

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

FOURTH QUARTER, FISCAL YEAR 2021



REPORT TO THE JOINT LEGISLATIVE  
COMMITTEE ON THE BUDGET  
ISSUED JULY 2021

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

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

**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
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. 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.gov](http://www.la.gov).

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  
MICHAEL J. "MIKE" WAGUESPACK, CPA

July 22, 2021

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 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 2021. 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 "MJW", written over a circular stamp or mark.

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

MJW/ch

ACT 461 REPORTING – JULY 2021

# TABLE OF CONTENTS

---

	Page
State Agencies.....	2
Local Government Agencies.....	6

## STATE AGENCIES

---

### Capital Area Human Services District (CAHSD) ([Report Link](#))

- **Failure to Follow Public Bid Law Requirements** - CAHSD did not ensure the purchase of its new electronic health record system was in accordance with state bid law and agency policy. CAHSD failed to advertise for the software purchase. The contract signed with the selected bidder was for \$1.3 million. *(Amount: \$1,300,000) (p.1)*

### Department of Public Safety and Corrections - Corrections Services ([Report Link](#))

- **Noncompliance with Coronavirus Relief Fund Requirements** - The Department received reimbursement from the Coronavirus Relief Fund (CRF) for expenditures at Louisiana State Penitentiary, Elayn Hunt Correctional Center, and Adult Probation and Parole facilities that did not comply with program requirements or were inadequately supported. *(Amount: \$1,648,025) (p.1)*

### Department of Public Safety and Corrections - Youth Services – Office of Juvenile Justice (OJJ) ([Report Link](#))

- **Control Weakness over and Noncompliance with Coronavirus Relief Fund** - OJJ received reimbursement for expenditures that were unallowable and outside the period of performance under the CRF, per federal program rules and guidance. A review of 100% of non-payroll expenditures paid with the CRF, totaling \$5,926,871, disclosed the following: (1) For residential facilities caring for juveniles in OJJ's custody, \$363,183 of the \$3,789,912 contract costs paid with CRF funds were also reimbursed by Foster Care federal funds, which is not allowable; and (2) One residential facility payment of \$8,385, not associated with a contract, was for dates of service in January 2020, which is outside of the period of performance for CRF.

In addition to the non-payroll testing, auditors reviewed payroll expenditures from March 1, 2020, through May 31, 2020, included on the March 2020 and June 2020 quarterly administrative invoices. Auditors determined that a percentage of OJJ salary and benefit costs were paid by both CRF and Foster Care federal funds totaling \$247,658, which is not allowable. *(Amount: \$619,226) (p.1)*

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

- **Noncompliance with Managed Care Provider Enrollment Requirement** - 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 Louisiana Medicaid managed care plans and cannot ensure compliance with enrollment requirements defined by law and the Medicaid and CHIP state plan. **(Repeat)** *(Amount: \$8.5 billion) (p.3)*

- **Inadequate Control over Billing for Behavioral Health Services** - LDH, the MCOs, and Magellan Health Services 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 2020, approximately \$10.5 million in encounters for services between July 1, 2019, and June 30, 2020, were paid by the MCOs and Magellan even though encounters did not comply with the LDH coding requirements and fee schedule. **(Repeat)**  
*(Amount: \$10.5 million) (p.6)*
- **Inadequate Control over Service Providers with Closed Enrollment** - LDH paid \$287,617 in fiscal years 2016 through 2020 for claims with service dates occurring after the service providers were no longer enrolled. LDH lacked adequate procedures to ensure claims are only paid for service dates in which the service provider is enrolled in Medicaid. *(Amount: \$287,617) (p.8)*
- **Lack of Internal Control Over and Noncompliance with Subrecipient Monitoring** - The Office of Public Health (OPH) did not have adequate controls in place to monitor subrecipients of the HIV Prevention Activities Health Department Based program. OPH did not evaluate any subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the award as required by federal regulations. *(Amount: \$4,257,663) (p.9)*

#### **Louisiana State University Health Sciences Center in Shreveport (LSUHSC-S)**

[\(Report Link\)](#)

- **Noncompliance with Joint Venture Agreements** - LSUHSC-S did not receive net physician claims revenue for physician services provided at the Monroe facility in accordance with the joint venture agreements with the hospital partner. Based on reports provided by the subservice billing organization, net collections for physician services at the Monroe facility during the fiscal year ending June 30, 2020, were \$4,002,796, which was not submitted to LSUHSC-S. *(Amount: \$4,002,796) (p.1)*
- **Noncompliance and Control Weakness Related to Billing and Collections** - LSUHSC-S does not have adequate controls over state and nongovernmental grants and contracts to pursue collection of accounts receivable. LSUHSC-S reported \$2.2 million of state and nongovernmental grants and contracts gross accounts receivable as of June 30, 2020, which were outstanding from fiscal years 2011 to 2019. LSUHSC-S did not actively pursue collection on those accounts past the initial billing. In addition, during the fiscal year ended June 30, 2020, LSUHSC-S did not comply with nongovernmental grants and contracts related to timely billing in accordance with contract terms. **(Repeat)**  
*(Amount: \$2.2 million) (p.3)*

**Louisiana Workforce Commission (LWC) ([Report Link](#))**

- **Inadequate Controls and Noncompliance with Unemployment Insurance Benefits Requirements** - LWC did not have adequate internal controls and did not comply with requirements of the Unemployment Insurance (UI) federal program. For example, 37 (27%) of the claimants reviewed had inconsistent or missing information on the UI application, which may indicate the claimant is intentionally filing to receive benefits that they are not entitled, or that may indicate possible identify theft. *(Amount: \$287,006) (p.1)*
- **Noncompliance with Civil Service Rules Regarding Special Leave** - LWC's use of *Special Leave - Act of God* was not in accordance with State Civil Service Rules and may have resulted in improper compensation totaling approximately \$786,000. *(Amount: \$786,000) (p.3)*
- **Inaccurate Financial Reporting** - LWC did not have adequate controls to ensure accurate financial reporting for the Unemployment Trust Fund. Federal revenue and amounts due from the federal government were understated by \$65.2 million because LWC did not properly accrue federal unemployment insurance benefits received after fiscal year-end. Unemployment Insurance Benefits expense and other liabilities were understated by \$46.5 million because LWC did not properly accrue for expenses at year-end. Cash was understated by \$17.7 million due to errors and omissions in the agency's general ledger. *(Amount: \$129,400,000) (p.5)*
- **Noncompliance with Subrecipient Monitoring Requirements** - For the second consecutive year, LWC did not adequately monitor subrecipients under the Workforce Innovation and Opportunity Act (WIOA) Cluster programs. WIOA program expenditures totaled \$41 million during fiscal year 2020, with approximately \$36.5 million provided to subrecipients who were not adequately monitored. **(Repeat)** *(Amount: \$36,500,000) (p.7)*

**Louisiana Workforce Commission - Improper Payments in the Unemployment Insurance Program: Ineligible Incarcerated Recipients ([Report Link](#))**

- Overall, we found that LWC made approximately \$6.2 million in State and Federal UI payments to 1,195 incarcerated individuals who do not appear to have been eligible for these programs. *(Amount: \$6,220,011) (p.4)*

**Louisiana Workforce Commission - Improper Payments in the Unemployment Insurance Program: Deceased Recipients ([Report Link](#))**

- Overall, of the approximately \$8.57 billion in State and Federal UI benefit payments made by LWC, we found that approximately \$1.08 million (0.013%) were made to 374 individuals after their date of death. While \$629,091 of these potentially improper payments could not have been prevented, \$337,007 of the payments should have been prevented by LWC's current controls, and \$123,194 could have been prevented if LWC conducted a weekly match with LDH death data. Although LWC could not prevent all of the payments from being made, LWC can attempt to recover all of the potentially improper payments. *(Amount: \$1,089,292) (p.4)*

**University of New Orleans ([Report Link](#))**

- **Overpayments to Employees** -The University of New Orleans overpaid employees as a result of the execution of a change in payment structure for its non-academic, unclassified employees in January 2019. *(Amount: \$172,800) (p.1)*

## LOCAL GOVERNMENT AGENCIES

---

### **Oasis - A Safe Haven for Survivors of Domestic and Sexual Violence ([Report Link](#))**

- In December 2020, the organization's management discovered that a former employee had fraudulently transferred funds from the organization's bank account into her personal bank account, written herself payroll checks for time not earned, and added herself to the insurance and supplemental insurance plans without deducting premiums from her payroll check. The amount of the theft was determined to be \$183,412. The former bookkeeper has been charged and is awaiting trial. No restitution has been made, and an insurance claim for the theft is being made. *(Amount: \$183,411.59) (p.17,22)*