

# EXECUTIVE DEPARTMENT

## STATE OF LOUISIANA

### FINANCIAL AUDIT SERVICES

**Management Letter**  
**Issued May 11, 2023**

**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 and online at [www.lla.la.gov](http://www.lla.la.gov). When contacting the office, you may refer to Agency ID No. 3533 or Report ID No. 80220067 for additional information.

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# Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



## Executive Department

May 2023

Audit Control # 80220067

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## Introduction

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As a part of our audit of the State of Louisiana's Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2022, we performed procedures at the Executive Department to provide assurances on financial information that is significant to the state's Annual Comprehensive Financial Report; evaluate the effectiveness of the Executive Department's internal controls over financial reporting and compliance; and determine whether the Executive Department complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

## Results of Our Procedures

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### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the Executive Department management letter dated June 23, 2022. We determined that management has resolved the prior-year finding related to Weakness in Controls over Information Technology Security. The prior-year findings related to Inadequate Recovery of Small Rental Property Program Loans, Restore Louisiana Homeowner Assistance Program Awards Identified for Grant Recovery, and Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act have not been resolved and are addressed again in this letter.

A prior-audit finding last reported in the Executive Department management letter dated July 26, 2021, related to Inadequate Grant Recovery of Homeowner Assistance Program (HAP) Awards continues to not be repeated in the current year because the Division of Administration, Louisiana Office of Community Development (LOCD) did not identify any new noncompliant Road Home Homeowner Assistance Program (HAP) awards for the Community Development Block Grant/State's Program (CDBG) during fiscal year 2022. As a result, no questioned costs are reported for fiscal year 2022. However, as of June 30, 2022, 27,491 noncompliant files totaling \$899.8 million identified in previous years are still outstanding. Of this total, LOCD actively pursued collections on 12,811 files totaling \$411.9 million, and the remaining 14,680 files totaling \$487.9 million have been determined uncollectable for various reasons

such as death or bankruptcy. As of June 30, 2022, \$8.9 billion total HAP awards have been disbursed to 130,053 homeowners. At year end, LOCD was actively reviewing files for 379 applicants totaling \$12.5 million to make final determinations of the homeowner's noncompliant status or final assessment of the collectability of accounts determined to be noncompliant. In addition, LOCD reported that the following progress was made during fiscal year 2022: 42 files were submitted to a law firm to pursue collection efforts; 91 applicants requested a plan for payment; and 178 files with obligations were paid off or were cleared.

On February 16, 2023, the U.S. Department of Housing and Urban Development (HUD) and the state of Louisiana announced the end of legal actions against 3,300 homeowners related to their Road Home Homeowner Assistance Program obligations. The state is releasing unpaid judgments and payment plans against homeowners, meaning affected Louisiana homeowners will no longer have to make repayments and their grant with the Road Home Homeowner Assistance Program will be forgiven. The state will also withdraw pending lawsuits related to Road Home Homeowner Program non-compliance.

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## **Current-year Findings**

### **Inadequate Recovery of Small Rental Property Program Loans**

For the fiscal year ended June 30, 2022, the Division of Administration, LOCD identified \$2,635,609 in Small Rental Property Program (SRPP) loans for nine property owners under the CDBG Program who failed to comply with one or more of their loan agreement requirements and were assigned to loan recovery status. Since LOCD has not recovered these loans, we consider these amounts totaling \$2,635,609 to be questioned costs. In addition, 1,147 noncompliant loans identified in previous years totaling \$104.5 million remain outstanding.

As of June 30, 2022, of the 4,480 outstanding SRPP loans totaling \$436.3 million, 993 noncompliant loans totaling \$92.4 million are in active recovery status, and LOCD represented that current recovery efforts are to either recoup the loan funds or work with the applicants to bring them into compliance with the state's continuing requirements of the program. The remaining 163 noncompliant loans totaling \$14.7 million have been determined by LOCD to be uncollectable for various reasons such as foreclosure, property seizure, or legal dispute.

Ultimately, LOCD's failure to recover loans from noncompliant property owners could result in disallowed costs. The state could be liable for noncompliant awards if disallowed by the federal grantor; however, it is unknown whether the federal government would demand repayment of the awards.

In response to hurricanes Katrina and Rita, the state was awarded and has allocated approximately \$653 million to the SRPP, as part of the Road Home program. In accordance with the state's HUD-approved Action Plan Amendment 24, the SRPP offers forgivable loans to qualified property owners who agree to offer rental

properties at affordable rents to be occupied by lower-income households. In exchange for accepting loans ranging between \$10,000 and \$100,000 per rental unit, property owners are required to accept limitations on rents and incomes of renters during an "affordability period," a specified period of time based on the amount of funding received and the type of work being done (renovation or full construction) ranging between three and 20 years. The loan amounts are determined based on location of property, number of bedrooms, and the poverty level of the renter. In addition to accepting limitations on rents and income of renters, property owners also agree to maintain property insurance and maintain flood insurance, if necessary. These requirements become effective one year after the closing date and remain until the expiration of the "affordability period." According to the loan agreements, failure to comply with any of the loan requirements shall constitute default and mandatory repayment. Good internal controls would ensure that policies and procedures are in place with an established timeline to monitor compliance with the loan agreements and provide for specific actions (i.e., loan modification, foreclosure, or repayment) if a property owner fails to comply with the loan agreement or does not provide evidence of compliance as required by the loan agreement.

In June 2016, HUD issued a monitoring review report with a finding that the SRPP design lacked sufficient fiscal accounting controls and procedures to ensure that CDBG funds identified as ineligible expenses are able to be recaptured and repurposed for eligible uses. Since that time, there have been several monitoring reports indicating progression in this area. In its July 2021 monitoring report, HUD stated that LOCD continued to make gradual progression through its current recapture and reclassification efforts to reduce its overall repayment amount. In its response to that report, LOCD provided an update on the status of the remaining noncompliant properties as it continues to work with HUD to identify a solution for these properties.

LOCD should continue its monitoring to identify awards to be placed in recovery and continue the corrective actions as recommended by HUD to recover funds from noncompliant property owners. LOCD stated in its response that it will continue the efforts to recover ineligible awards and will continue to work with rental property owners to become compliant and resolve loan compliance issues to reduce or eliminate the need to recapture funds from rental property owners (see Appendix A, pages 1-2).

### **Restore Louisiana Homeowner Assistance Program Awards Identified for Grant Recovery**

For the fiscal year ended June 30, 2022, the Division of Administration, LOCD identified \$121,650 in noncompliant Restore Louisiana Homeowner Assistance Program (RLHAP) awards for eight homeowners through established program implementation and monitoring procedures for the CDBG Program. Since LOCD has not recovered these noncompliant awards at year-end, we consider these amounts to be questioned costs. In addition, 36 noncompliant files totaling \$644,913 identified in the previous years are still outstanding. LOCD is actively pursuing collections on the files.

As of June 30, 2022, \$666,587,500 in total RLHAP awards have been disbursed to 17,254 homeowners. LOCD is actively reviewing 38 files totaling \$715,592 to make final determinations of the homeowner's noncompliant status. At year-end, LOCD reported that 269 homeowner files totaling approximately \$4.4 million have been reviewed through its monitoring procedures. Of the 269 homeowners, LOCD reported 82 homeowners were placed in recapture status, 148 homeowners were cleared through the review process, 15 homeowners returned their grant award, in whole or in part, and 24 homeowners entered into repayment plans.

If LOCD is unable to recover benefits from noncompliant homeowners, disallowed costs could result. The state could be liable for noncompliant awards if disallowed by the federal grantor; however, it is unknown whether the federal government would demand repayment of these awards.

In response to the March and August Floods of 2016, the state was awarded approximately \$1.07 billion to administer the RLHAP. In accordance with the state's HUD-approved Action Plan, eligible homeowners must enter into grant agreements with the state, which require homeowners to comply with program requirements in exchange for compensation to rehabilitate or reconstruct their damaged property. Homeowners have three program options to choose from based on their progress in the rebuilding process and their capacity to complete their home repair or reconstruction. Eligibility and grant award calculations are determined based on information provided by the homeowner, the results of field inspections, and available third-party datasets. Once eligibility has been established and award amounts have been calculated, funds are awarded to the homeowner upon the effective date of signing the grant agreement, which is referred to as the closing date. Should homeowners experience a change in the circumstances after grant determination or if additional information becomes available after closing, homeowners' grant calculation or program eligibility may change. In the event the change reduces their amount of eligible funding, RLHAP may require that a homeowner return all or a portion of their award. Circumstances that may result in homeowners being required to repay all or a portion of the award include: duplicative benefits received but not included in initial grant award calculation, information discovered identifying the homeowner as ineligible for the award received, failure to complete construction per program requirements, substantial noncompliance with requirements of grant agreements, voluntary withdrawal from the program, or discovery that the homeowner provided false or misleading information during the grant award process.

LOCD should continue its monitoring to identify awards to be placed in recovery and continue recovery efforts to collect those awards determined to be noncompliant. LOCD agreed that the identified files have been placed in recapture and stated it will continue to follow the established recapture procedures for these grant awards to ensure ultimate compliance (see Appendix A, pages 3-4).

## **Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act**

For the second consecutive year, the Division of Administration, LOCD did not comply with Federal Funding Accountability and Transparency Act (FFATA) reporting requirements for the CDBG Program. During fiscal year 2022, LOCD approved 17 subawards totaling approximately \$86.7 million to 15 different subrecipients. Our procedures identified the following:

- In a sample of seven LOCD subawards, two (28.6%) subawards were not reported in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). In addition, for one (14.3%) of the seven subawards tested, LOCD reported an incorrect subaward amount within FSRS. None of the five obligations reported in FSRS were reported within the required timeframe.

Federal regulations require the non-federal entity to report to FSRS each obligating action equal to or exceeding \$30,000 for a subaward. In addition, the subaward information must be reported no later than the end of the month following the month in which the obligation was made. Uniform Guidance requires that non-federal entities receiving federal awards establish and maintain internal control over the federal awards that provide reasonable assurance that the non-federal entity is managing the federal award in compliance with relevant requirements.

LOCD management stated that the infrequency of preparation and review of the FFATA reports caused the required FFATA reports to include inaccurate information and to be submitted untimely to FSRS. LOCD did not maintain adequate internal controls to ensure compliance with FFATA reporting requirements. Not complying with the FFATA requirements increases the likelihood that the public will not have access to transparent and accurate information regarding LOCD's administration of federal awards.

LOCD management should ensure that established internal controls are operating to ensure compliance with FFATA reporting requirements, which includes the timely submission of complete and accurate information. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 5).

## **Inadequate Controls over Financial Reporting**

The Division of Administration, Office of Finance and Support Services (OFSS), did not have effective controls over financial reporting for the Office of Technology Services (OTS). Our procedures identified errors and exceptions in the annual fiscal report (AFR) submitted by OFSS to the Office of Statewide Reporting and Accounting Policy (OSRAP) for OTS as follows:

- Due to errors in year-end calculations for the Statement of Cash Flows, OTS payments for interfund services used was overstated by

\$24,913,616 and payments to suppliers and service providers was understated by \$24,913,616.

- OTS reported 24 leases in the Lessee Lease note disclosure with a net lease asset value of \$15,730,929 and total lease liability of \$17,493,891. In a test of nine of these leases with a net lease asset value and total lease liability of \$11,234,421 and \$12,931,940, respectively, the following was noted:
  - OFSS did not provide sufficient lease documentation to support the amounts reported for one of the leases with a net lease asset value and total lease liability of \$593,206 and \$593,922, respectively. As a result, the net lease asset value and total lease liability may have been misstated.
  - OFSS reported two expired leases with a combined net lease asset value and total lease liability of \$1,248,170 and \$1,343,870, respectively. As a result, the net lease asset value and total lease liability have been overstated.

The OFSS did not adequately review OTS's financial statements before submitting the AFR to OSRAP, did not ensure all information was accurately input into LeaseController for proper reporting of lease activity in the AFR, and did not retain adequate support for certain leases reported in the AFR. Failure to have effective controls over financial reporting increases the risk that material misstatements may occur and remain undetected, resulting in a misstatement in the state's Annual Comprehensive Financial Report (ACFR). Good internal controls over financial reporting should include adequate procedures to record, process, and compile financial data needed to prepare accurate and complete financial statements. It should also include retention of support and an effective review of the financial statements so that errors and omissions can be detected and corrected before submitting the AFR to OSRAP for inclusion in the state's ACFR.

Management should ensure lease information in LeaseController agrees to supporting documentation, should ensure that all documentation supporting amounts in LeaseController is maintained to support the amounts reported in the AFR, and should ensure an adequate review of the AFR before submission to OSRAP for inclusion in the ACFR. Management indicated concurrence with the noted errors and outlined a plan of corrective action (see Appendix A, pages 6-7).

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**Annual Comprehensive Financial Report –  
State of Louisiana**

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2022, we considered internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions as follows:

**Division of Administration (Agency 107):**

- Lessor Leases
- Liabilities resulting from claims and litigation

**Division of Administration, Office of Facility Planning and Control (Agency 115):**

- Non-payroll expenditures
- Accrued payables
- Amounts held on deposit for others

**Division of Administration, Office of Technology Services (Agency 815):**

- Operating expenses

We also evaluated certain controls and compliance relating to procurement at the Division of Administration, Office of State Procurement.

Based on the results of these procedures, we reported a finding related to Inadequate Controls over Financial Reporting, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

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**Federal Compliance - Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2022, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on the Executive Department's major federal programs, as follows:

- Coronavirus Relief Fund (Assistance Listing 21.019)
- Emergency Rental Assistance Program (Assistance Listing 21.023)
- Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing 21.027)

Those tests included evaluating the effectiveness of the Executive Department's internal controls designed to prevent or detect material noncompliance with program

requirements and tests to determine whether the department complied with applicable program requirements. In addition, we performed procedures on information submitted by the department to the Division of Administration's Office of Statewide Reporting and Accounting Policy on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings related to Inadequate Recovery of Small Rental Property Program Loans, Restore Louisiana Homeowner Assistance Program Awards Identified for Grant Recovery, and Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act. Of these, the Inadequate Recovery of Small Rental Property Program Loans and Restore Louisiana Homeowner Assistance Program Awards Identified for Grant Recovery findings will also be included in the Single Audit for the year ended June 30, 2022. In addition, the department's information submitted for the preparation of the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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### **Other Procedures**

In addition to the Annual Comprehensive Financial Report and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing the internal controls over the Office of Indian Affairs' distributions to the Avoyelles Parish Police Jury, payroll at the Office of State Inspector General, expenditure and revenue transaction activity at the Office of Facilities Corporation, Louisiana Correctional Facilities Corporation, and the Division of Administration's Debt Service and Maintenance. Based on the results of these procedures performed, we did not report any findings.

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### **Trend Analysis**

We compared the most current and prior-year financial activity using the Executive Department's Annual Fiscal Reports and/or system-generated reports and obtained explanations from management for any significant variances.

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### **Other Reports**

On December 29, 2022, a report was issued by the Louisiana Legislative Auditor's Financial Audit Services for the Office of Group Benefits. This report includes a repeat finding titled Inaccurate Annual Fiscal Reports that involves the Office of Finance and Support Services, an office within the Division of Administration within the Executive Department. This report is available on the Louisiana Legislative Auditor's website.

The recommendations in this letter represents, in our judgment, those most likely to bring about beneficial improvements to the operations of the Executive Department. The nature of the recommendations, their implementation costs, and their potential impact on the operations of the department should be considered in reaching decisions on courses of action. The findings related to the department's compliance with applicable laws and regulations should be addressed immediately by management.

Under R.S. 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

RJD:MK:BQD:EFS:ch

EXECUTIVE2022



## **APPENDIX A: MANAGEMENT'S RESPONSES**

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**Office of Community Development**  
**State of Louisiana**  
Division of Administration

JOHN BEL EDWARDS  
GOVERNOR



JAY DARDENNE  
COMMISSIONER OF ADMINISTRATION

March 24, 2023

Mr. Michael J. Waguespack, CPA  
Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804-9397

RE: Inadequate Recovery of Small Rental Property Program Loans

Dear Mr. Waguespack:

The Division of Administration, Louisiana Office of Community Development (OCD) submits the following in response to the audit finding titled “Inadequate Recovery of Small Rental Property Program Loans.”

The Small Rental Property Program (SRPP) has two tiers of compliance obligations. The federal compliance requirements are for the CDBG funds issued to a borrower to meet a National Objective and be expended on an Eligible Activity. On top of the federal requirements, the State has its own program requirements. Upon the initial placement of an eligible tenant in a habitable unit at a restricted rent amount, the U.S. Department of Housing and Urban Development (HUD) requirements have been satisfied. Most of the matters made the subject of your report deal with the borrower’s non-compliance with the State’s program rules, not the HUD requirements.

OCD has allocated approximately \$649 million to the SRPP program to fund approximately 4,500 applicants and we maintain an ongoing monitoring process to promote compliance and continued availability of affordable housing. Consistent with the program’s mission of preserving and expanding much needed affordable housing, OCD’s primary focus for the SRPP is to assist property owners in achieving and maintaining compliance, i.e., creating and continuing affordable housing opportunities, as opposed to foreclosure and/or recapture of funds, and are, therefore, not subject to recapture by HUD.

In summary, as of June 30, 2022, the LLA reports that 1,156 applicant files have been identified as noncompliant. Of these, 163 files have been determined to be uncollectible, leaving 993 files

that are actively being addressed. OCD's compliance and repayment efforts relating to the state imposed continuing requirements of the program are ongoing.<sup>1</sup> The optimal outcome of these efforts is the continued availability of affordable housing through compliance.

In June 2016, OCD, working with the Louisiana Housing Corporation (LHC) and HUD, identified 397 SRPP borrowers that did not meet a National Objective. Immediately thereafter, OCD's Legal Section and LHC program staff began communicating with non-compliant borrowers and evaluating proposed workouts. OCD sent default letters to and initiated recapture efforts on all borrowers. Each file is processed with a goal of either achieving compliance, securing repayment, or identifying another viable workout plan. As of June 30, 2022, of the 397 files identified, 76 borrowers have become compliant, 14 have either partially or fully repaid their loans, 18 borrowers have transferred their housing obligations to other compliant properties and 28 have been determined uncollectable for various reasons. As noted in the audit, OCD continues to seek technical assistance regarding the enforcement of mortgages through the judicial foreclosure/public auction process.

In conclusion, OCD will continue the efforts to recover those loans determined to be ineligible in accordance with policies and procedures that are acceptable to HUD. Concurrently, OCD will also continue to assist rental property owners to become compliant and to resolve any program compliance issues, thus increasing available affordable rental housing and reducing or eliminating the need to recapture funds from rental property owners, where appropriate.

The contact person responsible for the corrective action is Ginger Moses, OCD Chief Operating Officer. Once approved by HUD, the anticipated completion date for this corrective action plan will coincide with the closing of the SRPP program.

If you have questions or require additional information, please feel free to contact me.

Sincerely,



Patrick W. Forbes, P.E.  
Executive Director

C: Jay Dardenne, Commissioner of Administration  
Desireé Honoré Thomas, Assistant Commissioner of Statewide Services  
Erin Sindelar, Internal Audit Administrator

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<sup>1</sup>An important note with respect to these files is that since there have been periods of compliance, a portion of each loan is forgiven, reducing the amount outstanding and collectible on the loan.

**Office of Community Development**  
**State of Louisiana**  
Division of Administration

JOHN BEL EDWARDS  
GOVERNOR



JAY DARDENNE  
COMMISSIONER OF ADMINISTRATION

February 7, 2023

Mr. Michael J. Waguespack, CPA  
Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804-9397

RE: Restore Louisiana Homeowner Assistance Program Awards Identified for Grant Recovery

Dear Mr. Waguespack:

The Division of Administration, Louisiana Office of Community Development (LOCD) is submitting the following in response to the audit finding titled "Restore Louisiana Homeowner Assistance Program Awards Identified for Grant Recovery."

LOCD acknowledges the LLA finding of "Restore Homeowner awards identified for Grant Recovery." In response to the 2016 Floods, the LOCD created the Restore Louisiana Homeowner Assistance Program (HAP). Grant recapture procedures were established from the beginning of the program and have been implemented timely. It is impossible to administer a disaster recovery program that will not have certain files requiring grant recapture during the life of the program. The Restore Program requires a duplication of benefits check on all files prior to grant execution. For example, it is always possible an applicant may receive additional funding, e.g., insurance proceeds that are deemed duplicative by law. The Restore Program has controls in place to capture these amounts in the grants management system, subrogation agreements executed with each applicant, and recapture procedures to recover the funds. From the very beginning, the Restore Program was created to minimize the potential of applicants' ending up in recapture. As a result, the state has issued over \$670 million to 17,262 homeowners of which **80, or 0.46%** have been placed in recapture. As the Restore Homeowner Program comes to a close, LOCD does not anticipate further files requiring recapture of funds.

LOCD agrees with the observation of 8 files with a potential grant recapture as a necessary ongoing activity for the Program. LOCD will continue to follow the established recapture procedures for these grant awards to ensure ultimate compliance, however, this is not a corrective action, but rather the continued implementation of program protocols.

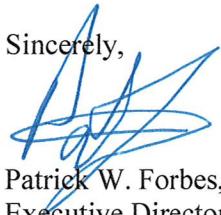
February 7, 2023

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The contact person responsible for these ongoing compliance activities is Ginger Moses, OCD Chief Operating Officer. The anticipated completion date for activities addressing this finding will coincide with the closing of the Restore Louisiana program.

If you have questions or require additional information, please feel free to contact me.

Sincerely,



Patrick W. Forbes, P.E.  
Executive Director

C: Jay Dardenne, Commissioner of Administration  
Desireé Honoré Thomas, Assistant Commissioner of Statewide Services  
Erin Sindelar, Internal Audit Administrator

**Office of Community Development  
State of Louisiana  
Division of Administration**

JOHN BEL EDWARDS  
GOVERNOR



JAY DARDENNE  
COMMISSIONER OF ADMINISTRATION

April 3, 2023

Mr. Michael J. Waguespack, CPA  
Louisiana Legislative Auditor  
1600 North Third Street  
Baton Rouge, LA 70804-9397

RE: Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act (FFATA)

Dear Mr. Waguespack:

The Division of Administration, Louisiana Office of Community Development (LOCD) is submitting the following as a response to the audit finding titled “Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act”.

The LOCD agrees with the LLA that two of the subawards that were tested, were not reported in the Federal Funding Accountability and Transparency Act Subaward Reporting System and that one of the subawards had an inaccurate subaward amount reported. LOCD is in process of correcting the errors noted and LOCD continues to review our procedures to ensure the finding is not repeated.

The contact person responsible for the corrective action is Ginger Moses, OCD Chief Operating Officer.

If you have questions or require additional information, please feel free to contact me at [Ginger.Moses@la.gov](mailto:Ginger.Moses@la.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Patrick W. Forbes, P.E."

Patrick W. Forbes, P.E.  
Executive Director

C: Jay Dardenne, Commissioner of Administration  
Desireé Honoré Thomas, Assistant Commissioner of Statewide Services  
Erin Sindelar, Internal Audit Administrator

**Office of Finance and Support Services  
State of Louisiana  
Division of Administration**

**JOHN BEL EDWARDS**  
GOVERNOR



**JAY DARDEENNE**  
COMMISSIONER OF ADMINISTRATION

January 10, 2023

Michael J. "Mike" Waguespack, CPA  
Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack:

The Office of Finance and Support Services (OFSS) and Office of Technology Services (OTS) appreciate the opportunity to respond to the finding titled, Inadequate Controls over Financial Reporting, resulting from the fiscal year ending June 30, 2022 Executive financial audit.

Fiscal Year 2021-2022 was the initial year to report leases in accordance with the Governmental Accounting Standards Board Statement Number 87 (GASB 87) utilizing LeaseController. The implementation of GASB 87 and LeaseController resulted in significant changes to the lease reporting process.

Management accepts the recommendation. OFSS will make modifications to their review process to ensure that financial data is reported accurately in the financial statements. OFSS and OTS will work together to ensure all lease information is properly captured in LeaseController to support the lease information reported in the Annual Financial Statement.

The adjustments presented to OFSS that are necessary for proper presentation of the OTS financial statements in the fiscal year ending June 30, 2022 Annual Comprehensive Financial Report for the State of Louisiana have been accepted and made by Office of Statewide Reporting and Accounting Policy.

Thank you for your team's commitment to high standards and professionalism in working with OFSS and OTS during the audit. If you have any questions or need additional information, please contact Judith Jackson, Director of Financial Reporting, via email at [judith.jackson@la.gov](mailto:judith.jackson@la.gov) or by telephone at (225) 342-5280.

Michael J. "Mike" Waguespack, Legislative Auditor

January 10, 2023

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Sincerely,

Desireé Honoré Thomas, CPA, CGMA  
Assistant Commissioner

Cc: Jay Dardenne, Commissioner of Administration  
Barbara Goodson, Deputy Commissioner  
Randy Davis, CPA, Assistant Commissioner  
Erin Sindelar, CPA, Internal Audit Administrator  
Anthony Hamilton, Audit Manager, Internal Audit  
Richard "Dickie" Howze, Chief Information Officer  
Brian Fleming, CPA, Director of OSRAP  
Judith Jackson, Director of Financial Reporting



## **APPENDIX B: SCOPE AND METHODOLOGY**

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We performed certain procedures at the Executive Department for the period from July 1, 2021, through June 30, 2022, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2022.

- We evaluated the Executive Department's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Executive Department.
- Based on the documentation of the Executive Department's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the Annual Comprehensive Financial Report.
- We performed procedures on the Coronavirus Relief Fund (Assistance Listing 21.019), Emergency Rental Assistance Program (Assistance Listing 21.023), and the Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing 21.027) for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We performed procedures on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2022, as a part of the 2022 Single Audit.
- We compared the most current and prior-year financial activity using the Executive Department's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the department's management for significant variances.

In addition, we performed procedures on the Office of Indian Affairs' distributions to the Avoyelles Parish Police Jury, payroll at the Office of State Inspector General, expenditure and revenue transaction activity at the Office of Facilities Corporation, Louisiana Correctional Facilities Corporation, and the Division of Administration's Debt Service and Maintenance. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

The purpose of this report is solely to describe the scope of our work at the Executive Department and not to provide an opinion on the effectiveness of the Executive Department's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review the Executive Department's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. The Executive Department's accounts are an integral part of the State of Louisiana's Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.