment. Some caseworkers and stakeholders attributed the problems to decreased staff, higher caseloads, turnover, and a lack of available services. The audit also found that DCFS was not using comprehensive data analyses to help evaluate the effectiveness of its child welfare activities, such as evaluating victims and perpetrators re-entering the system multiple times.

Child Welfare Caseworkers Fiscal Years 2009 Through 2013



SUPPLEMENTAL NUTRITIONAL ASSISTANCE PROGRAM BENEFITS SPENT AFTER A PARTICIPANT'S DEATH • JULY 2, 2014

Between July 1, 2009, and June 30, 2013, approximately $1.3 million in Supplemental Nutritional Assistance Program (SNAP) benefits for 3,938 individuals continued to be spent after the participant's death.

CONTROL WEAKNESS OVER TEMPORARY ASSISTANCE FOR NEEDY FAMILIES WORK VERIFICATION PLAN • DECEMBER 10, 2014

For the third consecutive year, DCFS did not maintain and verify all documentation required under the federal TANF program cluster, potentially subjecting the department to financial penalties from the federal government. The federal grantor could assess the state penalties totaling not less than 1% and not more than 5% of the $110 million adjusted grant award; however, the likelihood of such an assessment is unknown.

NON-COMPLIANCE WITH TANF ELIGIBILITY REQUIREMENTS • DECEMBER 10, 2014

For the second consecutive year, DCFS did not have complete eligibility and related documentation for clients receiving benefits under the federal TANF program cluster, resulting in known questioned costs of $10,388 for which the state may be liable. Because the missing documents occurred in 12 of 25 client files selected for testing, it is likely that there are substantial numbers of missing eligibility documents in a program that disbursed $144 million during fiscal year 2014. These exceptions increase the risk that clients may receive benefits to which they are not entitled and could result in DCFS having to repay the funds to the federal grantor.

THEFT OF PUBLIC FUNDS • DECEMBER 10, 2014

DCFS identified thefts totaling more than $150,000 by former employees in its Bureau of Audit and Compliance Services (BACS). Although DCFS controls required segregation of duties between employees for purchases on travel cards and LaCarte cards, the BACS employees were able to override those controls through collusion.

As a result of the thefts, the BACS director pled guilty to federal fraud charges, was sentenced to three years imprisonment, and ordered to pay restitution of $155,305. One BACS manager pled guilty to federal charges, was sentenced to two years of probation, and was ordered to pay restitution of $11,124. Another BACS manager has also pled guilty to federal fraud charges but was not sentenced as of the date of the report.

Department of Education

RECOVERY SCHOOL DISTRICT – INADEQUATE CONTROLS OVER MOVABLE PROPERTY • DECEMBER 10, 2014

For the eighth consecutive year, the Recovery School District (RSD) did not ensure that movable property was safeguarded against loss, resulting in unlocated property with a total acquisition cost of $7,041,340 in the current year. Between July 1, 2012, and December 31, 2013, 627 assets costing $2.5 million, purchased partially or entirely with federal funds, were not entered into the state's asset management system. Four hundred forty-two (442) assets with an acquisition cost of $716,246 were recorded in the asset management system as "inventory in transit," or between two location codes, which is not a physical location. Forty-three (43) of these assets with an acquisition cost totaling $60,157 were recorded as unlocated. Auditors could not determine the physical location of the remaining 399 assets.

In addition, 467 assets with an acquisition cost of $946,796 were recorded in the inventory system as being in a warehouse location code; however, RSD had stopped physically storing assets at that warehouse on September 1, 2013. Finally, a review of the late additions report for July 1, 2013, through March 24, 2014, disclosed that RSD entered 754 assets with an acquisition cost totaling $3,222,748 from 18 to 1,472 days after the required 60-day period.

Department of Environmental Quality

FEE COLLECTION IN THE WASTE TIRE MANAGEMENT PROGRAM • JULY 30, 2014

The Department of Environmental Quality (DEQ) needs to improve its management of the Waste Tire Management Program and consistently enforce the program requirements to ensure that the state receives complete, accurate, and timely waste tire fees. In addition, DEQ does not penalize generators who fail to remit complete, accurate, and timely fees and related reports to the state.

Department of Health and Hospitals

UTILIZATION, COST, AND QUALITY OF CARE IN MEDICAID NURSING FACILITIES • JUNE 4, 2014

Louisiana's nursing home population is getting younger, and the average occupancy rate for nursing homes is lower than the national average. In addition, nursing facility rates have risen by 38% since June 2010, but still rank relatively low compared to other states.

From fiscal year 2011 through fiscal year 2013, Louisiana nursing facilities were cited for more than 7,500 deficiencies and assessed approximately $4.9 million in fines. In September 2011, a national report ranked the state at or near the bottom in the percent of high-risk residents with pressure sores, the percent of long-stay residents physically restrained, the percent of long-stay residents admitted to a hospital, and the percent of residents with low care needs.

MEDICAID PARTICIPANT FEES PAID FOR INCARCERATED INDIVIDUALS • JULY 2, 2014

Federal rules forbid the use of Medicaid funds to pay for medical services for incarcerated individuals except when the inmate is a patient in a medical institution. This data analysis report found that DHH paid nearly $2.7 million in Medicaid participant fees for incarcerated individuals to the Louisiana Behavioral Health Partnership and Bayou Health between February 1, 2012, and December 31, 2013. In addition, the analysis found that approximately 27% of the payments were for individuals who were incarcerated before the programs began.

Participant Fee Payments for Incarcerated Individuals by Date of Participant's Incarceration

Date of Participant's Incarceration	Number of Incarcerations*	Total Payments
Before February 1, 2012	525	$719,959
Between February 1, 2012 and March 31, 2013	2,041	1,892,418
After September 30, 2013	170	76,428
Totals	**2,736**	**$2,688,805**

*The number of participant incarcerations does not equal the number of participants because some participants have multiple incarcerations.
Source: Prepared by legislative auditor's staff using DHH Medicaid and Louisiana Department of Corrections data.

CONSIDERATION OF THE BAYOU HEALTH TRANSPARENCY REPORT • AUGUST 13, 2014

In response to Act 212 of the 2013 Regular Session, DHH submitted the Bayou Health Transparency Report on January 2, 2014. A review of the report noted numerous issues, including: comparable data for Bayou Health and legacy Medicaid were not provided as required by the Act, global assertions on Bayou Health savings and improved health outcomes were included but not supported, data provided were primarily self-reported from the private health plans with no validation or verification by DHH personnel, DHH only sanctioned one health plan one time for failure to provide the required percentage of general health plan claims data even though two plans were delinquent for numerous months, and the report included mathematical errors and inconsistencies between the various report sections and the supplemental data provided.

UTILIZATION, COST, AND QUALITY OF CARE IN MEDICAID INTERMEDIATE CARE FACILITIES FOR INDIVIDUALS WITH DEVELOPMENTAL DISABILITIES • SEPTEMBER 17, 2014

Louisiana ranks fifth-highest in the nation in the use of Intermediate Care Facilities for Individuals with Developmental Disabilities (ICFs/DD) and sixth highest in the total number of beds and residents as of October 2013. In addition, the state exceeds the national average for people with developmental and intellectual disabilities receiving residential services somewhere other than the family home and ranks behind the rest of the country in the use of home- and community-based services. Louisiana's ICFs/DD also had their daily payment rates cut between 2007 and 2014. In April 2014, the rates were increased slightly from $14.30 to $16.15. Finally, the state's ICFs/DD were cited for nearly 3,000 deficiencies between fiscal year 2011 and fiscal year 2013 including providers not paying for required services, problems with employee training, administration of medication, and provision of active treatment. In the same time period, the ICFs/DD also were assessed $64,000 in fines for 39 violations involving health and safety issues.

OFFICE OF BEHAVIORAL HEALTH – LOUISIANA BEHAVIORAL HEALTH PARTNERSHIP • SEPTEMBER 24, 2014

In a second-year report on implementation and transition issues for the Louisiana Behavioral Health Partnership (LBHP), management of five human services districts/authorities (districts) reported continuing problems with self-generated revenue, expired claims, and claims system flaws. The LBHP is a privatization of state behavioral health services using a contractor, Magellan Health Services, to manage all service delivery. The districts are not collecting the budgeted amounts for self-generated revenue for fee-for-service claims through the LBHP. Some districts are balancing the revenue shortfall by not filling vacant positions, resulting in larger caseloads, longer client waiting times, and decreases in the amount of services delivered.

Because of claims system flaws, some districts were unable to file any claims to third-party payers for up to two years after the launch of the LBHP. Each month, more claims surpass the claims filing expiration date and become uncollectible. For the second year, the DHH Fiscal Section still does not have adequate processes and controls to ensure that claims payments to the districts are identified and classified timely so the districts have access to earned funds, potentially limiting the districts' ability to deliver future services. Also for the second year, the DHH Office of Behavioral Health is not adequately monitoring Magellan contract deliverables for significant technical requirements.

BATON ROUGE MAIN OFFICE OPERATIONS – NON-COMPLIANCE WITH FEDERAL AND STATE REGULATIONS OVER CONTRACT FOR NEW MEDICAID DENTAL PROGRAM • NOVEMBER 26, 2014

On July 1, 2014, DHH launched the Medicaid Dental Benefits Program using a private contractor but did not submit the three-year, $484 million contract for approval to the federal Centers for Medicare and Medicaid

Services (CMS), as required by the waiver agreement with CMS. DHH also disclosed protected health information and personal identifiable information prior to having data-sharing agreements in place. In addition, DHH paid the contractor before the contract was approved by the state Office of Contractual Review (OCR). By not meeting waiver terms, DHH may have violated federal regulations and could owe funds to the federal grantor. By providing information before executing data-sharing agreements, DHH may have exposed itself and individuals to unnecessary risk by not protecting the confidentiality of the data.

BATON ROUGE MAIN OFFICE OPERATIONS – INADEQUATE CONTROLS TO MONITOR TIMELY FILING AND PROMPT PAYMENT OF MEDICAID CLAIMS • NOVEMBER 26, 2014

DHH failed to require the Louisiana Behavioral Health Partnership's State Managing Organization, Magellan, to submit details on claims that would allow DHH to monitor compliance with Medicaid requirements for the timely filing and prompt payment of Medicaid claims. As a result, DHH may be reimbursing Magellan for paid claims that do not meet federal regulations. The amount of claims possibly paid in error could not be determined because Magellan did not capture and report the actual date that the original claim was filed. The date of original claim submission is needed to determine whether the claim met Medicaid regulations.

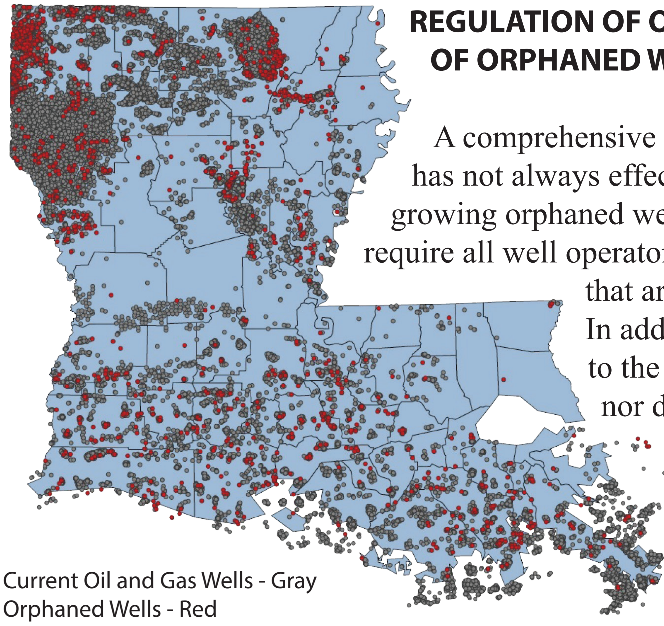
BATON ROUGE MAIN OFFICE OPERATIONS – IMPROPER PAYMENTS OF MEDICAID CLAIMS • NOVEMBER 26, 2014

DHH paid claims totaling $1,246,404 that did not meet federal regulations relating to the period of availability of federal funds that require filing of original claims within one year of the date of service. DHH's contractor, Molina, inappropriately applied system changes that allowed claims to bypass the edit controlling the one-year filing requirement. After discussing the audit's test results with DHH, DHH and Molina identified 18,171 claims paid to 1,595 providers for services delivered to 9,049 recipients that were paid in error.

BATON ROUGE MAIN OFFICE OPERATIONS – IMPROPER PAYMENTS TO NON-EMERGENCY MEDICAL TRANSPORTATION SERVICES PROVIDERS • NOVEMBER 26, 2014

DHH paid claims totaling $863,480 to providers of Non-Emergency Medical Transportation (NEMT) for services billed to the Medical Assistance Program (Medicaid) that were not provided in accordance with established policies, which the Legislative Auditor considers questioned costs for which the state may be liable. This is the seventh consecutive year the Legislative Auditor has reported improper NEMT payments. For one of the providers, the audit found that the provider entered into a contractual agreement with a medical services provider to be the exclusive transportation provider for the recipients of that medical provider. This agreement is a possible violation of Medicaid regulations requiring recipient freedom of choice. Further, the contracted state dispatcher for NEMT allowed this provider to circumvent the established process under which only the Medicaid recipient or family member/caregiver should request the transport.

Department of Natural Resources, Office of Conservation



Current Oil and Gas Wells - Gray
Orphaned Wells - Red

REGULATION OF OIL AND GAS WELLS AND MANAGEMENT OF ORPHANED WELLS • MAY 28, 2014

A comprehensive examination of the Office of Conservation found the office has not always effectively regulated oil and gas wells or managed the state's growing orphaned wells population. Office of Conservation regulations do not require all well operators to provide financial security, and those security amounts that are required are not enough to pay for plugging most wells. In addition, the office does not conduct well inspections according to the schedule developed by the Commissioner of Conservation, nor does it have an enforcement process that consistently and sufficiently addresses non-compliance. The office also does not have a way to effectively identify inactive wells that are most at risk of being orphaned or ensure that such wells that are identified are plugged within the 90 days required by state law.

Department of Public Safety and Corrections

OFFICE OF JUVENILE JUSTICE, MONITORING OF NON-SECURE RESIDENTIAL CONTRACT PROVIDERS • JANUARY 15, 2014

This audit examined how the Office of Juvenile Justice (OJJ) monitors its non-secure residential contract providers as a follow-up to a report issued in December 2010. The 2014 audit found that OJJ has not established a formula to determine rates for non-secure residential contracts as required by state law, nor does it monitor the contract providers' finances to ensure they stay within their budgets and spend their per diem money on required youth services.

OJJ also does not have a comprehensive set of monitoring tools that would help it ensure that program specialists are keeping track of whether providers are fulfilling all contract requirements and that would allow it to make sure it is consistently imposing sanctions on those providers who fail to adhere to all provisions in the contract. In addition, OJJ collects outcome data from non-secure residential contract providers, but it does not ensure the data are complete or use the information to measure the quality and effectiveness of its contracted services. OJJ also has not developed a plan to monitor the contracts that are managed by Magellan Health Services.

OFFICE OF JUVENILE JUSTICE, MONITORING OF PREVENTION AND DIVERSION CONTRACT PROVIDERS • FEBRUARY 5, 2014

OJJ cannot ensure its program specialists are adequately monitoring the specific services of each contract provider because its standardized monitoring tool is too broad. In addition, OJJ does not make sure providers submit annual reports showing their performance in specific areas as required by their contracts or evaluate the effectiveness of the prevention and diversion programs as required by state law. For example, OJJ did not renew six (60%) of the 10 programs with the lowest entry rates for fiscal year 2014; two of which had a 0% entry rate.

OFFICE OF JUVENILE JUSTICE, YOUTH SERVICES • DECEMBER 24, 2014

This management letter was a follow-up to a letter issued in December 2013. In the initial letter, auditors found that OJJ had inadequate controls in place over foster care reimbursement requests. In 2014, for the second consecutive year, auditors found that OJJ did not properly review Foster Care – Title IV-E (Foster Care) reimbursement requests prepared by the Department of Public Safety (DPS), resulting in an estimated $424,489 in net underbilled federal funds.

In addition, OJJ did not provide adequate support for rates used in making Foster Care maintenance payments totaling $2.4 million to six residential care facilities for the fiscal year ended June 30, 2014. These residential facilities serve youth who have been adjudicated delinquent or in need of services, including Foster Care-eligible juveniles as well as those not eligible under the Foster Care program. In a review of the rates being used to pay each of the six facilities, the audit noted that the payment rates for five of the six facilities were determined through a request for proposals (RFP) process, where the cost per juvenile was calculated. OJJ could not provide support for the calculation of the allowable maintenance percentages used in determining the amount of costs to bill to the Foster Care program; therefore the allocation of total costs to the Foster Care program could not be verified.

The other facility, Ware Youth Center, was not subject to an RFP bidding process. This facility receives a set monthly payment, regardless of the number of juveniles housed at the facility. OJJ was reimbursed an average per juvenile of $174.09 per day for the juveniles housed at Ware while the average reimbursement for the other five facilities tested was $87.38 per day; therefore the payment rate for Ware does not appear reasonable. In addition, as with the other five facilities, OJJ could not provide support for the calculation of the allowable maintenance percentages used in determining the amount of costs to bill to the Foster Care program; therefore the allocation of total costs to the Foster Care program could not be verified.

OFFICE OF STATE POLICE, BACKGROUND CHECK FEE REQUIRED UNDER LOUISIANA REVISED STATUTE 40:1300.52 • MAY 21, 2014

Prior to July 1, 2013, the State Police Bureau of Criminal Identification and Information (bureau) did not charge the $26 fee required by Louisiana Revised Statute 40:1300.52 when background check requests were submitted through a sheriff's office. Between April 2012 and June 2013, 123,549 background checks were conducted through sheriff's offices that were not billed, resulting in lost revenues of $3,212,274. In addition, the report noted that the bureau does not have written procedures for the billing and collection of these fees.

Department of Revenue

LOUISIANA OFFICE OF ALCOHOL AND TOBACCO CONTROL • MARCH 12, 2014

The Office of Alcohol and Tobacco Control (ATC) needs to strengthen its inspection and complaint resolution processes. While ATC did improve the timeliness with which it issued alcohol permits, it did not properly assess late fees for late permit renewals, decreased the number of compliance checks by 50%, and did not conduct required routine inspections on 24% of alcohol beverage outlets.

In addition, ATC did not follow up on 54% of the outlets where violations were noted during inspections and did not inspect 82% of the outlets whose permits were suspended within the required five days. ATC also did not develop procedures for its complaint process, including timeframes for when complaints should be addressed and closed. Closed complaints took an average of 40 days to close, while complaints that were open had been open an average of 141 days.

INEFFECTIVE CONTROLS OVER REFUNDS FROM LEGAL SETTLEMENTS • NOVEMBER 26, 2014

The Louisiana Department of Revenue did not have effective controls in place during fiscal year 2014 to ensure that interest on refunds from legal settlements was accurately calculated, resulting in two corporate refund overpayments totaling more than $22 million. These two refunds passed five levels of review and approval before being issued, and the department was unaware of the errors until the taxpayers recognized the mistakes and returned the overpayments.

Department of Transportation and Development

BRIDGE INSPECTION PROGRAM • APRIL 2, 2014

The Federal Highway Administration rated the Department of Development and Transportation (DOTD) compliant with nine of the administration's 23 metrics for bridge inspections, and either substantially or conditionally compliant with the remaining 14. DOTD did not receive a non-compliant rating for any of the metrics.

Division of Administration

ANALYSIS OF BENSON TOWER LEASE • SEPTEMBER 3, 2014

As a part of an agreement with Saints owner Tom Benson, the State of Louisiana, through the Office Facilities Corporation (OFC), entered into a long-term lease agreement for office space in Benson Tower (formerly known as Dominion Tower) next to the Superdome. Agencies that leased office space in the New Orleans area as of September 14, 2009 were subsequently relocated to Benson Tower.

The average cost per square foot for state agencies that leased office space in New Orleans under previous leases was $17.66. In 2012, the first full lease year in Benson Tower, the cost per square foot was $23.78. The Benson Tower lease provides for an annual CPI adjustment. As a result, the 2014 cost per square foot increased to $25.12.

Based on our review of the previous state leases and current 2014 available listing information in those buildings, the lease rates, including parking, range from $16 to $22 per square foot, an average of $19 per square foot in 2014, as compared to the Benson Tower rate to the state of $25.12. The current available listing information for other space in Benson Tower shows space available for $18.50 to $19 per square foot, with an additional cost for parking.

OFC currently has sub-leases to state agencies for 298,105 of the 322,977 square feet of available space in Benson Tower at an annual rent amount of approximately $7.5 million. The remaining 24,872 square feet are vacant (including the entire 9th floor) at an annual cost of $624,784 to the state.

GOVERNOR'S OFFICE OF ELDERLY AFFAIRS – MANAGEMENT AND OVERSIGHT OF THE AGING NETWORK IN LOUISIANA • NOVEMBER 19, 2014

The Governor's Office of Elderly Affairs (GOEA) could improve its management and oversight of the Area Agencies on Aging and the Councils on Aging that make up the network serving the elderly in the state. Louisiana has a larger network for the aging than is typical of other states, which has resulted in unclear roles and responsibilities for the entities involved. In addition, not all of the entities have the ability to manage the data that would help them determine the effectiveness of their work.

Many of these entities also face obstacles in providing services for the elderly in their communities, such as a lack of funding, a lack of transportation, and a poor tax base. GOEA could improve its oversight of the network by making better use of data to evaluate whether the elderly are receiving the services they need and requiring standardized management practices among the agencies.

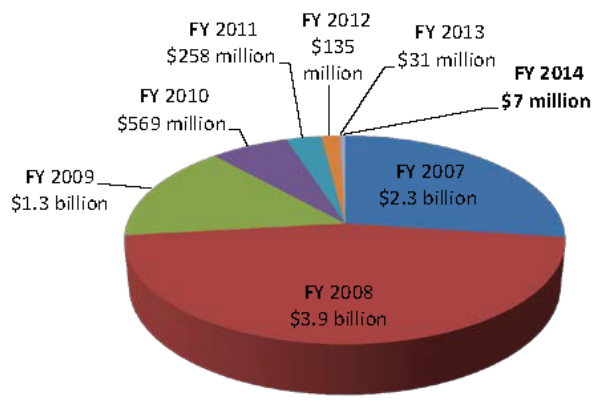
GOVERNOR'S OFFICE OF HOMELAND SECURITY AND EMERGENCY PREPAREDNESS – SUPPORT OF FEDERAL REIMBURSEMENTS – JULY 2013 THROUGH JUNE 2014

The Legislative Auditor conducted an agreed-upon procedures engagement for the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) to assist in evaluating the completeness and accuracy of documentation submitted in support of federal reimbursements under the Public Assistance and Hazard Mitigation programs. In 2014, Recovery staff conducted 10,244 reviews of federal reimbursement requests totaling $1,522,979,214. The auditor identified $126,058,992 in federal reimbursements that were not supported by sufficient documentation at the time of the review.

OFFICE OF COMMUNITY DEVELOPMENT – INADEQUATE GRANT RECOVERY OF HOMEOWNERS ASSISTANCE PROGRAM AWARDS • DECEMBER 17, 2014

The Community Development Block Grant (CDBG) Homeowner Assistance Program (HAP) is the largest single housing recovery program in U.S. history, with approximately $8.6 billion in disbursements since fiscal year 2007. This program helps families affected by hurricanes Katrina and Rita get back into their homes. The Office of Community Development (OCD) identified non-compliant HAP awards for 15,095 homeowners totaling $939 million. A review of 45 additional homeowners participating in the HAP under the CDBG program disclosed that 10 (22 percent) of these homeowners with awards totaling $944,817 had not provided adequate evidence of compliance with one or more award covenants to the OCD, and OCD has not initiated grant recovery from these homeowners. In addition, awards identified as non-compliant in the previous year totaling $74.9 million remain in recovery status. Of the $8 billion in HAP awards disbursed as of June 30, 2014, 16,594 awards totaling $1 billion are in grant recovery.

HAP Awards to Homeowners, by Fiscal Year (FY) ($8.6 billion total)



Source: Integrated Statewide Information System (ISIS) data at June 30, 2014

OFFICE OF COMMUNITY DEVELOPMENT – INADEQUATE RECOVERY OF SMALL RENTAL PROPERTY PROGRAM LOANS • DECEMBER 17, 2014

The CDBG Small Rental Property Program (SRPP) provides funding to property owners to repair their storm-damaged, small-scale rental properties and make their units available to low- and moderate-income tenants at affordable rates. OCD assigned property owners with SRPP loans totaling $60 million to loan recovery status for non-compliance with loan requirements. In addition, awards placed in recovery in previous years totaling $29.5 million remain in recovery status. Of the $430 million in SRPP outstanding loans as of June 30, 2014, 1,108 loans totaling $89.5 million are in recovery status.

OFFICE OF COMMUNITY DEVELOPMENT – HAZARD MITIGATION GRANT PROGRAM AWARDS IDENTIFIED FOR GRANT RECOVERY • DECEMBER 17, 2014

The Hazard Mitigation Grant Program (HMGP) helps homeowners in coastal Louisiana protect their homes from damage in future natural disasters by elevating their homes, reconstructing safer structures, or installing individual mitigation measures. OCD identified 268 non-compliant awards in the HMGP totaling $6.3 million. In addition, OCD identified 282 awards affected by contractor abandonment, incomplete work, or potential fraud that were not reported in the previous fiscal year and has demanded $10.4 million from contractors for work not performed.

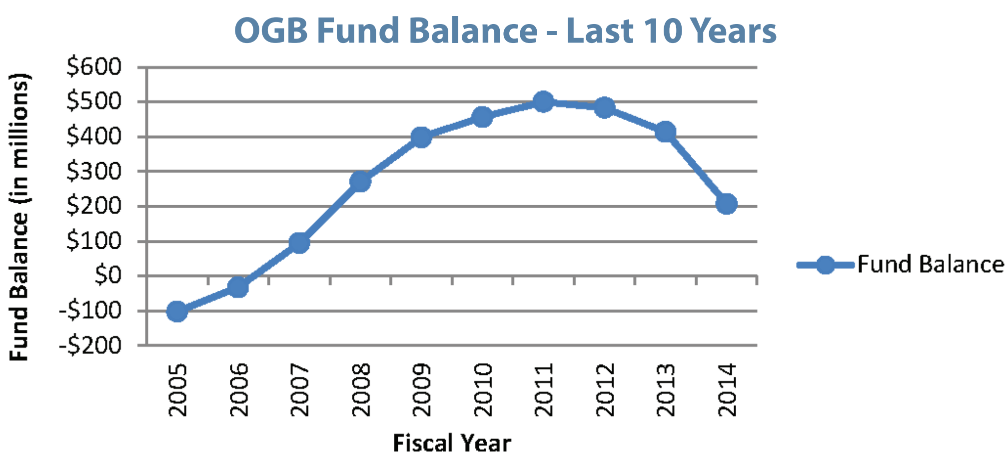
OFFICE OF FINANCIAL INSTITUTIONS – REGULATION OF PAYDAY LENDERS • JULY 9, 2014

The state Office of Financial Institutions (OFI) needs to strengthen its examination, follow-up, enforcement, and complaint procedures for payday lenders. OFI examiners do not sufficiently document their work, which means they are unable to ensure all payday lending violations are identified and appropriately cited. Examination procedures also do not ensure that examiners can detect whether payday lenders are providing illegal rollovers, using their multiple locations for issuing multiple loans to the same borrower on the same day instead of one consumer loan, or reducing loan fees when borrowers pay off their loans early.
In addition, OFI did not assess any penalties between January 1, 2010, and June 30, 2013, despite finding 8,315 violations involving payday lenders, including 8,082 major ones. OFI also did not follow up on 6,612 violations that required a refund, meaning it cannot be certain the borrower received one. Finally, OFI did not have a comprehensive process in place to address verbal complaints against payday lenders. Staff did not follow up on almost half of borrower complaints received between January 1, 2010, and June 30, 2013 because they were not submitted in writing.

OFFICE OF GROUP BENEFITS – FINANCIAL SUSTAINABILITY • DECEMBER 24, 2014

The Legislative Auditor estimated that the Office of Group Benefits' (OGB) remaining fund balance would be liquidated by April 2015. If no benefit or structural changes were made by OGB, auditors estimated that a premium increase of 17% would be necessary to prevent continued losses through December.

In a follow-up to a report issued in May 2014, OGB increased premiums by 5% in July 2014, introduced new health care plans, and cut benefits for plan members. After numerous legislative committee hearings, OGB extended its enrollment period through December 7, 2014, and made additional changes to its health care plans and benefits. The effective date of most of these changes was moved from January 1, 2015, to March 1, 2015.



Source: OGB Annual Fiscal Reports, as adjusted

As presented at the September 2014 board meeting, the OGB fund balance at June 30, 2015, was projected to be $132.9 million, with a 7.4% expected premium increase effective July 1, 2015. In November, OGB revised its expected premium increase to at least 10.8%, effective July 1, 2015, based on additional changes to plan benefits and effective dates.

OFFICE OF RISK MANAGEMENT – COST SAVINGS UPDATE FISCAL YEAR 2013 • JUNE 25, 2014

As of April 30, 2014, the Office of Risk Management (ORM) had transferred all nine of its lines of insurance to F.A. Richard & Associates (FARA) and completed the four phases of the implementation schedule. The FARA contract requires the company to achieve $50 million in savings for claims and litigation payments, and ORM projects that it will realize $22 million in net program savings by June 30, 2015. Net program savings consist of claims and litigation payment savings and administrative and other cost savings.

As of June 30, 2014, ORM calculated that FARA had saved $34.2 million in claims and litigation payments, or 68.4% of the $50 million target. However, ORM also changed the way it calculated FARA's savings after year three of the contract by including the results of workers' compensation claim settlements. If ORM had not changed its methodology, FARA's savings related to claims and litigation payments would have been about $20.7 million, or 41.4% of the $50 million goal. In addition, ORM calculated that as of June 30, 2014, it had reached $15.9 million of the targeted $22 million in net program savings.

LOUISIANA PUBLIC DEFENDER BOARD, OVERSIGHT OF CAPITAL DEFENSE SERVICES • FEBRUARY 12, 2014

The Louisiana Public Defender Board (LPDB) did not adequately monitor the work of all capital defense attorneys to ensure the attorneys provide high-quality legal representation, nor had it established mandatory performance standards for the attorneys as required by state law. In addition, the LPDB did not adequately track the cost of capital defense services to ensure they are provided in a cost-effective and fiscally responsible manner, and the board did not comprehensively monitor whether each judicial district office complies with the state-mandated Capital Defense Guidelines, which outline the structure of capital defense services in Louisiana, including the assignment and qualifications of the defense teams and attorney workloads.

Louisiana Workforce Commission

INADEQUATE SUBRECIPIENT MONITORING FOR WORKFORCE INVESTMENT ACT CLUSTER • NOVEMBER 26, 2014

For the third consecutive year, the Louisiana Workforce Commission (LWC) did not complete desk reviews or on-site monitoring reviews for any of the 18 subrecipients of the Workforce Investment Act (WIA) Cluster program. Failure to timely complete monitoring reviews impairs LWC's ability to ensure that program funds passed through to its subrecipients are spent in accordance with program regulations and increases the risk of improper payments that the state may have to repay to the federal government. WIA program expenditures totaled $33 million during fiscal year 2014. Of this amount, approximately $31 million was provided to subrecipients who were not adequately monitored.

Other

THE COLLECTION OF COURT COSTS AND FINES IN LOUISIANA JUDICIAL DISTRICTS • APRIL 2, 2014

The state of Louisiana did not have an effective process for collecting court costs and fines, and the collection processes within and across judicial districts were inconsistent. Not all districts actively pursued collection of court costs and fines. In addition, judicial districts were not required to track the court costs and fines assessed within their districts, and no central oversight body existed to monitor collection performance and provide guidance for the judicial districts. Using the 24th Judicial District's collection rate as a model, auditors estimated that in fiscal year 2012 the state's judicial districts cumulatively failed to collect as much as $126 million in court costs and fines. As a result, entities dependent on court costs and fines for their funding did not receive as much as they should have.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report (CAFR) is the official financial report for the State of Louisiana and presents the state's financial position at June 30, 2014, and the operating activities of the state's primary government funds and its component units for the fiscal year then ended. LLA's audit of the CAFR was performed in accordance with generally accepted government auditing standards and the audit report was issued on December 19, 2014, with a "clean" opinion based on work performed by financial auditors spread across state agencies, departments, colleges, universities, and numerous other entities such as boards, commissions, districts, and public corporations. The financial information included in the CAFR is intended for use by the general public, investment companies, bond holders, and bond rating agencies to evaluate the state's financial integrity and to set bond rates.

In addition to LLA's opinion, the audit report disclosed that net state tax-supported debt payments, which cannot exceed 6% of estimated General Fund and dedicated funds revenues, were 5.76%, or 96% of the statutory limit. LLA's opinion also disclosed that a new accounting standard will be effective for fiscal year 2015 that will require the recognition of a proportionate share of the state pension systems' net pension liability. Although the state's proportionate share of the pension liability is currently unknown, the impact on the state's net position is expected to be significant.

SINGLE AUDIT

The 2013 Single Audit Report for the State of Louisiana, issued on March 6, 2014, included 35 findings with 10 findings repeated from the prior year. LLA cited questioned costs of approximately $172 million for all federal programs, which included approximately $72 million in questioned costs remaining from the prior year. The related federal awarding agencies will make a determination as to whether the state will have to repay these questioned costs.

The report also contained LLA's opinions on the state's administration of its 28 major federal programs and a detailed schedule of the state's expenditures of federal awards, which totaled approximately $16 billion for the fiscal year ended June 30, 2013. Based on LLA's procedures, four major federal programs had modified opinions:

- The Community Development Block Grant program administered by the Division of Administration, Office of Community Development, had approximately $148 million in questioned costs because of awards paid to ineligible homeowners and small rental property owners.

- The Workforce Investment Act program, administered by the Louisiana Workforce Commission, did not ensure adequate monitoring of $31 million in program funds passed through to subrecipients.

- The Medicaid and Children's Health Insurance programs, both administered by the Department of Health and Hospitals, used a cost allocation plan that had not been previously approved by the federal government.

Section 2: Local Government

The Local Government Services section provides other important services to local governments by enforcing the audit law, processing statutorily-required reports, monitoring legislative changes, providing guidance to local governments and quasi-public entities, and overseeing the work of independent auditors who audit those entities. Local Government Services staff reviewed and processed the following local government and quasi-public entity engagements and reports during 2014:

Type of Report	Number
Agreed-Upon Procedures	68
Audits	2,397
Reviews/Attestations	282
Compilations	500
Sworn Financial Statements	1,220
Other Types of Reports	43
Total	**4,510**

Local Government Services also provided training resources for several local governments and their advocacy groups, the Society of Louisiana CPAs, and various other professional organizations. The staff prepared brochures and other guidance for use on the Legislative Auditor's website providing advice to local governments.

In addition, the Advisory Services staff serves as fiscal advisors and operational consultants to local government entities and officials. Over the past year, Advisory Services completed projects and responded to legislative requests touching approximately 80 local government entities by providing fiscal monitoring, compliance reviews, advising and consulting services and allegation assessments. It also followed up on audit finding resolutions.

The following is a summary of the services the advisors provide:

- recommendations to improve overall internal controls;
- recommendations to help governments and officials comply with applicable state laws;

- consulting and monitoring related to the fiscal status and health of government entities;
- follow-up on certain complaints received from officials and residents;
- advice to newly elected local government officials regarding overall best practices and effective financial management;
- advice to assist governments with resolving audit findings;
- training to guide the implementation of sound fiscal and operational practices;
- support for the Louisiana State Fiscal Review Committee;
- monthly articles for the LMA's *Louisiana Municipal Review* newsletter pertaining to good fiscal and operational management practices.

The Legislative Auditor's Office is also responsible for preparing fiscal notes for legislative instruments affecting expenditures of political subdivisions as well as receipts, expenditures, allocations, and dedications of funds of any state board, commission, or other entity not appropriated funds in any appropriation bill. During the 2014 Regular Legislative Session, the office's analysts received 117 requests and prepared 361 versions of those requests resulting in fiscal impact statements or fiscal notes.

The Legislative Auditor has statutory authority to approve all millages levied in the state. In that capacity, the office's millage experts approved 2,933 millages in 2014, and the tax review officer verified all assessors' salaries and certified pension contributions to certain retirement systems. The staff conducted seven statewide training sessions to assist local governments with the legal requirements of levying millages.

The Investigative Audit Services section focuses on fraudulent or abusive activity affecting government entities. It works to detect and deter the misappropriation of public assets and to reduce future fraud risks. While it can investigate allegations of fraud or abuse in state or local government, much of its work occurs at the local level.

The following significant issues were identified by the Investigative Audit section during calendar year 2014.

TOWN OF FRANKLINTON • OCTOBER 8, 2014

Utility payments totaling at least $22,929 were received but not recorded in the Town of Franklinton's utility system or deposited into the Town's bank account from January 1, 2013, through February 14, 2014. During this period, customers provided the Town with documentation showing they had paid their monthly bills; however, a review of the Town's utility system indicated that these payments were either not recorded to customer accounts or were recorded to customer accounts but were later voided. The two clerks responsible for collecting, recording, and remitting utility payments for deposit acknowledged that they had "borrowed" cash receipts collected from Town utility customers. Both employees were terminated.

TOWN OF MELVILLE • SEPTEMBER 10, 2014

Utility payments totaling $62,971 were not deposited into the Town of Melville's bank account between December 1, 2012, and February 28, 2014. The Town lacked written policies and procedures relating to utility collections, and both clerks responsible for handling utility collections during this period denied taking any funds. During this period, records revealed that the Town collected cash payments totaling $40,773 that were not deposited. In addition, Town employees appeared to have recorded payments to customer accounts totaling $22,198 for which the Town had no receipt and no corresponding bank deposit. The audit report was turned over to the District Attorney for the 27th Judicial District of Louisiana.

NEW ORLEANS TRAFFIC COURT • JULY 30, 2014

An investigative audit of the New Orleans Traffic Court found that Mr. Vandale Thomas provided accounting and attestation services to the Court from 2006 to 2008 through two different accounting firms, which may violate independence standards of the American Institute of CPAs (AICPA) and Governmental Auditing Standards. The invoices paid by the Court included overlapping and duplicate services. The two accounting firms alleged that they had oral contracts with the Court and that Mr. Thomas was responsible for invoicing the Court. Mr. Thomas was paid more than $1 million during this period by the two accounting firms. The Court changed accounting firms in 2008 and contracted with Mr. Thomas personally. From 2008 to 2011, he was paid $759,065 in excess of his contractual maximum. The audit also found that Mr. Thomas had invoiced the traffic court for working in excess of 24 hours a day during eight different months. He prepared his own checks, backdated some accounting entries, and was paid at a higher hourly rate than his contract allowed.

TOWN OF PEARL RIVER • MAY 21, 2014

Officials of the Town of Pearl River, including the mayor, police chief, and town clerk appear to have used Town funds and assets for their personal benefit. The investigative audit found that the mayor purchased equipment, including a fishing boat and trolling motor, which he used for personal purposes. In addition, the mayor and town clerk used the Town credit card to make personal purchases, and both officials instructed Town employees to perform services for their personal benefit. The audit also found that the Town improperly paid almost $30,000 in Christmas bonuses to officials and employees from 2011 to 2013.

ST. TAMMANY PARISH FIRE PROTECTION DISTRICT NO. 3 • MAY 7, 2014

The former fire chief for the St. Tammany Parish Fire Protection District No. 3 spent almost $5,300 in public money to buy auto parts for his personal use while claiming the items were for the District. Between January 2011 and September 2013, the former fire chief falsified invoices for the purchase of $5,296 in parts and used the District's tax-exempt status to avoid paying sales taxes. During the audit, the former fire chief acknowledged that the purchases were for his personal use and made full restitution. The audit report was provided to the District Attorney for the 22nd Judicial District of Louisiana, and the former fire chief pled guilty to theft.

CATAHOULA PARISH SHERIFF'S OFFICE • MAY 7, 2014

The former chief financial officer of the Catahoula Parish Sheriff's Office appeared to have given himself two unauthorized pay raises and one extra paycheck totaling $22,534 between August 2009 and November 2013. After his termination, the former chief financial officer returned to the sheriff's office to train his successor and performed his former job functions under a $70-an-hour contract in possible violation of the state's ethics laws. He was paid $7,105 under this arrangement from January 1 through February 19, 2014. The audit report was turned over to the State Board of Ethics and the District Attorney for the Seventh Judicial District of Louisiana.

CAPITAL AREA TRANSIT SYSTEM • FEBRUARY 19, 2014

The Capital Area Transit System (CATS), the agency that provides bus service in East Baton Rouge Parish, failed to deposit more than $158,000 in cash from transit fares and the sale of bus passes between January 1, 2012, and June 30, 2013. CATS lacked written policies and procedures for bus fare box processing, used broken and out-of-date equipment, and failed to adequately train employees. In addition, inadequate policies and procedures over bus passes, cash collections, and cash deposits allowed revenues to go missing without being detected. Finally, the former chief executive officer and former chief financial officer appeared to have been paid $26,827 and $8,632, respectively, in wages they were not entitled to receive.

Conclusion

Two major themes emerge from the reports highlighted above: the need for strong internal fiscal controls at the state and local government levels and the increasing importance of data collection, tracking, and analysis in agency operations. Both are critical to ensuring that the state's resources are used in the most effective, efficient manner possible and that Louisiana residents receive the services they pay for and expect.

By calling these issues to the attention of lawmakers, agency management, and the public, the Legislative Auditor hopes to encourage open, transparent discussion on how best to address these concerns, and, ultimately, to improve the efficiency and effectiveness of government for all of the state's residents.

Our Goals

Plan and perform quality audit and advisory services of state and local governments and not-for-profit organizations in an efficient and effective manner.

Communicate the results of our audit services to the public, Legislature, public officials, and other decision makers timely and effectively.

Appendix A: Act 461 Reports

First Quarter, Fiscal Year 2015

State Agencies			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Department of Children and Family Services	7/2/2014	Approximately $1.3 million in SNAP benefits for 3,938 single-person households were spent after the participant's death.	$1.3 million
Department of Environmental Quality – Waste Tire Program	7/30/2014	DEQ does not monitor generators to ensure they remit required reports and fees in a timely manner. During fiscal years 2012 and 2013, 1,001 generators submitted $2.9 million in fees late, with $1 million being over 30 days late.	$2.9 million
Department of Health and Hospitals	7/2/2014	DHH paid approximately $2.7 million in Medicaid participant fees for 2,644 incarcerated individuals between 2/1/2012 and 12/31/2013.	$2.7 million
Division of Administration, Office Facilities Corporation	9/3/2014	The state is paying $624,784 for 24,872 square feet of unused office space in Benson Tower. In addition, the state leases a total of 322,977 square feet in Benson Tower and currently pays $25.12 per square foot, which may be above market rate for this area of New Orleans. The excessive rate may be disallowed by federal grantors.	$624,784
Governor's Office of Homeland Security and Emergency Preparedness	9/3/2014	Public Assistance – Completed work was not within the scope of the approved project.	$7,211,879*
Governor's Office of Homeland Security and Emergency Preparedness	9/3/2014	Public Assistance – Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records, or other applicable documentation.	$22,729,669*
Governor's Office of Homeland Security and Emergency Preparedness	9/3/2014	Public Assistance – Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable federal and state procurement requirements.	$11,618,140*

Agency Name	Issue Date	Finding Description	Amount
Governor's Office of Homeland Security and Emergency Preparedness	9/3/2014	Public Assistance – Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance.	$2,120,563*
Governor's Office of Homeland Security and Emergency Preparedness	9/3/2014	Public Assistance – The Cost Estimate Tool (CET) and the Expense Review Form (ERF) contained duplicate, omitted, and/or mis-categorized expenses.	$5,894,579*
Governor's Office of Homeland Security and Emergency Preparedness	9/24/2014	Hazard Mitigation – Completed work was not within the scope of the project.	$600,824
Governor's Office of Homeland Security and Emergency Preparedness	9/24/2014	Hazard Mitigation – The requested amount was not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, HUD settlement statements, appraisals, elevation certificates, duplication of benefits verifications, engineer plans, inspection photographs, or other applicable documentation.	$9,856,251
Governor's Office of Homeland Security and Emergency Preparedness	9/24/2014	Hazard Mitigation – Sub-grantees provided invoices, receipts, lease agreement contracts, labor policies, time records, equipment logs, HUD settlement statements, appraisals, elevation certificates, duplication of benefits verifications, engineer plans, inspection photographs, and other applicable documentation to support exceptions noted in previous periods.	$4,598,217
Governor's Office of Homeland Security and Emergency Preparedness	9/24/2014	Hazard Mitigation – Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable federal and state procurement requirements.	$453,946
*Since August 2005, the LLA has noted exceptions totaling $688,918,972, which includes the $49,574,830 noted this period, and GOHSEP has resolved $593,900,754, which includes the $47,893,710 resolved this period.			

Local Government			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
City of Bogalusa	7/16/2014	Underfunded retirement system; improper use of restricted funds/interfund loans; landfill payable in arrears (Repeat).	2013-1: $16.6 million; 2013-2: $1.2 million; 2013-9: $441,556
James M. Singleton Charter School, New Orleans	7/2/2014	Charter school failed to enroll certain employees in the Teachers' Retirement System of Louisiana.	$686,081
Jefferson Davis Parish Police Jury	7/23/2014	A review of cash disbursements and receipts revealed that Police Jury personnel failed to list several receivables and payables for accrual.	$321,749
Livingston Parish Council	8/20/2014	Parish Council is reporting a $7 million deficit in the Jail Sales Tax Fund (revenues of $3.6 million). Note 20 explains that the accumulated deficit was caused by expenditures exceeding revenues in the current and prior years. The fund is expected to remain in a deficit position until existing jail bonds are paid off in 2021. Fund has borrowed money from the general fund and the road fund to cover its expenses. Ongoing problem with FEMA reimbursements is disclosed in Note 23. Potential liability to FEMA cannot be estimated and may be significant. (Repeat)	Jail Sales Tax Fund owes $2.6 million to other funds. Amount of potential liability to FEMA cannot be estimated and may be significant.
New Orleans Firefighters' Pension and Relief Fund	8/6/2014	New system is reporting a net investment loss of over $40 million, including one investment that lost $15 million. Old and new systems are underfunded by over $432 million. (Partial repeat)	$40 million investment loss; pension system underfunded by $432 million
New Orleans Municipal Court	8/27/2014	Unassigned fund balance deficit of $670,603 reported in the general fund ($699,873 revenues). The deficit appears to be due to amounts that the court has accrued as due to the City of New Orleans for payroll expenses.	$670,603

Agency Name	Issue Date	Finding Description	Amount
New Orleans Traffic Court	7/30/2014	Accounting contractor paid beyond contractual limits. Accounting contractors invoiced for similar services.	$1,421,330
Richland Parish Hospital Service District No. 1B	7/9/2014	The Hospital incurred debt via a promissory note for the purchase of a rural health clinic practice without obtaining State Bond Commission approval.	$290,000
Terrebonne Parish Fire Protection District No. 4-A	8/20/2014	General fund expenditures exceed revenues and other sources by $309,404. Deficit was in part funded with restricted ad valorem taxes.	General fund owes other funds $448,268
Total amount of money			**$137,288,439**

Second Quarter, Fiscal Year 2015

State Agencies			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Department of Children and Family Services	12/10/2014	DCFS identified thefts totaling $166,429 by former employees in its Bureau of Audit and Compliance Services.	$166,429
Department of Public Safety and Corrections, Youth Services – Office of Juvenile Justice	12/24/2014	For the second consecutive year, OJJ did not properly review Foster Care – Title IV-E (Foster Care) reimbursement requests prepared by the Department of Public Safety, resulting in an estimated $424,489 in net underbilled federal funds.	$424,489
Department of Public Safety and Corrections, Youth Services – Office of Juvenile Justice	12/24/2014	OJJ did not have adequate support for rates used in making Foster Care maintenance payments totaling $2.4 million to six residential care facilities for the fiscal year ended June 30, 2014.	$2.4 million
Department of Health and Hospitals	11/26/2014	DHH paid claims totaling $1,246,404 that did not meet federal regulations relating to the period of availability of federal funds that require filing of original claims within one year of the date of service.	$1,246,404
Department of Health and Hospitals	11/26/2014	DHH paid claims totaling $863,480 to providers of Non-Emergency Medical Transportation for services billed to Medicaid that were not provided in accordance with established policies.	$863,480

Agency Name	Issue Date	Finding Description	Amount
Executive Department – Division of Administration, Office of Community Development	12/17/2014	The Office of Community Development (OCD) identified non-compliant Homeowners Assistance Program (HAP) awards for 15,095 homeowners totaling $939 million. A review of 45 additional homeowners participating in the HAP under the CDBG program disclosed that 10 (22%) of these homeowners with awards totaling $944,817 had not provided adequate evidence of compliance with one or more award covenants to OCD. In addition, awards identified as non-compliant in previous years totaling $74.9 million remain in recovery status. Of the $8 billion total HAP awards disbursed as of June 30, 2014, 16,594 awards totaling $1 billion are in grant recovery.	$1 billion
Executive Department - Division of Administration, Office of Community Development	12/17/2014	OCD assigned property owners with Small Business Rental Property Program (SRPP) loans totaling $60 million to loan recovery status for non-compliance with loan requirements. In addition, awards placed in recovery in previous years totaling $29.5 million remain in recovery status. Of the $430 million in SRPP outstanding loans at June 30, 2014, 1,108 loans totaling $89.5 million are in recovery status.	$89.5 million
Executive Department – Division of Administration, Office of Community Development	12/17/2014	OCD identified 268 non-compliant awards in the Hazard Mitigation Grant Program (HMGP) totaling $6.3 million. In addition, OCD also has identified 282 awards affected by contractor abandonment, incomplete work, or potential fraud that were not reported in the previous fiscal year and has demanded $10.4 million from contractors for work not performed.	$16.7 million

Agency Name	Issue Date	Finding Description	Amount
Department of Revenue	11/26/2014	The Louisiana Department of Revenue did not have effective controls in place during fiscal year 2014 to ensure that interest on refunds from legal settlements was accurately calculated, resulting in two corporate refund overpayments totaling more than $22 million.	$22 million
Louisiana Workforce Commission	11/26/2014	For the third consecutive year, the Louisiana Workforce Commission did not complete desk reviews or on-site monitoring reviews for any of the 18 sub-recipients of the Workforce Investment Act (WIA) Cluster program. Of the total $33 million in WIA program expenditures in fiscal year 2014, $31 million was provided to sub-recipients who were not adequately monitored.	$31 million
Recovery School District	12/10/2014	For the eighth consecutive year, the Recovery School District did not ensure that movable property was safeguarded against loss, resulting in unlocated property with a total acquisition cost of $7,041,340 in fiscal year 2014.	$7,041,340
South Louisiana Community College	12/24/2014	South Louisiana Community College did not establish the terms and/or conditions for payment at the time student receivable accounts were created and did not perform collection follow-up procedures on past due student accounts generated from the fall 2012 to spring 2014 semesters with outstanding student account balances totaling $1.5 million.	$1.5 million

Local Government			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Housing Authority of Kenner	10/1/2014	U.S. HUD issued reports that indicate the housing authority may owe HUD nearly $3 million in questioned and unsupported costs.	$2,980,776
Housing Authority of Morgan City	12/10/2014	The Housing Authority of Morgan City (MCHA) improperly paid employees rewards (bonuses) totaling $566,544 from November 2007 through March 2013. These payments were allegedly made in accordance with a MCHA Rewards and Recognition policy that was improperly altered by Housing Manager Tori Johnson.	$566,544
New Orleans Redevelopment Unlimited Inc.	10/29/2014	Finding #2013-01, incomplete accounting for all financial transactions, including expenditures of $335,480.	$335,480
St. Tammany Parish Fire Protection District No. 11	9/17/2014	Over-collection of bond millage. Over-collection per the auditor for 2013 was approximately $166,000.	$166,000
Total Identified			**$1,176,890,942**

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