

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

FIRST QUARTER, FISCAL YEAR 2017



REPORT TO THE JOINT LEGISLATIVE
COMMITTEE ON THE BUDGET
ISSUED OCTOBER 2016

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

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
LOCAL GOVERNMENT SERVICES
THOMAS H. COLE, 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.lla.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
DARYL G. PURPERA, CPA, CFE

October 7, 2016

Chairman Eric LaFleur and Members of the
Joint Legislative Committee on the Budget

Dear Chairman LaFleur 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, 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 first quarter of Fiscal Year 2017. 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 that reads "Daryl G. Purpera". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

ACT 461 REPORTING – OCTOBER 2016

TABLE OF CONTENTS

	Page
State Agencies.....	2
Local Government Agencies.....	3

STATE AGENCIES

Agency Name	Parish	Issue Date	Fiscal Year End/ Scope	Link to LLA report	Finding Description	Page No.	Amount
Department of State	East Baton Rouge	7/27/2016	2015-2016	Report	Our procedures indicated that \$5.3 million to \$10.4 million in fines from April 2015 through April 2016 could have been assessed but were not for foreign corporation and foreign limited liability companies that failed to file their annual reports with the Department of State timely.	2	\$5.3 million to \$10.4 million

LOCAL GOVERNMENT AGENCIES

Agency Name	Parish	Issue Date	Fiscal Year End/ Period Covered	Link to LLA report	Finding Description	Page No(s).	Amount
Bunches Bend Protection District	East Carroll	3/23/2016	12/31/2015	Report	The district purchased dirt at a cost of \$294,000 in connection with its levee improvement project without advertising for bids as required by the Public Bid Law.	30	\$294,000
Child Development Council of Acadiana, Inc.	St. Landry	9/2/2015	12/31/2014	Report	Agency owes \$1.8 million to the U.S. Department of Health and Human Services (DHHS) for questioned costs related to the construction of a building without approval from DHHS and other disallowed costs.	10-11	\$1,855,599
City of Bogalusa	Washington	7/16/2014	12/31/2013	Report	<p>(2013-1) Underfunded retirement system (Repeat);</p> <p>(2013-2) Improper use of restricted funds/ interfund loans (Repeat);</p> <p>(2013-9) Landfill payable in arrears</p>	79-81, 86	<p>(2013-1) \$16.6 million;</p> <p>(2013-2) \$1.2 million;</p> <p>(2013-9) \$441,556</p>

Agency Name	Parish	Issue Date	Fiscal Year End/ Period Covered	Link to LLA report	Finding Description	Page No(s).	Amount
Housing Authority of Kenner	Jefferson	10/1/2014	6/30/2012	Report	The U.S. Department of Housing and Urban Development (HUD) issued reports that indicate the housing authority may owe HUD nearly \$3 million in questioned and unsupported costs.	119-125	\$2,980,776
Housing Authority of Kenner	Jefferson	6/10/2015	6/30/2013	Report	HUD issued reports that indicate the housing authority may owe HUD nearly \$3 million in questioned and unsupported costs. (Repeat)	151-168	\$2,876,158
Jefferson Parish Second Justice Court Justice of the Peace and Constable	Jefferson	9/28/2016	<i>Justice of the Peace:</i> 1/2011-3/2014 <i>Constable:</i> 1/2006-12/2013	Report	Justice of the Peace may have improperly used \$168,381 in garnishment and bank loan proceeds for personal purposes; Constable received personal benefits from association he created; Constable included personal and household expenses in sworn financial statements; Clerk of Court collected \$12,630 in improper fees for herself.	15, 24, 30	Total amount unknown but at least \$212,636

Agency Name	Parish	Issue Date	Fiscal Year End/ Period Covered	Link to LLA report	Finding Description	Page No(s).	Amount
Madison Parish Hospital Service District	Madison	6/29/2016	12/31/2015	Report	Based upon fraud reported in an LLA investigative report dated 1/2/2013, management has estimated that approximately \$2 million will be owed back to third-party payors. (Repeat)	21	\$2,000,000
New Orleans Firefighters' Pension and Relief Fund	Orleans	8/6/2014	12/31/2013	Report	New system is reporting a net investment loss of more than \$40 million, including one investment that lost \$15 million. Old and new systems are underfunded by more than \$432 million. (Repeat)	9, 23-24, 37	\$40 million investment loss; Pension system underfunded by \$432 million
Reconcile New Orleans, Inc.	Orleans	12/3/2014	12/31/2012	Report	Building transferred to a third party, contrary to the requirements of a cooperative endeavor agreement with the state.	41-42	\$430,552
Richland Parish Hospital Service District No. 1B	Richland	7/9/2014	9/30/2013	Report	The Hospital incurred debt via a promissory note for the purchase of a rural health clinic practice without obtaining State Bond Commission approval.	46	\$290,000

Agency Name	Parish	Issue Date	Fiscal Year End/ Period Covered	Link to LLA report	Finding Description	Page No(s).	Amount
Sabine Parish Police Jury	Sabine	8/3/2016	12/31/2015	Report	Certain Police Jurors authorized road work totaling \$378,682 without obtaining approval of the parish governing authority.	67	\$378,682
St. Tammany Parish Fire Protection District No. 11	St. Tammany	9/17/2014	12/31/2013	Report	Over collection of Bond millage. Amount of over collection for 2013 was approximately \$166,000 but, since 1995, could be as high as \$2 million. This was on GO debt. (Repeat)	Mgt. Letter page 2	Estimated \$131,000 for 2013 with cumulative impact of \$2 million.