

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

THIRD QUARTER, FISCAL YEAR 2019



REPORT TO THE JOINT LEGISLATIVE
COMMITTEE ON THE BUDGET
ISSUED APRIL 2019

**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.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

April 29, 2019

Chairman Cameron Henry and Members of the
Joint Legislative Committee on the Budget

Dear Chairman Henry 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 third quarter of Fiscal Year 2019. 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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

ACT 461 REPORTING – APRIL 2019

TABLE OF CONTENTS

	Page
State Agencies.....	2
Local Government Agencies.....	4

STATE AGENCIES

Department of Veterans Affairs

- Weaknesses in Controls over Accounts Receivable - LDVA employees did not properly follow up on resident accounts receivable balances and did not follow established write-off procedures for uncollectible accounts. *(Amount: \$531,860) (p.3)*

Executive Department

- **(Repeat)** The Division of Administration (DOA), Office of Community Development (OCD) identified \$7.5 million in noncompliant Community Development Block Grant (CDBG) Homeowner Assistance Program awards for 287 homeowners through post-award monitoring. Failure to recover benefits from noncompliant homeowners could result in disallowed costs that the state could be liable to repay to the federal government. *(Amount: \$7.5 million) (p.1)*
- **(Repeat)** OCD identified \$55.6 million in Small Rental Property Program loans for 583 property owners who failed to comply with one or more of their loan agreement requirements and were assigned to loan recovery status. Failure to take appropriate action to recover loans from noncompliant property owners could result in disallowed costs. *(Amount: \$55.6 million) (p.3)*

Governor's Office of Homeland Security and Emergency Preparedness – Public Assistance Program

- Completed work was not within the scope of the approved project. *(Amount: \$1,486,586) (p.3)*
- Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records or other applicable documentation. *(Amount: \$21,127,602) (p.3)*
- Contracts and purchases totaling more than \$30,000 per vendor per calendar year did not comply with applicable federal and state procurement requirements. *(Amount: \$16,599,909) (p.3)*
- Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance. *(Amount: \$4,150,080) (p.3)*
- GOHSEP's cost estimating tool and/or expense review form either omitted or contained duplicate and/or incorrectly categorized expenses. *(Amount: \$1,739,058) (p.3-4)*

Since March 2008, the LLA has noted exceptions totaling \$1,250,624,083, which includes \$45,103,235 noted this period, and GOHSEP has resolved \$1,147,672,019 which includes \$43,007,587 resolved this period.

Governor's Office of Homeland Security and Emergency Preparedness – Hazard Mitigation Program

- Completed work was not within the scope of the approved project. (Amount: \$1,088,341) (p.2)
- 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. (Amount: \$3,757,881) (p.2-3)
- Contracts and purchases totaling more than \$10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements. (Amount: \$5,187,221) (p.3)

Since March 2008, the LLA has noted exceptions totaling \$283,045,850, which includes \$10,050,443 noted this period, and GOHSEP has resolved \$182,958,214 which includes \$17,111,881 resolved this period.

Louisiana Department of Health

- Inadequate Internal Control over Modified Adjusted Gross Income (MAGI) Eligibility Determinations (Amount: \$981,801) (p.1)

Louisiana State University and Related Campuses

- Failure to Fulfill Employment Obligations; Internal Audit Finding at the University Lab School (Amount: >\$400,000) (p.4-5)

LOCAL GOVERNMENT AGENCIES

Caddo Parish School Board

- **(Repeat)** School Board employee (Transportation Buyer) Brandon Lewis used his business credit card for unauthorized purchases, including purchases for VISA gift cards, car parts, and building materials for his personal use between September 2014 and October, 2017. The total loss was estimated at more than \$260,000. As of the date of the report, charges have not been filed. The trial is pending. (*Amount: \$260,000*)