

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

SECOND QUARTER, FISCAL YEAR 2017



REPORT TO THE JOINT LEGISLATIVE  
COMMITTEE ON THE BUDGET  
ISSUED FEBRUARY 2017

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

February 13, 2017

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 second 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 – FEBRUARY 2017

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## STATE AGENCIES

Agency Name	Parish	Issue Date	Fiscal Year End/ Scope	Link to LLA report	Finding Description	Page No.	Amount
<b>Baton Rouge Community College</b>	East Baton Rouge	12/21/2016	6/30/2016	<a href="#">Report</a>	The College did not timely notify students of overdue accounts and did not timely transfer delinquent accounts to the Department of Justice.	1-2	\$4,413,346
<b>Delgado Community College</b>	Orleans	12/14/2016	6/30/2016	<a href="#">Report</a>	Delgado was unable to locate \$1,277,852 of the college's total movable property.	1-2	\$1,277,852
<b>Department of Public Safety and Corrections - Corrections Services</b>	East Baton Rouge	9/28/2016	6/30/2016	<a href="#">Report</a>	The Department paid the vendor \$3,643,033 as of June 30, 2016, to develop the Offender Management System, which went live on June 15, 2015, but was taken off-line on July 31, 2015, due to system failures.	3-4	\$3,643,033
<b>Department of Public Safety and Corrections - Youth Services - Office of Juvenile Justice (Repeat)</b>	East Baton Rouge	12/7/2016	6/30/2016	<a href="#">Report</a>	Failure to establish approved payment rates results in noncompliance with Foster Care regulations and prevents OJJ from receiving federal reimbursement for the \$2,229,880 paid to residential care facilities in fiscal year 2016, resulting in the use of state funding instead.	1-2	\$2,229,880

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<b>Department of Revenue (Repeat)</b>	East Baton Rouge	11/30/2016	6/30/2016	<a href="#">Report</a>	The Department has continued to overpay the Algiers Economic Development District No. 1 (District). The overpayment to the District since the beginning of their Cooperative Endeavor Agreement executed in 2004 is \$7.3 million, including \$494,454 in overpayments during fiscal year 2016.	2	\$7.3 million
<b>Department of Wildlife and Fisheries</b>	East Baton Rouge	11/9/2016	6/30/2016	<a href="#">Report</a>	The Department's lack of financial and operational oversight over the nearshore segment of the BP Tissue Sampling Program resulted in protocol deviations, costs that appear excessive, and missing state property.	2-10	\$3,050,085
<b>Department of Wildlife and Fisheries</b>	East Baton Rouge	11/9/2016	6/30/2016	<a href="#">Report</a>	Lack of management oversight over purchasing, sponsorships, and contracts resulted in questionable purchases totaling \$763,929.	11-13	\$763,929
<b>Department of Wildlife and Fisheries</b>	East Baton Rouge	11/9/2016	6/30/2016	<a href="#">Report</a>	The Department's purchase of an aircraft without a proper inspection could cost the state up to \$580,000 in repairs.	13-17	\$580,000

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<b>Department of Wildlife and Fisheries</b>	East Baton Rouge	11/9/2016	6/30/2016	<a href="#">Report</a>	The Department made a questionable purchase of a \$220,000 Catamaran that was only used twice from 2012 to 2016. During that timeframe, the Department incurred expenses totaling almost \$38,000 to maintain and repair the vessel.	17-20	\$258,000
<b>Department of Wildlife and Fisheries</b>	East Baton Rouge	11/9/2016	6/30/2016	<a href="#">Report</a>	The Department did not properly oversee the Louisiana Saltwater Series or the License to Win! Sweepstakes, which may result in donations of state resources or ineffective programs.	20-22	unknown

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<b>Executive Department</b>	East Baton Rouge	12/28/2016	6/30/2016	<a href="#">Report</a>	The Division of Administration directed the Department of Economic Development to improperly classify a \$34.6 million default payment made in March 2011, which has ultimately cost the State more than \$2.1 million in costs, as of June 30, 2016. Rather than depositing the funds to an escrow account to defease the related debt obligations, the State deposited the \$34.6 million default payment into the Louisiana Economic Development Fund, which was then “swept.” If not defeased prior to the October 2022 settlement date of the original obligation, the State will incur more than \$6.2 million in additional costs.	4-5	\$8.3 million



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<b>Executive Department (Repeat)</b>	East Baton Rouge	12/28/2016	6/30/2016	<a href="#">Report</a>	The Division of Administration identified \$171 million in noncompliant Homeowner Assistance Program (HAP) awards for 6,577 homeowners through post-award monitoring for the Community Development Block Grant/State's Program. Of the \$8.9 billion total HAP awards disbursed as of June 30, 2016, 21,762 awards totaling \$843 million are in grant recovery.	2-3	\$171,094,466

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<b>Executive Department (Repeat)</b>	East Baton Rouge	12/28/2016	6/30/2016	<a href="#">Report</a>	The Division of Administration identified \$5,650,504 in Small Rental Property Program (SRPP) loans for 65 property owners under the Community Development Block Grants/State's Program who failed to comply with one or more of their loan agreement requirements and were assigned to loan recovery status. Of the \$438.3 million in SRPP outstanding loans at June 30, 2016, 941 loans totaling \$79,168,531 are in recovery status.	3-4	\$5,650,504
<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	Completed work was not within the scope of the approved project.	3	\$8,165,285*
<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records or other applicable documentation.	3	\$16,502,855*

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<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	Contracts and purchases totaling more than \$10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements.	3	\$34,267,012*
<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance.	3	\$2,233,454*
<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	GOHSEP's cost estimating tool and/or expense review form either omitted or contained duplicate and/or incorrectly categorized expenses.	3-4	\$1,049,569*
<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	Completed work was not within the scope of the approved project.	2	\$1,409,876*

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<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	Expense reimbursements were 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.	2	\$8,182,317*
<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	Contracts and purchases totaling more than \$10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements.	3	\$11,753,412*
<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance.	3	\$729,164*
<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	Statewide	10/11/2016	6/30/2016	<a href="#">Report</a>	Requests for reimbursement were mathematically incorrect.	3	\$229,269*

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<b>Governor's Office of Homeland Security and Emergency Preparedness</b>	East Baton Rouge	12/28/2016	6/30/2016	<a href="#">Report</a>	The financial data submitted in the Governor's Office of Homeland Security and Emergency Preparedness' (GOHSEP) Annual Fiscal Report was materially misstated by a \$207 million overestimate of future disallowed program costs.	1	\$207 million
<b>Governor's Office of Homeland Security and Emergency Preparedness (Repeat)</b>	East Baton Rouge	12/28/2016	6/30/2016	<a href="#">Report</a>	GOHSEP identified \$10.4 million in noncompliant Hazard Mitigation Grant Program (HMGP) awards for 582 applicants, through the project closeout process. GOHSEP identified 554 additional instances of contractor abandonment, incomplete work, or potential contractor fraud that were not reported in the prior fiscal year, amounting to \$6 million.	2	\$16,448,927

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<b>Louisiana Delta Community College</b>	Ouachita	11/16/2016	6/30/2016	<a href="#">Report</a>	The College did not send out any billing notices on student accounts with unpaid balances totaling approximately \$1.4 million at June 30, 2016. The college also did not transfer any fiscal year 2016 delinquent accounts to the Louisiana Office of Debt Recovery.	1-2	\$1.4 million
<b>Louisiana Department of Health</b>	East Baton Rouge	10/26/2016	6/30/2016	<a href="#">Report</a>	From February 2012 through May 2016, LDH paid \$943,274 in PMPMs for 160 recipients who were ineligible due to out-of-state residency. Based on the results of the testing of a statistical sample and related claims, auditors projected results for the remaining 253 eligibility cases containing out-of-state addresses, resulting in an additional \$1,491,552 in questionable payments.	3-4	\$2,434,826

Agency Name	Parish	Issue Date	Fiscal Year End/ Scope	Link to LLA report	Finding Description	Page No.	Amount
<b>Louisiana State University Health Sciences Center - Health Care Services Division</b>	East Baton Rouge	12/21/2016	6/30/2016	<a href="#">Report</a>	At June 30, 2016, the Health Care Services Division (HCSD) and Louisiana State University administration (LSU) did not have complete, signed agreements for all equipment, buildings, and parking lots being utilized by the partner managing the University Medical Center New Orleans (UMCNO). As a result, HCSD and LSU were unable to provide sufficient support for the method used to account for the assets and related transactions in HCSD's Annual Fiscal Report resulting in significant identified and potential misstatements.	1-3	unknown

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<b>Louisiana State University Health Sciences Center - Health Care Services Division (Repeat)</b>	East Baton Rouge	12/21/2016	6/30/2016	<a href="#">Report</a>	As of June 30, 2016, Office of Facility Planning and Control purchases totaling approximately \$75 million for UMCNO had not been analyzed to determine if the related items were subject to Louisiana Property Assistance Agency requirements or properly reported in HCSD's financial statements. In addition, assets assigned to the Interim LSU Public Hospital in New Orleans totaling \$1,153,106 were reported by the partner as unlocated.	3-5	\$76,153,106
<b>Louisiana State University Health Sciences Center - Health Care Services Division (Repeat)</b>	East Baton Rouge	12/21/2016	6/30/2016	<a href="#">Report</a>	For the second consecutive year, HCSD identified a significant amount of unlocated movable property associated with the now-closed Earl K. Long Medical Center.	5	\$1,918,285



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<b>Louisiana Workforce Commission</b>	East Baton Rouge	12/14/2016	6/30/2016	<a href="#">Report</a>	Louisiana Workforce Commission (LWC) did not adequately manage the implementation of the Helping Individuals Reach Employment (HiRE) system, and as a result, data did not properly convert from the original system; interfaces to other systems did not properly function; and HiRE could not properly determine eligibility and benefits, process proper payments timely or without manual intervention, or produce reliable reports to support financial and federal reporting objectives.	2-3	unknown

Agency Name	Parish	Issue Date	Fiscal Year End/ Scope	Link to LLA report	Finding Description	Page No.	Amount
<b>Louisiana Workforce Commission</b>	East Baton Rouge	12/14/2016	6/30/2016	<a href="#">Report</a>	LWC did not properly secure its data by fully testing HiRE's security functionality, appropriately restricting administrative access, reporting on the access of its employees, and monitoring system activity. Due to the weaknesses described in the finding, we are unable to determine whether unauthorized changes or inappropriate exposure of data have taken place.	4-6	unknown
<b>Louisiana Workforce Commission</b>	East Baton Rouge	12/14/2016	6/30/2016	<a href="#">Report</a>	LWC did not ensure overpayment claims data properly converted from the original mainframe system to HiRE or that critical interfaces to other systems functioned properly.	6-7	unknown

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<b>Louisiana Workforce Commission</b>	East Baton Rouge	12/14/2016	6/30/2016	<a href="#">Report</a>	LWC did not have adequate controls to ensure proper financial reporting for the Unemployment Trust Fund. As a result, LWC submitted an unreliable Annual Fiscal Report to the Office of Statewide Reporting and Accounting Policy. HiRE did not produce reliable reports to support financial reporting objectives.	8	unknown
<b>McNeese State University</b>	Calcasieu	11/23/2016	6/30/2016	<a href="#">Report</a>	The University did not submit past-due student accounts receivable to the Louisiana Attorney General for collection in accordance with its policy.	1-2	\$1,377,274

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<b>Recovery School District (Repeat)</b>	East Baton Rouge	12/19/2016	6/30/2016	<a href="#">Report</a>	For the 10th consecutive year, the Recovery School District (RSD) did not maintain and accurately report equipment as required by state equipment regulations and did not maintain accurate information in the state's movable property system. In addition, RSD's property certification disclosed more than \$6 million in unlocated movable property.	1-2	\$6,264,545
<b>South Central Louisiana Technical College</b>	St. John the Baptist	11/23/2016	6/30/2016	<a href="#">Report</a>	The College did not make timely efforts to collect on past-due student accounts generated from the Fall 2012 semester to the Summer 2015 semester, with unpaid balances totaling approximately \$215,145 at June 30, 2016.	2-3	\$215,145
<b>South Louisiana Community College</b>	Lafayette	12/7/2016	6/30/2016	<a href="#">Report</a>	The College reported nearly \$2 million of movable property that could not be located, of which \$1,437,682 was for unlocated computers and computer-related equipment.	3	\$1,963,712

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<b>University of Louisiana at Lafayette</b>	Lafayette	12/21/2016	6/30/2016	<a href="#">Report</a>	The University had several control weaknesses over monitoring of its contract with its food services vendor to ensure it is receiving all commissions due. For example, the University was unable to reconcile a \$500,000 difference between what students were assessed for meal plans and the sales per the vendor system.	1-2	\$500,000
<b>University of Louisiana at Monroe</b>	Ouachita	12/14/2016	6/30/2016	<a href="#">Report</a>	As of June 30, 2016, the University had not collected \$622,165 from the University of Louisiana at Monroe Foundation for athletic ticket sales and multimedia sponsorship transactions. The uncollected amount consisted of \$497,061 owed from fiscal year 2015 and \$125,104 owed from fiscal year 2016, as of November 2015.	3	\$622,165

\*For Public Assistance - Since March 2008, the LLA has noted exceptions totaling \$959,606,920, which includes the \$62,218,175 noted this period, and GOHSEP has resolved \$852,383,891, which includes the \$82,764,383 resolved this period. For Hazard Mitigation - Since March 2008, the LLA has noted exceptions totaling \$239,698,118, which includes the \$22,304,038 noted this period, and GOHSEP has resolved \$123,147,179 which includes the \$6,547,453 resolved this period.

## LOCAL GOVERNMENT AGENCIES

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Agency Name	Parish	Issue Date	Fiscal Year End/ Scope	Link to LLA report	Finding Description	Page No.	Amount
<b>District Attorney of the 9th Judicial District</b>	Rapides	11/16/2016	12/31/2015	<a href="#">Report</a>	The Louisiana Legislative Auditor conducted an investigation on the DA for the period January 1, 2009, through October 31, 2015. Finding 2015-6 in the audit report states that seized case assets from local law enforcement agencies in the amount of \$794,166 were not deposited into the District Attorney's bank accounts. Additionally, the records show that the former bookkeeper diverted funds from other sources to cover a misappropriation in the amount of \$267,640.	58	\$794,166

Agency Name	Parish	Issue Date	Fiscal Year End/ Scope	Link to LLA report	Finding Description	Page No.	Amount
<b>Orleans Parish Clerk of Court-Criminal District Court</b> <b>(Repeat)</b>	Orleans	11/2/2016	12/31/2015	<a href="#">Report</a>	The LLA investigation determined that from February 2010 through March 2014, the Clerk of Court received \$120,168 of election reimbursements that were paid prior to requesting reimbursement from the LA SOS, that election employees were paid a higher rate than their normal salaries, \$213,146 was paid for temporary workers that was not authorized by the Secretary of State and \$53,269 in non-payroll election expenses were incurred that were also not authorized by the Secretary of State.	69	\$213,146

Agency Name	Parish	Issue Date	Fiscal Year End/ Scope	Link to LLA report	Finding Description	Page No.	Amount
<b>Orleans Parish Sheriff Office</b>	Orleans	10/12/2016	12/31/2015	<a href="#">Report</a>	A deputy sheriff operated a private security business in possible violation of state law, sheriff deputies worked off-duty details during OPSO working hours, and OPSO made payments totaling \$231,820 to Gulf State, LLC for renovations without going through the state bid law process. The General Fund also had a deficit of \$904,492 due to operating expenditures exceeding revenues. The office plans to fund the deficit through future revenues.	63	\$231,820
<b>St Bernard Parish Hospital Service District</b>	St. Bernard	11/2/2016	12/31/2016	<a href="#">Report</a>	Payments To Contractor With an Expired Contract and Without Proper Evidence	7	\$1,521,940