

# Better Information, Better Louisiana



# KEY

**Audit  
Issues**

# 2019



and Act 461 Report



**Annual Report to the Legislature • February 2019**

**This annual report was prepared to comply with Louisiana Revised Statute 24:513 D(1).** The purpose is to review the work of the Louisiana Legislative Auditor’s (LLA) office over calendar year 2018 and to highlight significant issues involving state and local governments. The goal of summarizing these issues is to encourage corrective actions, such as improved procedures or legislative actions that will resolve or reduce the impact of these concerns and increase accountability and transparency in Louisiana government. This report also helps satisfy the annual reporting requirement of Act 461 of the 2014 Regular Legislative Session.

The report is organized into three main categories – Medicaid Audit Unit, State Government Services, and Local Government Services. The State Government category is divided further into specific agencies listed alphabetically. The report summaries that follow reflect only a portion of the more than 4,100 reports released in calendar year 2018 and are representative of those issues, findings, and/or problems deemed most significant by the LLA. These summaries do not include every finding or weakness identified during calendar year 2018, but focus on the major concerns or issues facing Louisiana. The reports contain specific recommendations and/or matters for legislative consideration and can be found on the LLA website at *lla.la.gov*. These reports include agency responses. In some instances, changes already may have been implemented or be in progress.

	<b>Page</b>		<b>Page</b>
Introduction .....	1	 <b>Local Government Services</b> .....	23
 <b>Medicaid Audit Unit</b> .....	3	Center for Local Government Excellence .....	24
 <b>State Government Services</b> .....	5	Advisory Services .....	24
Boards, Commissions, and Districts.....	5	Investigative Audit Services .....	26
Board of Regents .....	7	Conclusion .....	31
Department of Children and Family Services .....	9	 <b>Act 461 Annual Report</b> .....	33
Department of Education .....	10	<b>Act 461</b> , which was passed in the 2014 Regular Session, requires the Louisiana Legislative Auditor to make quarterly and annual reports to the Joint Legislative Committee on the Budget when audits identify more than \$150,000 in:	
Department of Health .....	10	<ul style="list-style-type: none"> <li>• waste or inefficiencies;</li> <li>• missed revenue collections;</li> <li>• erroneous or improper payments or overpayments by the state;</li> <li>• theft of money;</li> <li>• failure to meet funding obligations such as pension or health benefits;</li> <li>• failure to comply with federal fund or grant requirements;</li> <li>• failure to comply with state funding requirements;</li> <li>• misappropriation of funds;</li> <li>• errors in or insufficient support for disaster expenditures;</li> <li>• accountability of public money associated with various disasters such as the Deepwater Horizon event; or</li> <li>• repeat findings.</li> </ul>	
Department of Insurance .....	12		
Department of Natural Resources .....	13		
Department of Public Safety & Corrections.....	13		
Department of Revenue .....	15		
Department of State .....	15		
Executive Department .....	16		
Louisiana Economic Development.....	17		
Louisiana Office of the Lieutenant Governor .....	18		
Louisiana Workforce Commission .....	18		
General Statewide Reports .....	18		
Other Reports .....	19		
Comprehensive Annual Financial Report ....	19		
Single Audit Report for the Year Ended June 30, 2017 .....	20		
		Overall, the cumulative financial impact of these reports from 2018 is <b>more than \$3.8 billion.</b>	
		Agency Index .....	41



# Introduction



*The mission of the Louisiana Legislative Auditor (LLA) is “to foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information.”*

**I**n 2018, the LLA released 166 staff reports covering a variety of topics and state agencies. The Legislative Auditor also oversaw the work of more than 200 independent contract audit firms that conducted more than 4,100 audits and other types of engagements on state and local government.

In addition to the audit reports it issues, the LLA provides many other services. For example, in 2018, the office prepared fiscal notes related to 47 bills affecting the expenditures of political subdivisions and actuarial notes for 32 retirement bills affecting the 13 state and statewide public retirement systems. The LLA also reviewed 2,777 millages levied in the State and prepared 20 legal opinions.

Approximately 250 employees work for the LLA. The majority conduct audit work in four areas – Financial, Investigative, Performance, and Recovery Assistance. Other staff members work in the Local Government Services, Advisory Services, and Legal Services sections. Staff members in these three sections provide guidance and training to state and local officials and quasi-public entities, conduct research, monitor legislative changes, provide legal opinions for both staff and public officials as requested by the Legislative Auditor, and help ensure that the audit law is enforced. Staff members in the Accounting, Human Resources and Professional Development, Information Services, Publishing, and other administrative areas provide necessary support for the work of the LLA.

Much of the work performed by the LLA is required by state or federal law. Other work is the result of complaints, requests from lawmakers, and the LLA’s identification of risk areas in state and local government entities. All work, however, is driven by the mission of the office.

  
**Daryl G. Purpera, CPA, CFE**  
Legislative Auditor



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# Medicaid Audit Unit

**T**he Medicaid Audit Unit performs examinations of the Medicaid program, which accounts for roughly \$11.4 billion, or 41 percent, of Louisiana’s total government-wide expenses. These examinations are designed to provide assurances for the auditor’s opinion on the State’s financial statements, as well as compliance with federal and state laws and regulations. In addition, the Medicaid Audit Unit focuses on making recommendations to improve the overall delivery and accountability of the program.

## Strengthening of the Medicaid Eligibility Determination Process

May 2, 2018

An evaluation of where the Louisiana Department of Health (LDH) might be able to strengthen its processes for determining the eligibility of Medicaid recipients found two areas of concern: the reasonable compatibility standard and the use of federal income tax data. Federal law requires states to compare various electronic data sources to income information provided by Medicaid applicants or beneficiaries to judge whether an individual’s self-reported income and the electronic data are reasonably compatible. LDH increased its reasonable compatibility standard from 10 percent to 25 percent in 2014, which was higher than any other state. However, in June 2018 the Department lowered its reasonable compatibility standard to 10 percent as recommended in the audit. Auditors also noted that while 30 other states use federal and/or state income tax data to make Medicaid eligibility determinations, LDH does not use either. Using federal income tax data would give LDH a more complete picture of the jobs held and the wages earned by Medicaid applicants and recipients, and give it the ability to look at trends in an individual’s employment.

Reasonable Compatibility Standards	
Standard	Number of States
0%*	17
5%	4
10%	25
20%	1
25%	1
Other	3**

\*These states indicated that they do not have a reasonable compatibility standard.  
 \*\*Other standards include defined monetary limits and a limit that depends on the greater value between 10% and \$100.  
**Source:** Prepared by legislative auditor’s staff using information from CMS.

## Reliability of Medicaid Provider Data

June 20, 2018

The Louisiana Department of Health (LDH) needs to strengthen the processes it uses to ensure the reliability of the provider data submitted by the managed care organizations (MCOs) in their encounter claims. The MCOs provide medical services for the State’s Medicaid program. Auditors found LDH did not ensure the MCOs used valid provider type and specialty combination codes as required and identified 194,376 claims totaling \$13,091,888 with an invalid combination of provider type and specialty code. In addition, LDH accepted encounter claims from the MCOs when the Provider Registry file indicated the contracted provider was not enrolled with the MCO on the date of service. Auditors found \$136 million in such encounters between February 2012 and December 2017. While LDH developed a process to ensure providers who were paid for services were properly identified, the Department did not use the process to deny encounters with insufficient provider information. Auditors identified 9 million encounters totaling approximately \$587 million from September 2015 through December 2017 in which the provider could not be linked with an MCO health plan but was accepted into LDH’s data system. LDH also did not ensure the MCO encounter data had valid provider identification numbers. Approximately 366,000 encounters totaling \$43.5 million from February 2012 through

September 2015 had a provider identification number of “9999999,” while about 41 million encounters totaling \$2.41 billion from October 2015 through December 2017 had a provider identification number of “0.” LDH also did not have a single provider registry for all providers enrolled in the state Medicaid program as required by federal guidelines.

## **Identification of Incarcerated Medicaid Recipients**

October 31, 2018

The Louisiana Department of Health (LDH) improved its process for identifying incarcerated Medicaid recipients and recovering per member per month fees paid on their behalf to the managed care organizations (MCOs) overseeing the program. Between January 2014 and March 2018, the Department recovered approximately \$25 million in per member per month fees. However, auditors identified an additional \$2.1 million in per member per month fees paid on behalf of 1,010 incarcerated Medicaid recipients that LDH did not recover between January 2014 and June 2017. This report was a follow-up to one LLA released in July 2014. In that report, auditors found that LDH paid approximately \$2.7 million in per member per month fees for 2,644 incarcerated individuals enrolled in MCOs between February 2012 and December 2013.

## **Medicaid Eligibility: Wage Verification Process of the Expansion Population**

November 13, 2018

The Louisiana Department of Health (LDH) may have paid between \$61.6 million and \$85.5 million more than it should have in per member per month fees for the Medicaid expansion population because the recipients were not eligible for their entire Medicaid coverage. Auditors compared Medicaid data from LDH to quarterly wage data from the Louisiana Workforce Commission (LWC) and identified 19,789 recipients who had average wages that appeared to exceed the allowable amount to qualify for Medicaid. In looking at a random sample of 100 Medicaid recipients, 82 did not qualify for \$382,420 (47.3 percent) of the \$808,341 in per member per month fees LDH paid on their behalf. Because this sample was random, auditors were able to project these results to the entire population of single-person household Medicaid expansion recipients. Based on this projection, it appeared LDH could have paid between \$61.6 million and \$85.5 million in per member per month fees for Medicaid recipients who did not qualify at some point during their Medicaid coverage. In addition, in a targeted selection of 100 Medicaid recipients, 93 did not qualify for \$538,795 (66.3 percent) of the \$813,023 in per member per month fees LDH paid on their behalf at some point during their coverage.

## **Medicaid Eligibility: Modified Adjusted Gross Income Determination Process**

December 12, 2018

The Louisiana Department of Health’s (LDH) processes for determining the eligibility of the Medicaid expansion population did not use federal and/or state tax data to verify information about applicants’ income or household size. A test of a random sample of 60 recipients between July 2017 and February 2018 found LDH did not use federal and/or state tax data to verify any of the 60 applicants’ self-attested tax filer status and household size or to verify certain types of income, including self-employment income, out-of-state income, and various unearned income. Auditors found at least five (8 percent) of the 60 were ineligible for Medicaid based on issues with the eligibility determination process, but LDH paid \$60,586 in per member per month fees for them to the managed care organizations that oversee the Medicaid program. If these results were projected to the 220,292 Medicaid expansion recipients considered for this report, LDH paid per member per month fees for 17,623 Medicaid recipients who did not qualify for coverage. The results suggested that if LDH strengthened its eligibility determination policies and processes, it could avoid spending approximately \$111 million each year at least.



**The Financial, Performance, and Recovery Assistance sections of the LLA perform audits involving state agencies.**

Financial Audit Services focuses on whether agencies and universities have adequate controls in place to ensure accountability over public funds and compliance with state and federal laws, regulations, and grant agreements. Performance Audit Services evaluates the economy, efficiency, and effectiveness of state agency programs, functions, and activities. Recovery Assistance Services ensures that federal disaster recovery funds are spent in accordance with federal and state laws, rules, and regulations. In addition to these audit services, the LLA prepares actuarial cost notes for all proposed legislation affecting Louisiana public employee retirement systems, reviews the actuarial valuations and audited financials of all 13 state and statewide public retirement systems, certifies cost-of-living allowances for the entities, and prepares the Annual Report on Louisiana Public Retirement Systems for the Legislature and Governor.

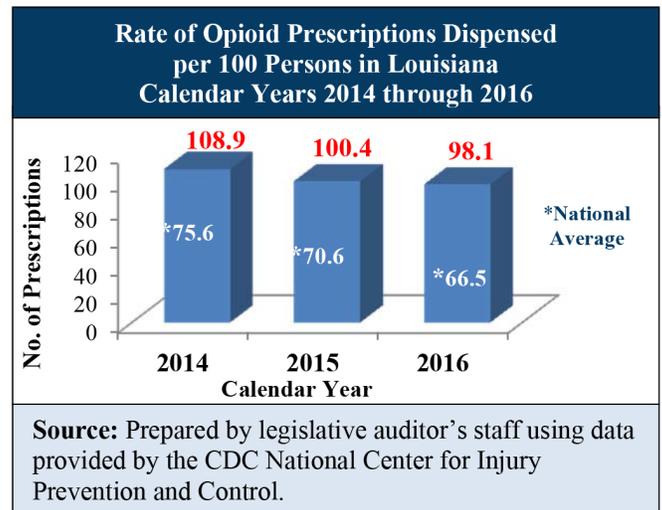


## Boards, Commissions, and Districts

### Louisiana Board of Pharmacy – Oversight of the Prescription Monitoring Program

April 11, 2018

The Board needs a more comprehensive process to make certain the Prescription Monitoring Program database contains complete information. For example, auditors found 161 (5.0 percent) of 3,222 workers’ compensation prescriptions and 14,467 (3.0 percent) of 484,173 Medicaid prescriptions for hydrocodone and oxycodone dispensed during calendar year 2016 were missing from the database. While the percentages were not high, they represented 14,628 missing hydrocodone and oxycodone prescriptions in a one-year period. In addition, the Board does not have a way to identify pharmacies that fail to correct their database submission errors in a timely manner. Auditors identified more than 25,500 prescriptions dispensed during calendar year 2016 with outstanding errors that were not corrected and therefore not released into the database as of November 2017.



### Louisiana Board of Pharmacy – Regulation of the Practice of Pharmacy

June 20, 2018

While the Board conducted most of its required inspections in a timely manner during fiscal years 2013 to 2017, auditors found it did not inspect 505 (9.7 percent) of 5,229 pharmacies and controlled dangerous substance licensees according to required time frames. Additionally, 42 (9.1 percent) of 464 controlled dangerous substance licensees were not inspected at all. The Board’s inspection policy also did not specify which

violations required follow-up inspections, nor did it require compliance officers to document follow-up visits. Auditors found the Board did not conduct follow-up inspections of five (45.5 percent) of 11 pharmacies placed on probation between fiscal years 2013 and 2016. The Board also did not complete investigations for 152 (10.8 percent) of 1,410 enforcement cases within its internal goal of 180 days.

### State Bond Commission – Local Government Bond Issuance Costs

July 11, 2018

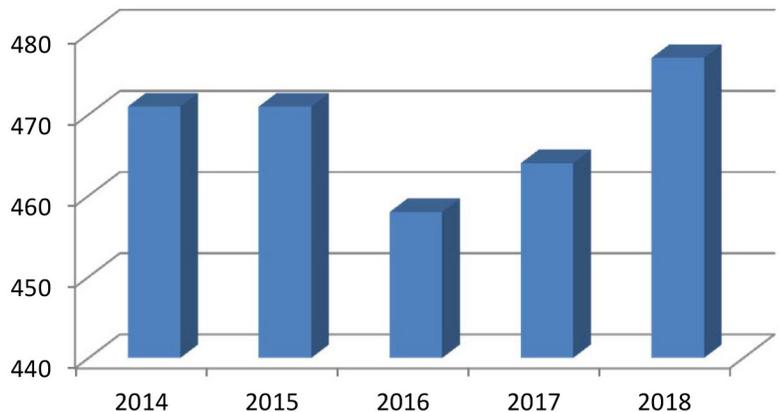
The State Bond Commission does not track actual local government issuance costs in an electronic format. Although not required by law or policy, tracking the information electronically would help commission staff more efficiently analyze costs from comparable bond transactions when reviewing a bond issuance application. Estimates showed that, between January 2013 and June 2017, local governments paid approximately \$6.7 million in bond issuance costs that exceeded the average costs of similar issuances. If commission staff were able to monitor this information electronically, they could more easily identify and investigate whether these costs were higher than necessary. In addition, commission staff members might be able to help local governments reduce their borrowing costs by providing resources to help them use competitive bidding to select bond issuance professionals. Competitively bidding out services potentially could enable local governments to reduce their bond issuance costs by approximately \$1.2 million annually.

### Boards, Commissions, and Like Entities

October 10, 2018

Louisiana had 477 boards as of June 30, 2018 – 13 more than in fiscal year 2017. Twenty boards were added in fiscal year 2018, while seven were disbanded, for a net increase of 13. State law requires the Legislative Auditor to report every year on the summary financial information and personnel data for these boards. Of the 477, three did not respond to the request for personnel data and financial information – the Board of Louisiana River Pilot Review and Oversight, the Vermilion and Iberia Railroad Development District Board of Commissioners, and Work Out Now: WON Louisiana Legislative Commission. Two of the three also did not answer a similar request the previous year. Fourteen boards were identified as inactive. For fiscal year 2018, the boards collectively reported budgeted payments of \$1.3 million in board member per diems, \$1.7 million for board member salaries, and \$2.1 million for board member travel expenses.

**Number of Boards, Commissions, and Like Entities**



### Thrive Academy – Special Schools and Commissions

November 14, 2018

Thrive management did not ensure all personnel records were maintained, time sheets were properly certified and approved, hours worked per time sheets and hourly rates agreed with payroll, salaried employee attendance was adequately documented, and leave records were accurately maintained. In addition, management paid \$36,957 for legal and personal services from two vendors without entering into formal contracts.

## Board of Regents

### **Louisiana State University and Related Campuses**

February 28, 2018

During fiscal year 2017, Louisiana State University and A&M College (LSU A&M), the LSU Agricultural Center (AgCenter), and the Pennington Biomedical Research Center (PBRC) could not provide a written policy for compensation for personal services as required by federal regulations. LSU A&M and the AgCenter did not have controls in place to adequately monitor all expenses charged to federal awards to ensure they were allowable and for the correct period. LSU AgCenter was unable to support that proper personnel worked on the awards for 12 percent of the awards tested, and neither the LSU AgCenter nor LSU A&M had controls in place to ensure personnel working on awards complied with Special Tests and Provisions requirements. For the second and third consecutive years, respectively, LSU A&M and the AgCenter did not comply with federal equipment management regulations as 4.7 percent of the items tested could either not be located or not properly identified. PBRC also did not comply with federal equipment regulations as 9.5 percent of the items tested could not be identified because of the lack of an identification number. LSU A&M did not have controls in place related to the return of Title IV funds; tests revealed 6.67 percent of students tested who withdrew had errors in the return calculations. In addition, for the second consecutive year, the AgCenter did not have adequate controls to ensure its financial reports for its federal appropriation awards were accurate before being submitted; PBRC also did not have such controls in place on 12 percent of the reports tested to ensure they were accurate prior to being submitted.

### **Louisiana State University System**

March 21, 2018

During fiscal year 2017, the System did not have adequate controls in place over the preparation of its financial statements and other required information, which resulted in errors in its 2017 financial report. In addition, for the second consecutive year, the LSU Health Sciences Center, Health Care Services Division and the System did not have complete, signed agreements in place for all equipment being used by the partner managing the University Medical Center New Orleans.

### **Louisiana State University at Shreveport**

June 13, 2018

The University did not have adequate controls over student account balances; students were allowed to enroll while owing a balance from prior semesters. There was no procedure for placing registration holds, classes were not dropped for unpaid balances, and the University was unable to generate complete aged receivable reports.

### **Louisiana Board of Regents – Management Letter**

March 28, 2018

For the second consecutive year, the Board did not adequately monitor sub-recipients of Federal Research and Development Cluster programs; the Board was unable to provide evidence that sub-recipients received an audit for 19 percent of the sub-recipients tested, did not evaluate sub-recipients' risk of non-compliance, and reimbursed sub-recipients prior to obtaining and reviewing supporting reports for 13 percent of the sub-recipients tested. In addition, for the second consecutive year, the Board did not have adequate controls

in place to perform an independent review of draw requests to ensure compliance with the cash management requirements for the R&D Cluster programs. The Board also did not have a review process in place to ensure that its financial reports were accurate before being submitted to the federal agency.

### **University of Louisiana at Monroe**

November 21, 2018

Between October 2017 and June 2018 the University made \$62,532 in salary payments to 12 employees who electronically approved their own time sheets without a supervisor certifying that the time had been worked.

### **Louisiana State University Health Sciences Center in Shreveport**

December 10, 2018

The Center did not have adequate controls in place over federal, state, and private grants and contracts to pursue collection of monies owed to it. Furthermore, the Center failed to establish proper write-off procedures for outstanding debt; as of June 30, 2018, the Center reported \$2 million in uncollected money from the years 2005 to 2017.

### **Louisiana State University Health Sciences Center – Health Care Services Division**

December 12, 2018

For the third consecutive year the Health Care Services Division (HCSD) and Louisiana State University administration did not have a final, signed agreement for all equipment used by the partner managing the University Medical Center New Orleans. A separate master lease agreement requires supplies and other items purchased by the State to be reimbursed by the private partner; however, repayment has not been made for \$8.4 million in purchases. In addition, HCSD did not try to collect a \$163,544 debt from a contractor, as required by state law. Lallie Kemp Regional Medical Center, which HCSD oversees, did not have adequate controls in place over user IDs needed to order medication for the outpatient pharmacy. Finally, HCSD was still unable to locate movable property totaling more than \$1.6 million associated with Earl K. Long Medical Center. That property was written off in accordance with state regulations in fiscal year 2018.

### **Delgado Community College**

December 12, 2018

For the second consecutive year Delgado did not report changes in enrollment status for students who received Federal Pell grant and/or Federal Direct Student Loan funds to the National Student Loan Data System as required by federal regulations. In addition, Delgado did not remove former employees' access to its electronic financial system in a timely manner.

### **Bossier Parish Community College**

December 19, 2018

BPCC allowed three students with outstanding account balances to attend classes when improper financial aid purge protections were placed on their accounts instead of holds. In addition, BPCC did not write off third-party account balances totaling \$44,567 that were more than two years old, as required by the Louisiana Community and Technical College System and BPCC's policies.

## **Louisiana Delta Community College**

December 19, 2018

For the second consecutive audit, LDCC did not send billing notices to students with unpaid balances more than two years old or transfer all past-due student accounts to the Louisiana Office of Debt Recovery (ODR) in accordance with its agreement with ODR. For the second consecutive audit, LDCC gave staff inappropriate access to LDCC's accounting system and failed to develop written information system policies and procedures governing access. LDCC also could not provide evidence that employees monitored reports to reconcile data between system modules. In addition, LDCC granted approximately \$177,000 in chancellor waivers to out-of-state students during the spring and summer 2018 semesters without establishing procedures and criteria for the waivers.

## **South Louisiana Community College**

December 26, 2018

For the fourth consecutive year, the College did not ensure compliance with Federal Direct Student Loan program regulations by properly calculating awards. In addition, the College failed to correctly set tuition and fee codes and refund codes in its computer system, and entries made to drop or add courses caused refund calculation errors.



## **Department of Children and Family Services**

### **SNAP Benefits Spent after Participants' Death**

March 21, 2018

The Department of Children and Family Services significantly improved its processes for identifying and removing deceased Supplemental Nutrition Assistance Program (SNAP) participants from the program. A LLA report issued in July 2014 determined that, between July 2009 and June 2013, \$1.3 million in SNAP benefits for 3,938 single-person households was spent after the individual had died. In response, DCFS set up an automated death match process that receives vital records information each night. In addition, the Department established a monthly process to audit the nightly match to determine if it was working correctly. In the 2018 follow-up report, auditors found that, between July 2013 and June 2017, the Department's data checks identified 3,809 deceased SNAP participants, who then were removed from the program. However, the additional processes failed to identify 108 deceased participants, resulting in \$42,599 in SNAP benefits that were spent improperly.

### **Louisiana Department of Children and Family Services – Management Letter**

December 17, 2018

Between October 2017 and March 2018, the Department of Children and Family Services (DCFS) and the Louisiana Workforce Commission did not fully implement a contract for case management services to ensure work-eligible cash assistance recipients received assessments to be considered work ready. In addition, for the seventh consecutive year, DCFS did not have adequate documentation of work activities reported in its tracking system for some of the records tested. Auditors noted that DCFS' Fraud and Recovery Unit identified improper activity by one employee who received SNAP benefits and by one employee who violated department policy related to a SNAP case. Finally, DCFS did not ensure that all changes related to the reorganization of the Department were implemented into the cost allocation process, which assigns costs to federal programs.

## Department of Education

### **Progress Report: Prevention, Detection, and Recovery of Improper Payments in the Child Care Assistance Program**

June 6, 2018

The Department fully implemented nine of 10 recommendations in a 2012 audit report and partially implemented one, which reduced the amount of potentially improper payments identified in the Child Care Assistance Program (CCAP) to approximately \$24,000 at the end of fiscal 2017. LDE could improve its use of data in two areas to strengthen its oversight of CCAP – electronically collecting household designee information, including addresses, and setting up a more automated process to flag excessive back scanning of children into child care facilities.

### **Analysis of Student Placement – Unified Enrollment System (OneApp) – Orleans Parish**

August 14, 2018

Overall, 65.5 percent of applicants received one of their top three preferred schools for the 2018-2019 academic year during the first round, while 16.5 percent of new applicants were not placed at all. In addition, a school's enrollment criteria and priorities, such as geographical and sibling priority, could affect whether a student received one of his or her top three choices. A majority of students were expected to travel outside of their geographic zone to get their school for the 2018-2019 academic year.

### **Regulation of Child Care Providers**

October 10, 2018

The Department of Education conducted most required annual inspections of child care providers but needs to strengthen its regulatory processes in some areas. For example, LDE's child care licensing standards did not meet all national best practices related to child-to-staff ratios, group sizes, and oversight of family and in-home providers. LDE also did not have an effective process in place to collect, investigate, and monitor complaints related to licensed child care providers and family and in-home providers. In addition, the Department did not effectively investigate complaints about unlicensed providers operating illegally without a license, did not impose required fines when it found providers operating without a license, and did not always issue enforcement actions to address deficiencies found during inspections. Further, LDE did not have procedures in place detailing when to conduct follow-up inspections to verify deficiencies were corrected, and it did not ensure its child care provider website contained all information required by law.



## Department of Health

### **Office of Behavioral Health – Access to Comprehensive and Appropriate Specialized Behavioral Health Services in Louisiana**

February 14, 2018

The Department's expenditures for specialized behavioral health services rose from about \$212 million in 2012 to \$445 million in 2016; however, approximately \$266 million of these expenditures were for psychosocial

rehabilitation and community psychiatric support and treatment, which are not evidence-based treatments and are difficult to monitor. In addition, the managed care organizations (MCOs) that run the state’s Medicaid program reported only 7.4 percent of individuals served by case management had a behavioral health diagnosis, despite a department requirement that the MCOs offer case management for specialized behavioral health services. Auditors also found the State did not have enough accessible community-based services, the two state psychiatric hospitals only served adults, and many individuals in nursing homes and prisons who needed specialized behavioral health services were not able to obtain them.

**SBH Expenditures**  
December 1, 2012 to November 30, 2016



**Louisiana Department of Health – Management Letter**

March 14, 2018

For the third consecutive year, the Department failed to accurately complete required quarterly reports of federal expenditures, while the Office of Public Health, which is a component of LDH, did not adequately monitor sub-recipients of the Special Supplemental Nutrition Program for Women, Infants, and Children. For the sixth consecutive year, the Department paid New Opportunities Waiver claims under Medicaid that were not documented as required. The improper payments totaled \$12,101 (\$7,536 in federal funds and \$4,565 in state money). Improper payments for waiver services have been reported in 15 of the past 18 audits. In addition, the Department failed to maintain evidence of third-party liability notification as required for eligibility for the Medicaid and LaCHIP programs.

**Pinecrest Supports and Services Center – Office for Citizens with Developmental Disabilities**

May 30, 2018

The Center failed to collect \$48,364 in Medicaid funds billed between May 2016 and February 2018 for services provided to 67 residents who were discharged. In addition, the Center failed to notify the Legislative Auditor and the Rapides Parish District Attorney, as required by state law and its own policy, about two employees who were improperly paid \$5,138. Furthermore, the Center incurred \$1,743 in unnecessary late fees and interest charges between July 2016 and January 2018.

**Central Louisiana Human Services District**

July 5, 2018

The District did not have adequate controls over its cash in fiscal years 2017 and 2018, including failing to reconcile its three bank accounts for six months, the chief financial officer having too much access and unsegregated duties, not transferring money to the State Treasury timely, and not carrying sufficient security for funds that exceeded the FDIC limit. In addition, the District did not bill Medicare, Medicaid, and private insurance companies in accordance with insurers’ contracts, thereby failing to collect \$224,411 in self-generated revenue, and wrote off \$359,478 from 1,366 patients’ accounts without evidence of the executive director’s

approval. The District also granted employees inappropriate access to its behavioral health electronic records software system and disbursed federal funds to contractors without determining whether each contractor qualified as a sub-recipient.

### **Acadiana Area Human Services District**

August 15, 2018

The District did not bill Medicare, Medicaid, and private insurance companies in accordance with insurers' contracts and failed to collect \$185,885 of self-generated revenues during fiscal year 2017 and fiscal year 2018, as of January 30, 2018. In addition, the District disbursed federal funds to sub-recipients but failed to clearly identify federal award information to them at the time of the contract award, as required by federal regulations.

### **Oversight of Surveillance and Utilization Review Subsystem (SURS) – Medicaid Program Integrity Section**

December 5, 2018

The system used to track improper Medicaid payments did not contain accurate or complete information, such as the actual amount of the improper payment identified, and it did not always provide a description of the violation. In addition, the review system has focused primarily on improper payments in fee-for-service claims rather than claims filed through the five managed care organizations (MCOs) that handle the majority of Louisiana's Medicaid program. Payments totaling \$2,608,946 made on behalf of 110 providers that billed for more than 15 hours of service on at least one day across two or more MCOs may indicate providers are billing for services that were not actually provided. The amount of improper payments identified by SURS also decreased, partly because of revisions to the contract that reduced the number of cases required to be closed each year and partly because of the loss of the recovery audit contractor. These changes resulted in a decrease in the amount of improper payments identified, from \$5.9 million in fiscal year 2015 to \$4.2 million in fiscal year 2017.



## **Department of Insurance**

### **Oversight of Pharmacy Benefit Managers**

May 2, 2018

While the Department has the discretion to conduct regulatory reviews of pharmacy benefit managers (PBMs), it has not done so. Regulation of PBMs is important because their role has changed beyond the traditional claims process to include conducting drug utilization reviews, developing a drug plan formulary, determining which pharmacies are included in a prescription drug plan's network, deciding how much network pharmacies will be reimbursed for their services, and operating mail order and specialty pharmacies. In addition, the Department did not collect sufficient supporting documentation before closing 25 of 42 complaints filed against PBMs. As a result, the Department cannot ensure it resolved the complaints accurately. The Department also should consider developing guidelines that specify consequences, such as fines, when PBMs violate state laws.

## Department of Natural Resources

### Louisiana Department of Natural Resources – Procedural Report

August 22, 2018

DNR did not have written criteria in place for waiving civil penalties assessed by the Office of Conservation and late registration penalties assessed by the Office of Mineral Resources, increasing the risk of inconsistent enforcement actions. In addition, the Office of Conservation did not take timely and consistent action against operators of abandoned wells that were not maintained, and DNR did not deactivate personal identification numbers associated with fuel cards for individuals no longer employed with the Department in a timely manner.



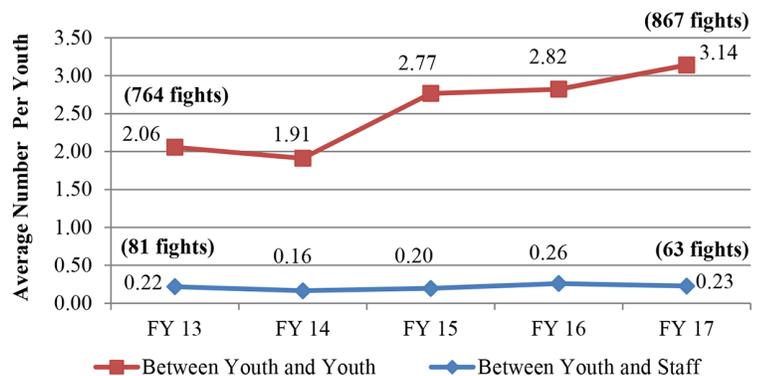
## Department of Public Safety & Corrections

### Oversight of Safety in Secure Care Facilities – Office of Juvenile Justice

June 6, 2018

Employee turnover at the Office of Juvenile (OJJ), which has increased since fiscal year 2013, makes it difficult to maintain required staff-to-youth ratios. OJJ also did not conduct quality assurance audits of its secure care facilities between 2010 and 2015. The audits were resumed in June 2016, but OJJ did not ensure all safety-related action items identified in the reports were corrected within six months. Fighting and the use of physical restraints increased between fiscal years 2013 and 2017 – 52.7 percent and 111.3 percent, respectively. The percentage of positive drug screens among youth in the secure care facilities rose as well – from 2.3 percent in calendar year 2013 to 9.5 percent in calendar year 2017. But OJJ did not collect data on why the drug tests were given, so it could not tell if more drugs were being brought into the facilities, or if youth were using drugs during furloughs. Between fiscal years 2013 and 2017, OJJ also did not address 19 percent of youth grievances within the required 30-day time frame. In addition, its procedures for overseeing safety at the Ware Youth Center for female youth were not consistent with its procedures for monitoring the secure care facilities for males. For example, OJJ did not monitor medical care, room confinement, restraints, or grievances. As a result, female youth were not receiving the same protection and standard of care as males in secure care facilities.

**Average Number of Fights per Youth  
Fiscal Years 2013 through 2017**



Source: Prepared by legislative auditor’s staff using data from OJJ.

### Oversight of Rehabilitation and Treatment in Secure Care Facilities – Office of Juvenile Justice

June 13, 2018

Overall, OJJ needs to complete risk assessments and treatment plans for the youth in its care more quickly, collect more information to evaluate the effectiveness of treatment programs, and work to improve the overall quality of its treatment programs. In fiscal year 2016, OJJ began using a disposition matrix to determine which

youth should be placed in secure care, which resulted in a 71 percent decline in the number of non-violent youth placed directly into secure care. However, 21 percent of youth were placed into secure care based on past violent offenses instead of a current offense, as policy requires. OJJ should clarify which offenses staff should use to make placement decisions or use the override process when they believe it is more appropriate to consider past offenses. In addition, between fiscal years 2013 and 2017, OJJ did not always complete required risk assessments and intervention plans within the required time frames, nor did it always complete mental health assessments in a timely manner. OJJ also did not ensure that the 65 percent of youth placed in general population dorms were engaged in individualized, meaningful treatment programs. While OJJ's recidivism rates improved – from 22.3 percent in fiscal year 2014 to 17.7 percent in fiscal year 2016 – the agency did not consistently document group therapy sessions and did not collect data on who completed treatment programs, thereby limiting its ability to determine which programs were most effective. OJJ also did not ensure that youth received re-entry planning designed to help them once they are released. In addition, OJJ had yet to open up its new, 72-bed secure care center because it did not have the money to do so.

### **Youth Services – Office of Juvenile Justice**

June 20, 2018

Youth Services – Office of Juvenile Justice (OJJ) did not have adequate controls in place over time and attendance records. As a result, employee time sheets showing hours worked, leave taken, and overtime and shift differential hours did not match OJJ's formal time report. In addition, OJJ did not have a written agreement detailing terms for the Louisiana Correctional Institute for Women's use of Jetson Correctional Facility. OJJ also failed to maintain adequate control over its movable property, which resulted in unlocated property and the incorrect reporting of an asset valued at \$2 billion when the actual cost was \$20,664.

### **Corrections Services – Procedural Report**

September 19, 2018

The Department did not have adequate controls in place to ensure accurate records of the Elayn Hunt Correctional Center pharmacy inventory and the Allen Correctional Center canteen and automotive fuel inventory. In addition, the Department did not have adequate controls in place to ensure employees of the Louisiana Correctional Institute for Women certified their attendance prior to being paid.

### **Public Safety Services**

December 10, 2018

Department of Public Safety (DPS) employees did not follow policies to ensure their time sheets were accurate, timely certified, properly approved, and reflected hours actually worked. Also, employees did not adhere to department policies and procedures requiring adequate support and timely review of purchases made on the LaCarte card and ensuring that purchases were not artificially divided. In addition, DPS officials could not provide documentation showing that \$2.4 million from the New Orleans Public Safety Fund was spent for public safety services in the New Orleans area as required. The Office of State Police also did not ensure all property purchased was properly tagged, timely recorded in the state property system, and properly safeguarded in accordance with state property regulations. The Office of the State Fire Marshal did not have adequate controls in place to ensure all amusement ride inspection fees were collected, appropriately supported, and timely deposited in accordance with state regulations. For the third consecutive year, DPS failed to ensure funds were drawn down according to federal regulations for the Alcohol Open Container Requirements and the Minimum Penalties for Repeated Offenders for Driving While Intoxicated programs. The audit report also

noted an Office of Motor Vehicles internal investigation that found \$98,507 in customer payments missing and resulted in three OMV employees being charged with theft. An employee of a Public Tag Agency was charged with computer fraud and filing or maintaining false records, as well. In addition, an internal DPS audit of the Louisiana Highway Safety Commission (LHSC) found multiple issues related to LHSC’s federal awards from the National Highway Traffic Safety Administration.



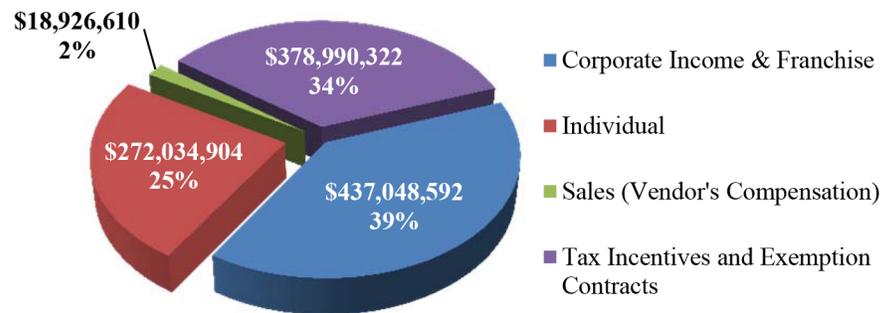
## Department of Revenue

### Tax Incentive Reporting – Evaluation of Agency Compliance with Act 191 of the 2013 Regular Session

October 3, 2018

Five state agencies oversee 78 tax incentives that are subject to the reporting requirements of Act 191. In total, those incentives resulted in the loss of approximately \$1.1 billion in revenue in fiscal year 2017, according to the 2017-2018 Tax Exemption Budget (TEB) put together by the Louisiana Department of Revenue. Auditors found that 25 of the 78 tax incentive reports submitted to the Legislature by March 1, 2018, did not include information about whether Louisiana received a positive return on its investment as required by state law. The TEB reported the revenue loss from these 25 incentives to be approximately \$127 million in fiscal year 2017.

#### FY17 Composition of \$1.1 Billion in Tax Incentives



Source: Prepared by LLA using the 2017-2018 Tax Exemption Budget

### Louisiana Department of Revenue – Management Letter

December 19, 2018

The Department incorrectly reported net receivables and the estimated amount of protested taxes to be transferred to the General Fund. Net receivables were overstated by \$31.1 million and protested taxes were overstated by \$25.8 million.



## Department of State

### Louisiana Department of State – Procedural Report

July 11, 2018

Some limited liability corporations and nonprofits only filed and paid for their annual report fees once or twice every three years rather than every year as required by law. Based on the number of annual reports that were not filed during calendar years 2015, 2016, and 2017, the Department potentially could have collected more than \$4 million in fees.

## Executive Department

### **Executive Department – Management Letter**

January 16, 2019

The Division of Administration (DOA), Office of Community Development (OCD) failed to recover federal grant money from non-compliant homeowners and property owners who received assistance after hurricanes Katrina and Rita. OCD identified \$7.5 million in non-compliant awards to 287 homeowners who took part in the Homeowner Assistance Program and more than \$55.6 million to 583 property owners who received loans through the Small Rental Property Program. In addition, the Office of Technology Services did not ensure time and attendance records were properly certified, approved, and monitored, as required by DOA policies.

### **Governor’s Office of Homeland Security and Emergency Preparedness – Hazard Mitigation and Public Assistance Programs – July 1, 2017, to June 30, 2018**

March 14, 2018, and September 26, 2018

Auditors evaluated the completeness and accuracy of documentation submitted in support of federal reimbursements under the Public Assistance and Hazard Mitigation programs. In fiscal 2018, auditors conducted 7,294 reviews of federal reimbursement requests totaling \$1,108,343,551 and identified \$149,610,171 that were not supported by sufficient documentation at the time of the review.

### **Sexual Harassment Policies & Practices in Executive Branch Agencies**

April 17, 2018

An audit of sexual harassment policies among Louisiana’s executive branch agencies, including the four public university systems, found the State does not have an overall sexual harassment policy in place that governs all agencies. Instead, each agency has its own policies, but they are inconsistent between, and sometimes within, agencies in the same department. In contrast, at least 20 other states have promulgated a centralized sexual harassment policy or, at a minimum, guidelines that must be included in each state agency’s policy. A confidential survey sent to 30,000 Louisiana state employees to assess their knowledge of sexual harassment procedures found 16 percent said they had experienced sexual harassment in their jobs. Of those, 19 percent said they had reported the behavior to their supervisor, while 77 percent did not. When asked why not, 17.5 percent said they did not think the harassment was serious enough; 13.8 percent feared retaliation; and 12.3 percent believed nothing would be done. Approximately 3,200 employees, or about 10 percent, responded to the survey. In addition, between 2013 and 2017, state agencies reported 311 internal complaints involving sexual harassment. Louisiana has spent approximately \$5 million on lawsuits involving sexual harassment claims since fiscal year 2009. State agencies also do not have consistent processes in place to conduct reference checks of prospective employees, and state law does not mandate training for employees on how to identify, report, and investigate sexual harassment.

### **Office of Financial Institutions**

August 15, 2018

For the second consecutive report, OFI did not perform examinations of non-depository entities in accordance with applicable laws and policies and did not have adequate controls in place over payroll processing and

timekeeping records. In addition, OFI did not adequately research outstanding checks during the bank reconciliation process or report those checks that had been held for more than one year to the State Treasurer's office as required by law.

## **Office of State Lands – Inventory of State Lands**

August 22, 2018

The Office of State Lands (OSL) did not have a current and comprehensive listing of state lands. Under state law, the Commissioner of Administration is required to maintain an inventory of all immovable property in which the State has an interest, including all lands, water bottoms, and facilities, both owned and leased, and to keep the inventory as “current and comprehensive as is practicable.” OSL is responsible for maintaining and updating the inventory and for identifying and keeping a master list of all the State's public lands and water bottoms. The inventory recorded in the LaGov system and state agency immovable property records did not match for 58 (45 percent) of the 128 properties tested. This was due, in part, to agencies not providing accurate information to OSL. In addition, the inventory did not include all types of properties in which the State has an interest. As a result, OSL and other entities cannot rely on the inventory to make decisions and properly manage the State's land resources. OSL also did not have an accurate and complete listing of the tax-adjudicated properties the State owns, nor was this information easily accessible to stakeholders. The State, as well, did not have clear title to an estimated 286,467 acres of water bottoms because private parties also claim ownership of these lands.

## **Office of State Lands – Management of State Leases & Rights of Way**

October 25, 2018

The Office of State Lands (OSL) did not have formal rules and regulations in place governing the issuance of all types of leases, did not have reliable data in its database, and did not have a sufficient inspection and enforcement process to handle the problem of illegally occupied state property. OSL generates revenue by issuing and managing leases and rights of way for state lands and water bottoms. Without formal rules and regulations that detail how to issue and manage leases and rights of way, such as established criteria for set rental prices and time frame limits, OSL cannot ensure it is managing these leases and rights of way consistently and fairly. Also, without a reliable database, OSL cannot effectively monitor leases and rights of way. Auditors found the database had incorrect information on 59 (32.2 percent) of the 183 leases and rights of way reviewed. In addition, the lack of a sufficient inspection and enforcement process to identify and address illegally occupied state properties could result in lost revenue and increased liability for the State.



## **Louisiana Economic Development**

### **Management Controls, Accuracy, and Reliability of Program Data Reported in the Unified Economic Development Budget Report**

November 28, 2018

Auditors were unable to evaluate the reliability of LED's forecasts of credits issued and qualified expenditures for the Motion Picture Production Tax Credit, the Sound Recording Investor Tax Credit, and the Musical and Theatrical Production Income Tax Credit because the Department could not provide sufficient documentation for nine (60 percent) of the 15 forecast data elements. In addition, auditors concluded LED may have overstated

the economic impact of the Motion Picture Production Tax Credit because its report included only the upper estimate from a contracted economic impact study and not the accompanying lower estimate.



## Louisiana Office of the Lieutenant Governor

### **Office of Lieutenant Governor and Department of Culture, Recreation, and Tourism – Procedural Report**

November 15, 2018

The Department of Culture, Recreation, and Tourism’s Office of State Museum (OSM) did not maintain documentation to support guest stays in an apartment in the Pontalba building, did not ensure prior authorization was obtained for William R. Irby Trust (Irby) expenditures, and did not obtain approval of Irby’s budget before the start of the fiscal year. In addition, for the second consecutive report, employees did not follow policies and procedures related to the review and approval of Seafood Marketing Program expenditures. OSM management also did not ensure that admission fees for the Wedell-Williams Aviation and Cypress Sawmill Museum were billed and collected in a timely manner, and the Office of State Parks management did not ensure that admission fees were charged or that rates were approved for the Rosedown Plantation and Historic Site and Bayou Segnette State Park. CRT employees, as well, did not follow policies and procedures related to time sheets, leave and overtime requests, and LaCarte card purchases.



## Louisiana Workforce Commission

### **Louisiana Workforce Commission – Management Letter**

February 4, 2019

Eight of the 10 findings from the prior-year report were resolved. The two repeat findings related to inadequate control of access to computer systems used to administer the State’s unemployment insurance program and the lack of a provision in the contract with Geographic Solutions, Inc. (GSI) that would allow LWC to continue operating the unemployment insurance program if GSI could no longer provide services.



## General Statewide Reports

### **Medical Assistance Programs Fraud Detection Fund – Louisiana Department of Health and the Office of the Attorney General**

July 25, 2018

Both the Louisiana Department of Health (LDH) and the Office of the Attorney General (AG) lacked adequate procedures to identify monies that should be deposited into the Medical Assistance Programs Fraud Detection Fund. As a result, LDH did not deposit approximately \$2.8 million and the AG did not deposit \$712,713 into the fund (more commonly known as the Medicaid Fraud Fund) in accordance with state law. Specifically, LDH did not deposit \$2,797,768 in fines and penalties assessed between fiscal years 2012 and 2017 until February 2018. In fiscal year 2016, the AG deposited \$712,713 less than the amount indicated by its own memos. In addition,

the AG could not provide memos to support \$23,782 in deposits made into the fund between fiscal years 2013 and 2015. LDH also incorrectly deposited \$323,570 into the fund in fiscal year 2012 that should have been placed into the Nursing Home Residents' Trust Fund. In addition, LDH spent approximately \$477,266 from the fund in fiscal 2017 for salaries that did not appear to contribute to the prevention and detection of Medicaid fraud and abuse, as required by state law. As well, LDH spent approximately \$642,953 from the fund in fiscal 2012 for software that could not be implemented because of system compatibility issues.



## Other Reports

### Comprehensive Annual Financial Report

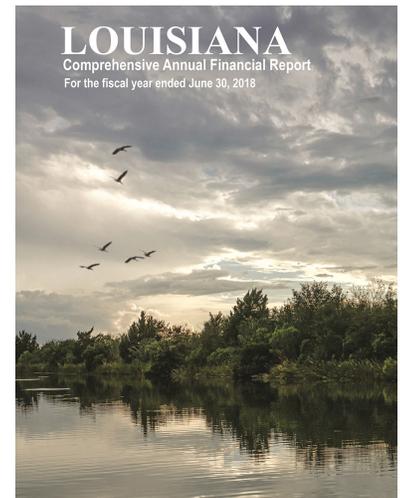
The Comprehensive Annual Financial Report is the official financial report for the State of Louisiana and presents the State's financial position as of June 30, 2018, and the operating activities of the State's primary government and its component units for the fiscal year. The financial information included in the CAFR is intended to be used by the general public, investment companies, bond holders, and bond rating agencies to evaluate the State's financial integrity and to set bond rates.

LLA's audit of the CAFR was performed in accordance with *Government Auditing Standards*, and the audit report was issued on December 28, 2018. Auditors found that the State's records and statements fairly presented Louisiana's financial position. This was an improvement over last year when the LLA issued qualified opinions related to the State's share of two agreements with the U.S. Army Corps of Engineers for levee projects in the New Orleans area and to the Louisiana Workforce Commission's implementation of a new system for processing unemployment insurance benefits.

In addition, the audit report disclosed that the State's net pension liability as of June 30, 2018, was estimated to be \$6.4 billion. The related actuarial valuations were performed by the pension systems' actuaries using various assumptions. Because actual experiences may differ from the assumptions used, there is a risk that this amount could be under- or overstated.

The primary government's proportionate share of the Louisiana State Employees' Retirement System (LASERS) net pension liability was \$5.6 billion. The actuarial valuation of the total pension liability is very sensitive to the underlying actuarial assumptions, including a discount rate as of June 30, 2017, of 7.70 percent. A 1 percent reduction in the current discount rate would increase the primary government's net pension liability by \$1.4 billion. For future valuations, LASERS currently intends to reduce the 7.70 percent discount rate by 0.05 percent annually, until it reaches 7.50 percent.

Auditors noted that the State's beginning net position for governmental activities for fiscal 2018 decreased by approximately \$4.8 billion after the implementation of new standards related to recognizing unfunded accrued liability for Other Post-Employment Benefits (\$3.2 billion) and the formal recognition of Louisiana's share of the cost for the two New Orleans area levee projects (\$1.5 billion).



The auditor’s report also noted that federal regulations provide for Medicaid eligibility determinations for certain individuals based on a methodology using federal income tax data known as modified adjusted gross income (MAGI). During the fiscal year ended June 30, 2018, the state’s Medicaid program paid \$5.4 billion to managed care organizations to provide benefits for approximately 1.2 million recipients who were determined eligible based on MAGI. The Louisiana Department of Health did not use federal tax data to verify critical Medicaid and LaCHIP eligibility factors, increasing the risk that applicants could be determined eligible when they are ineligible. As of the issuance of this report, auditors have been unable to verify the eligibility of these MAGI-determined recipients because federal and state laws prohibit the use of federal or state income tax records for these purposes. Considering rising state health care costs and limited budgets, it is important to ensure that Medicaid dollars are spent appropriately.

## **Single Audit Report for the Year Ended June 30, 2017**

March 28, 2018

The Single Audit report recaps many findings related to financial reporting, including the State’s expenditures of federal awards, and federal programs, most of which have been previously reported by the auditor in individual agency reports. Federal law requires the State to compile the Single Audit every year. Officials use the information to monitor whether the State has adequate controls over financial reporting and materially complied with the requirements of federal assistance programs deemed major for the period under audit.

The 2017 Single Audit identified 43 findings, including 17 repeated from the prior audit, involving 14 state entities. This was an increase of five findings compared to the Single Audit report issued in the prior year. Certain findings resulted in modified opinions on five of the State’s 18 major federal programs because they did not comply with certain requirements.

The programs with a disclaimer of opinion or modified opinions for certain federal compliance requirements were:

- *Research and Development Cluster* – For the second and third consecutive years, respectively, Louisiana State University and A&M College (LSU), the LSU Agricultural Center (AgCenter), and Pennington Biomedical Research Center (PBRC) did not comply with federal equipment management regulations. In addition, for the second consecutive year, the AgCenter did not have adequate controls in place to monitor expenses charged to federal appropriations to ensure they complied with the allowable costs/cost principles requirements before requesting reimbursement from the federal agency. LSU, the AgCenter, and PBRC also did not have controls in place to ensure compliance with federal allowable costs/cost principles requirements. LSU and the AgCenter, as well, did not have controls in place to ensure compliance with federal period of performance requirements. The AgCenter did not ensure that Special Tests and Provisions requirements were met during fiscal year 2017, and LSU did not have controls in place to ensure Special Tests and Provisions requirements were met.
- *Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii* – The Office of Community Development (OCD), Disaster Recovery Unit identified \$281 million in non-compliant awards for 7,477 homeowners participating in the Homeowner Assistance Program. In addition, OCD assigned 272 property owners with Small Rental Property Program loans totaling more than \$28.1 million to loan recovery status for non-compliance with loan requirements.

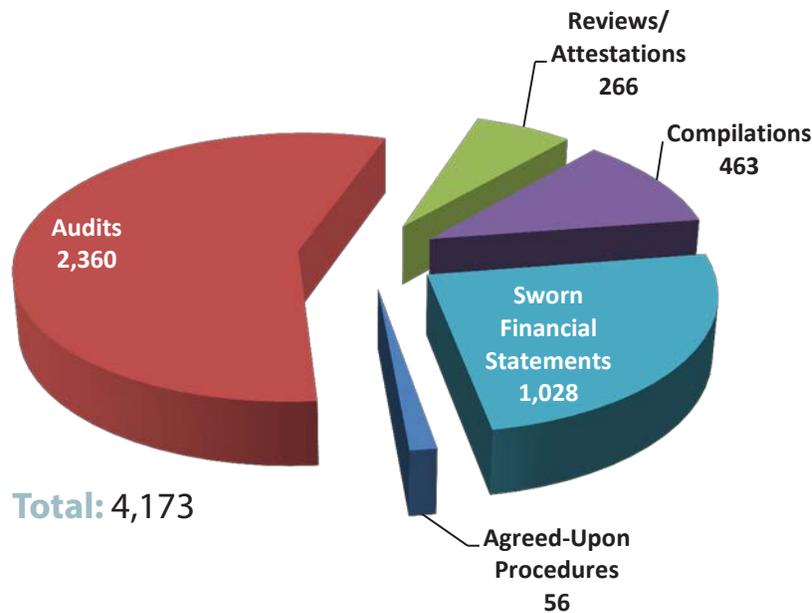
- *Unemployment Insurance* – For the second consecutive year, the Louisiana Workforce Commission (LWC) did not establish adequate policies and procedures for changes made to the computer systems it uses to administer the Unemployment Insurance program. LWC’s contract with Geographic Solutions, Inc., which maintains the system, also lacked key essential terms. In addition, for the second consecutive year, LWC did not have adequate controls in place to ensure required federal reports were accurate, complete, and properly prepared and did not ensure compliance with Unemployment Insurance regulations related to program integrity and reducing overpayments. For the second consecutive year, LWC also did not properly secure Helping Individuals Reach Employment and its systems.
- *Rehabilitation Services – Vocational Rehabilitation Grants to States* – LWC improperly determined eligibility for students participating in the Pre-Employment Transition Services program and did not develop Individualized Plans for Employment in a timely manner, as required by federal regulations.
- *Children’s Health Insurance Program* – For the third consecutive year, the Louisiana Department of Health failed to accurately complete required quarterly reports of federal expenditures, including an error that resulted in a \$23.3 million overstatement of the Children’s Health Insurance Program and a \$14.8 million understatement of the Medical Assistance Program.

As a result of the findings included in the 2017 Single Audit, \$310,216,769 in costs were questioned by auditors, for which the State could be liable. The resolution of these questioned costs will be determined by the respective (federal) grantors.

For the fiscal year ending June 30, 2017, the State received approximately \$16.3 billion in federal funds, including loan programs, which is an increase compared to the nearly \$15.3 billion Louisiana received in fiscal year 2016.



The Local Government Services section provides other important services to local governments by enforcing the audit law, processing statutorily-required reports, monitoring legislative changes, providing guidance to local governments and quasi-public entities (local auditees), and overseeing the work of independent auditors who audit those entities. Local Government Services staff reviewed and processed the following local auditee engagements and reports during 2018:



During the 2018 calendar year, local auditee reports contained hundreds of findings related to deficiencies in operations, controls, and compliance with laws and regulations. These findings included:

- Misappropriations and ethics violations
- Noncompliance with federal regulations in local governments' administration of federal programs
- Noncompliance with bond covenants or loan agreements
- Noncompliance with state laws covering public bids, open meetings, untimely deposits, and late filings of financial statements
- Reconciliation of bank accounts
- Errors in accounting records
- Deficit fund balances

## Center for Local Government Excellence

In 2018, the LLA continued its Center for Local Government Excellence training and certification program, holding Level 2 sessions in St. Tammany Parish, Baton Rouge, and Lafayette. The one-day workshops built on topics covered in previous Level 1 training sessions and focused on detecting and preventing fraud, and best practices for collections and traffic tickets, payroll and personnel, and expenditures. The goal of these training sessions is to enable local officials to take the knowledge and skills gained back to their respective governments and use them to make a positive difference. Since the Center began in late 2015, more than 950 government officials and staff members, certified public accountants, and attorneys have received training.



### Advisory Services

The Advisory Services staff serves as fiscal advisers and operational consultants to local government entities and officials. Over the past year, Advisory Services staff completed projects and responded to legislative requests touching more than 100 local government entities by providing fiscal monitoring, internal control and compliance reviews, advising and consulting services, allegation assessments, follow-up on audit finding resolutions, and training.

The following is a summary of the services the advisers provide:

- Recommendations to improve overall internal controls
- Recommendations to help governments and officials comply with applicable state laws
- Consulting and monitoring related to the fiscal status and health of government entities
- Follow-up on certain complaints received from officials and residents
- Advice to newly elected local government officials regarding overall best practices and effective financial management
- Advice to assist governments with resolving audit findings
- Training to guide the implementation of sound fiscal and operational practices and instructor support for the Center for Local Government Excellence
- Support for the Louisiana State Fiscal Review Committee
- Annual assessments of sheriffs participating in the Federal Equitable Sharing Program to ensure compliance with U.S. Department of Justice and Treasury requirements
- Approval of water rate studies conducted by the Louisiana Rural Water Association
- Performance of procedures in St. Tammany Parish under Act 774 of the 2014 Regular Legislative Session

In addition, advisers worked with the Fiscal Review Committee to monitor the fiscal status of Madison Parish Hospital, the Town of Melville, the Town of St. Joseph, the Village of Clayton, and the City of Jeanerette.

The LLA is also responsible for preparing fiscal notes for the legislative instruments affecting expenditures of political subdivisions as well as receipts, expenditures, allocations, and dedications of funds of any state board, commission, or other entity not appropriated funds in any appropriations bill. Advisory Services is involved with overseeing this function. During the 2018 Regular Legislative Session, the office's analysts received requests and prepared fiscal notes related to 47 bills. Advisory Services also assisted with the preparation of fiscal analyses for actuarial notes related to 32 retirement bills.

The following summaries highlight a few of the reports and letters issued by Advisory Services in 2018.

### **Town of Vidalia**

June 27, 2018

Town officials could not initially confirm whether Vidalia's designation had been changed officially from "city" to "town" as required by law because its population is below 5,000. Officials also budgeted more money for expenditures than was estimated to be available in the General Fund. In addition, the former administration paid the former mayor and former police chief \$82,692 and \$36,517, respectively, for accumulated personal and vacation leave, but the current administration was unable to provide documentation to support the payments. The former town administration also paid out at least \$11,054 more than it should have in leave balances for six terminated employees and paid both the employer and employee portions of health insurance premiums for three employees on workers' compensation and a Board member, in violation of town policy. The Town also may not have complied with the Open Meetings Law on at least one occasion, and it paid out \$109,725 in incentive payments to 162 employees and elected officials, possibly in violation of state law.

### **Town of Pearl River**

July 25, 2018

For the second year, Pearl River officials had no written policies or procedures in place for managing receipts, payroll and personnel, contracting, ethics, debt service, and traffic tickets. Auditors also could find no indication in the minutes of monthly Town Council meetings that officials discussed the Town's key budgetary information, such as actual vs. budgeted spending. In addition, they could not find any documentation that monthly bank reconciliations were reviewed by management, and they noted that collection job duties were not properly segregated among staff.

### **Act 774 Annual Report**

August 29, 2018

The Act 774 Annual Report on St. Tammany Parish summarized the results of the third year of the Act, with certain specified procedures being performed by both Legislative Auditor staff and independent certified public accountants. Based on the auditors' evaluation, 68 St. Tammany Parish governmental entities were subject to the additional risk assessment required by Act 774, resulting in 63 separately issued reports. The most common deficiencies identified in the additional audit procedures were a lack of written policies and control procedures, a lack of documentation for credit card purchases, and a lack of written supervisory review or approval of documents. Among the 63 entities were 34 that had exceptions identified in their 2017 reports. For 2018, auditors found 28 of the entities had corrected prior-year exceptions, made significant improvements, or had

only limited repeat exceptions. However, six did not: St. Tammany Parish Sewerage District No. 1, St. Tammany Parish Sewerage District No. 4; St. Tammany Parish Waterworks District No. 3; St. Tammany Parish Mosquito Abatement District; the Town of Pearl River; and the Village of Folsom.

## **England Economic and Industrial Development District**

September 19, 2018

The District did not have adequate controls in place over its commercial leases and did not have an accurate listing of its capital assets. In addition, officials did not have written policies and procedures in place over maintenance and fuel use, credit cards, and business account cards. District officials also did not have adequate documentation to support spending \$7,150 for an annual crawfish boil and \$8,655 for an annual holiday event. Auditors noted as well that the District did not have adequate controls in place over purchasing and disbursements, travel, and payroll.

## **Sewerage and Water Board of New Orleans – Louisiana House of Representatives Resolution 92 and Drainage Operations**

November 7, 2018

The Sewerage and Water Board (S&WB) did not have adequate written contract policies and procedures for (1) recordkeeping and reporting, (2) procurement, (3) monitoring, (4) change orders and amendments, and (5) payments. Auditors also found control and compliance deficiencies, including possible constitutional violations related to the donation of public funds, possible bid law violations, lack of appropriate approvals, and insufficient monitoring of conflicts of interest. Auditors noted in the report that the Board operates its pumps with a combination of power purchased from Entergy and power produced from its own turbines; however, it costs the S&WB more than double to produce its own power rather than buy power from Entergy. In addition, auditors cited concerns with the S&WB's internal communications, declining cash reserves, and ability to hire and retain qualified staff. Auditors also noted that the U.S. Department of Homeland Security, Office of Inspector General, began an audit of FEMA Public Assistance grants in November 2017 to determine whether the S&WB had accounted for and expended the money according to federal regulations and FEMA guidelines.



## **Investigative Audit Services**

Investigative auditors gather evidence regarding fraudulent or abusive activity affecting governmental entities. Their audits are designed to detect and deter the misappropriation of public assets and to reduce future fraud risks. Employees who conduct investigative audits have degrees in accounting or advanced degrees with at least 15 hours in accounting. Investigative auditors are based in Baton Rouge but travel throughout the State to respond to complaints.

The following summaries highlight some of the reports issued by Investigative Audit Services in 2018.

### **Town of Killian**

January 10, 2018

An investigation into the Town of Killian's Police Department found the former chief collected \$994 in overtime pay for hours he did not work, used town credit cards for \$1,208 in personal purchases, and may have failed to forward 76 traffic citations to the Town Clerk. In addition, auditors found that the Town bought

\$31,119 in scuba equipment for the Police Department's dive team from a company owned by the dive team commander, who was also a part-time officer. The report was turned over to the District Attorney for the 21st Judicial District of Louisiana.

## **Office of State Parks**

January 15, 2018

An investigation into the Office of State Parks (OSP) found a former maintenance employee assigned to the Fort Pike and Fort Macomb historic sites was paid \$24,600 by media production companies that contracted with OSP to use state facilities. Media production companies contract with OSP to use state parks and historic sites for commercial filmmaking, videography, and still photography. OSP's facility use agreement establishes the cost to use the parks and historic sites and contains a provision requiring a representative of the State to be onsite during all stages of production at no additional cost to the production companies. The report was turned over to the District Attorney for the 19th Judicial District of Louisiana, the Orleans Parish District Attorney, the District Attorney for the 34th Judicial District of Louisiana, and the Louisiana Board of Ethics.

## **Louisiana Department of Health**

February 21, 2018

An investigative audit of a St. Mary Parish Medicaid service provider found inaccurate and/or inadequate documentation of services, reimbursements for ineligible workers, and billings for services that either were not provided or were not properly authorized. Between July 2012 and September 2016, JABA Enterprises, LLC billed the Louisiana Medicaid Program \$11,090 for 768 hours of personal care services involving eight employees that likely were not provided. In addition, it appeared JABA employees providing Now Opportunities Waiver services lived in the same household as the recipient, which is not permitted. JABA also submitted claims to the Medicaid program for services totaling \$1,325,807 without prior authorization and approval, which resulted in the claims being denied. Records from the Louisiana Secretary of State's office and the Louisiana Workforce Commission indicated as well that JABA was not in good standing with the agencies because the company failed to file required periodic reports and/or pay amounts owed. The report was turned over to the District Attorney for the 16th Judicial District of Louisiana and the District Attorney for the 19th Judicial District of Louisiana.

## **District Attorney for the 37th Judicial District**

May 23, 2018

An investigative audit found that a former employee of the District Attorney for the 37th Judicial District diverted at least \$17,238 in cash and money orders between January 2015 and September 2017 for her personal use. During the period in question, the former employee was the coordinator of the office's Worthless Check Division. A review of the records showed that between January 2015 and September 2017 the employee received at least \$9,468 in cash and money orders payable to, or intended for, the District Attorney's office that was not deposited to the office bank account. In addition, auditors found \$7,770 recorded in the office's electronic database between January 2015 and August 2017 that did not appear to have been deposited into an office bank account. The employee admitted she took money since at least September 2015 and discarded the receipt books to conceal the theft. Her employment with the District Attorney was terminated in September 2017. The report was turned over to the District Attorney for the 37th Judicial District of Louisiana.

## **Housing Authority of Ville Platte**

May 23, 2018

Investigative auditors looking into complaints about the Housing Authority of the City of Ville Platte found the authority may have improperly paid the assistant police chief for security services. Records showed that between January and December 2017 the authority paid the assistant chief \$9,600 as required by its security services contract with the City. However, auditors were unable to find any documentation, such as detailed time sheets, that showed what services the assistant chief performed. Auditors also found that the assistant chief did not perform all of the duties required under the contract, such as initiating and monitoring ongoing lines of communication with resident leaders and coordinating security workshops and training seminars for residents.

## **The Consolidated Government of the City of Baton Rouge and the Parish of East Baton Rouge**

May 30, 2018

Investigative auditors who looked at East Baton Rouge Parish's sale of surplus real estate between January 2014 and February 2017 found that two of the properties may have sold for less than their fair market value and that officials failed to set a minimum price or to publish notices of their proposed sale as required by law. Auditors also noted that the City-Parish had no formal written policies or procedures in place governing the sale of surplus property. In addition, auditors examined some of the contracts entered into by the Baton Rouge Area Violence Elimination (BRAVE) program and found two contracts lacked sufficient detail to determine whether the money paid was reasonable for the services received. The report was turned over to the District Attorney for the 19th Judicial District of Louisiana.

## **Village of Fenton**

July 4, 2018

Investigative auditors who examined the Village of Fenton's operations found questionable salary payments to the mayor and overtime payments to the police chief, traffic fines that were not deposited, and delinquent utility accounts where service was not disconnected. Between April and September 2016, Fenton's mayor was paid \$15,000 in excess compensation because of a clerical error. However, the mayor did not begin repaying the money until November 2017. In addition, auditors found that between January 2016 and October 2017 the police chief received \$21,669 in overtime payments without proper authority or adequate documentation. Auditors found as well that \$5,195 in cash payments for traffic citations were not deposited into the Village's bank account between May and July 2017. Officials also improperly adjusted at least 76 utility customers' accounts between April 2016 and October 2017, resulting in the loss of \$6,171 in payments, including \$1,694 due from the mayor's father, and failed to disconnect utility services to delinquent customers. The report was turned over to the District Attorney for the 31st Judicial District of Louisiana and the Louisiana Board of Ethics.

## **District Attorney for the 42nd Judicial District – Traffic Diversion Program**

July 11, 2018

Investigative auditors examining the DeSoto Parish District Attorney's use of a pretrial diversion program for traffic citations found the program caused a substantial reduction of revenue to the criminal justice system. In March 2017, the District Attorney began offering pretrial diversion to drivers who received traffic citations. Those drivers who enrolled in the program generally paid \$200 to resolve their citations. In contrast, a typical traffic citation for driving 10 miles above the speed limit would have cost a driver \$267.50 – \$100 for the fine

and \$167.50 in court costs. Between March 23, 2017, and March 31, 2018, 3,629 drivers entered the pretrial diversion program, and the District Attorney's office deposited \$811,766 in fines and court costs, of which it paid out \$470,949 in administrative and reimbursement costs and retained the balance of \$340,817. If the 3,629 drivers had not enrolled in pretrial diversion, the fines and court costs would have resulted in \$1.07 million in revenue that would have been shared among 14 agencies. The report was turned over to the Louisiana Attorney General.

### **Red River Parish Communications District**

July 11, 2018

An investigative audit found that the former administrator of the Red River Parish Communications District improperly paid herself an additional \$17,112 between July 2016 and January 2018 by issuing herself 10 extra paychecks. The administrator was fired in April 2018. The report was turned over to the District Attorney for the 39th Judicial District of Louisiana.

### **Housing Authority of East Baton Rouge Parish**

August 22, 2018

An investigative audit into certain spending by the Housing Authority of East Baton Rouge Parish found at least \$8,931 in public money was spent on celebratory functions, meals, and miscellaneous gifts to employees and others. Auditors found the Housing Authority spent at least \$5,274 for office celebrations and meals between October 2014 and December 2017. The funds paid for annual employee picnics (\$2,953) and meals during Christmas celebrations for Housing Authority staff, management, and board members (\$2,321). In addition, auditors found that since October 2014 the Housing Authority had purchased \$2,535 in gift cards and gift certificates that were given to employees at celebratory functions, and \$1,122 in miscellaneous gifts and/or flower arrangements for Housing Authority employees and board members. The report was turned over to the District Attorney for the 19th Judicial District of Louisiana.

### **City of New Orleans**

September 19, 2018

Investigative auditors looking into New Orleans City Council members' use of city credit cards found council members and/or their chiefs-of-staff charged \$378,998 between June 2014 and September 2017. Included in that amount was \$6,754 for celebratory functions; \$6,993 for floral arrangements, gift items, gift cards, and food; \$17,493 for 216 credit card purchases that lacked adequate supporting documentation; \$121,986 in travel expenses for approximately 100 trips; \$17,338 for cameras, refrigerators, office furniture, and computers; and \$36,126 for meals and catering. Auditors concluded that council members appeared to be using their city credit cards as a procurement system rather than as a method of payment, which allowed them to initiate and approve their own purchases. The report was turned over to the District Attorney for the Parish of Orleans.

### **Natchitoches Fire Protection District No. 1**

September 19, 2018

An investigation of Natchitoches Fire Protection District No. 1 found that family members of the board chairman and the fire chief were paid for construction and grass-cutting services, in possible violation of state law. In 2016 the District paid Prothro Construction LLC \$44,900 to renovate a fire station. Prothro Construction is owned and operated by Joseph Prothro's brothers, and at the time, Joseph Prothro was chairman of the

District's Board of Commissioners. There also was no written contract for the work, and the contractor was not required to provide a surety bond. Auditors found as well that Prothro and his wife, Fire Chief Charlotte Prothro, paid their daughters-in-law \$8,550 between April 2015 and November 2016 to provide monthly grass-cutting services for district property. Auditors also noted that the District improperly disposed of some of its vehicles by trading them in at a heavy truck and equipment vendor and/or selling them to board members. In addition, the District did not have an accurate inventory of its vehicles and appeared to be paying insurance for at least nine vehicles it could not locate. The report was turned over to the District Attorney for the 10th Judicial District of Louisiana and the Louisiana Board of Ethics.

### **The New Orleans Jazz Orchestra, Inc.**

September 26, 2018

An investigative audit into The New Orleans Jazz Orchestra, Inc. (NOJO) found that over nearly seven years the organization improperly spent grant funds and other state, local, and donated money. Auditors found that between June 2009 and February 2016, NOJO employees, including former Artistic Director Irvin Mayfield and former President and Chief Executive Officer Ronald Markham, incurred \$179,226 in lodging and entertainment charges that appeared to be personal in nature. Auditors also found that NOJO received \$1,210,000 in grant funds from the City of New Orleans to create a sculpture garden in Louis Armstrong Park; however, NOJO appeared to have used at least \$302,163 for operating expenses. Records indicated as well that NOJO used \$175,503 of subsequent city grant money to pay the artists who created the sculpture garden. In addition, NOJO received \$1,110,000 from the State to pay construction expenses for the Jazz Market. However, records showed NOJO used \$885,603 of the money for unauthorized expenses. NOJO also received \$1,289,701 in local and donated funds for the Jazz Market, which the organization appeared to have used for other purposes. The report was turned over to the United States Attorney for the Eastern District of Louisiana and the District Attorney for the Parish of Orleans.

### **City of Jeanerette**

October 24, 2018

An investigative audit into the City of Jeanerette's financial operations found utility payments that were not deposited, state and federal payroll taxes that were not paid, and witness fees for off-duty law enforcement officers that were not paid. Auditors found \$33,772 in customer utility payments received by the City between June 2017 and January 2018 were not deposited into the City's bank account. In addition, city officials failed to pay federal and state government taxes totaling \$182,308 or to file required reports from October 2015 to March 2018. Auditors also found that \$8,300 in witness fees due to city police officers and deputy marshals was not paid. Records showed the City received at least \$18,850 in witness fees from December 2016 to April 2018, but \$8,300 was not disbursed. The report was turned over to the District Attorney for the 16th Judicial District of Louisiana.

### **Monroe City School Board – Carroll High School Student Activity Fund**

November 7, 2018

Auditors investigating a Monroe City Schools high school found \$43,799 in cash collected for various student activities was not deposited into the school's bank account. High school records showed the money was collected between July 2014 and June 2017. The former bookkeeper issued receipts for the cash and posted the transactions to the high school's accounting records, but bank statements did not reflect any deposits of the money. The bookkeeper retired in June 2017. The report was turned over to the District Attorney for the Fourth Judicial District of Louisiana.



# Conclusion



**T**he reports highlighted in this year’s Annual Report note some improvements in government financial operations, but they also reiterate problems for many state and local entities. Three state agencies – the Department of Children and Family Services, the Department of Education, and the Department of Health – followed recommendations from LLA reports issued prior to 2018 and reduced the amount of erroneous spending on certain services.

DCFS, for instance, revamped its procedures for identifying and removing deceased participants from the SNAP program and reduced the amount of money improperly paid out from \$1.3 million between 2007 and 2013 to \$42,599 between 2013 and 2017. LDH improved its process for identifying incarcerated Medicaid recipients and recovering per member per month fees paid to the managed care organizations on their behalf. Between January 2014 and March 2018, LDH recovered approximately \$25 million in fees. And LDE fully implemented nine of 10 recommendations from a 2012 report and partially implemented one, which reduced the amount of potentially improper payments in the Child Care Assistance Program to approximately \$24,000 in fiscal 2017.

At the same time, however, the audit reports paint a clear picture of continuing problems with oversight of financial operations in many of the State’s agencies, municipalities, and school districts. Much-needed revenue is being lost. The losses may have occurred because of misappropriation of funds, a failure to collect monies due, or a lack of monitoring to make certain funds are spent properly, but the results are the same – residents are not receiving the quality of services they expect and deserve.

These are not new problems. Previous Annual Reports have highlighted the ongoing failure of state and local governmental entities to address the same audit findings year after year and their inability to implement effective internal financial controls. But by continuing to call these issues to the attention of lawmakers, agency management, and the public, the Legislative Auditor’s office hopes to encourage open, transparent discussion on how best to resolve them, and, ultimately, how to improve the efficiency and effectiveness of government for all of the State’s residents.



# Act 461 Annual Report

## Third Quarter, Fiscal Year 2018 (January-March 2018)

### State Government Agencies

#### Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) – Public Assistance Program – March 14, 2018

- Completed work was not within the scope of the approved project. (Amount: \$4,403,334)
- Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records, or other applicable documentation. (Amount: \$17,500,129)
- Contracts and purchases totaling more than \$30,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements. (Amount: \$46,765,520)
- Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance. (Amount: \$4,125,608)
- GOHSEP's cost estimating tool and/or expense review form either omitted or contained duplicate and/or incorrectly categorized expenses. (Amount: \$609,807)

*Note: Since March 2008, the LLA has noted exceptions totaling \$1,214,176,762, which includes \$73,404,398 noted this period, and GOHSEP has resolved \$1,052,656,486, which includes \$82,517,481 resolved this period.*

#### Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) – Hazard Mitigation Program – March 14, 2018

- Completed work was not within the scope of the approved project. (Amount: \$1,041,556)
- 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: \$908,002)
- Contracts and purchases totaling more than \$10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements. (Amount: \$5,759,095)
- Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance. (Amount: \$259,772)

*Note: Since March 2008, the LLA has noted exceptions totaling \$269,506,541, which includes \$7,968,425 noted this period, and GOHSEP has resolved \$153,820,348, which includes \$12,869,483 resolved this period.*

### **Louisiana Workforce Commission (LWC) – January 24, 2018**

- Improper Eligibility Determination for Pre-Employment Transition Services - LWC improperly determined eligibility for 103 students participating in the Pre-Employment Transition Services program. As a result, LWC paid \$272,782 in Vocational Rehabilitation program funds for services for ineligible students.
- Inadequate Contract for Services (**Repeat**) - LWC's contract with Geographic Solutions, Inc. lacked key essential terms.
- Inadequate Change Management (**Repeat**) - LWC did not establish adequate policies and procedures over changes made to the computer systems used to administer the Unemployment Insurance (UI) program.
- Unreliable Financial Reporting (**Repeat**) - LWC did not have adequate controls to ensure proper financial reporting over the Unemployment Trust Fund. Audit procedures revealed that these reports contain inaccurate information and non-reconciling items. As a result, we were unable to rely on these reports to provide sufficient, appropriate audit evidence. In addition, we were unable to confirm or verify by alternate means (1) Accounts Receivable of \$81,335,322 less allowance for Uncollectibles of \$57,381,362, which represents amounts due from claimants for overpayments of unemployment benefits and (2) Due to Federal Government of \$9,059,321, which represents amounts due to the Federal government for overpayments to claimants related to Federal unemployment programs.
- Noncompliance with Federal Regulations over Benefit Overpayments (**Repeat**) - LWC did not ensure compliance with UI regulations that improve program integrity and reduce overpayments.

### **University of Louisiana at Lafayette (UL Lafayette) – January 24, 2018**

- Inadequate Accounting of Grants and Contracts - UL Lafayette does not have adequate controls over its accounting processes for grants and contracts to ensure they are accurately recorded and properly classified in the financial statements. Revenues of nine grants were overstated by \$2.1 million, revenues of two grants were understated by \$595,000, and revenue sources of \$694,000 were misclassified.

### **Executive Department, Division of Administration, Office of Community Development (OCD) – March 14, 2018**

- (**Repeat**) OCD identified \$281 million in noncompliant Community Development Block Grant (CDBG) Homeowner Assistance Program awards for 7,477 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.
- (**Repeat**) OCD identified \$28.1 million in CDBG Small Rental Property Program loans for 272 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.

- OCD improperly authorized and provided CDBG funds for the payment of \$196,389 in ad valorem property taxes on land and property in Orleans Parish obtained by the Louisiana Land Trust under the Road Home program and subsequently transferred to the New Orleans Redevelopment Authority. These payments resulted in noncompliance with Federal regulations and increase the risk of disallowed costs that would require repayment to the Federal grantor.

### **Louisiana Department of Health – March 14, 2018**

- Inadequate Controls over Quarterly Federal Expenditure Reporting (**Repeat**) - LDH failed to accurately complete the required quarterly reports of Federal expenditures, including an error resulting in a \$23.3 million overstatement of the Children’s Health Insurance Program (LaCHIP) and \$14.8 million understatement of the Medical Assistance Program (Medicaid).

## **Local Government Agencies**

We did not issue any local government agency reports that met the Act 461 criteria this quarter.



## **Fourth Quarter, Fiscal Year 2018**

*(April-June 2018)*

## **State Government Agencies**

### **Executive Branch Agencies – April 17, 2018**

- Louisiana has spent approximately \$5 million on lawsuits involving sexual harassment claims since FY 2010. (**Amount: \$5,026,006**)

### **Louisiana Department of Health – Reliability of Medicaid Provider Data – June 20, 2018**

- LDH did not ensure that the MCOs used valid provider type and specialty combinations. (**Amount: \$13,091,888**)
- LDH accepted encounters from the MCOs when the provider registry indicated that the provider was disenrolled. (**Amount: \$136,000,000**)
- LDH did not use an edit to deny encounters that failed conditions regarding complete provider information. (**Amount: \$586,521,496**)
- LDH allowed 41 million encounters to be accepted where the provider identification was “0.” (**Amount: \$2,413,591,928**)

### **Louisiana State University at Shreveport – June 13, 2018**

- Louisiana State University Shreveport did not have adequate controls over outstanding student account balances, which increases the risk for these balances to continually increase and become uncollectible. (**Amount: \$1,840,000**)

## Local Government Agencies

### East Baton Rouge Metropolitan Council – May 30, 2018

- The Consolidated Government of the City of Baton Rouge and Parish of East Baton Rouge (City-Parish) sold four pieces of real estate (immovable property) between January 2014 and February 2017 that it no longer needed for public purposes. Two of these properties were sold at auction for less than appraised value, which may be a constitutionally-prohibited donation of public property. In addition, the City-Parish may have violated its ordinances by failing to fix minimum prices and publish notices of proposed ordinances as required by state law. (Amount: \$595,800)



## First Quarter, Fiscal Year 2019

(July-September 2018)

## State Government Agencies

### Acadiana Area Human Services District – August 15, 2018

- AAHSD did not bill Medicare, Medicaid, and private insurance companies in accordance with insurers' contracts, resulting in AAHSD failing to collect \$185,885 of self-generated revenues during fiscal year 2017 and fiscal year 2018, as of January 30, 2018. (Amount: \$185,885)

### Office of Attorney General July 25 2018

- The AG did not deposit \$712,713 into the Fraud Fund in fiscal year 2016 in accordance with state law. (Amount: \$712,713)

### Central Louisiana Human Services District – July 5, 2018

- CLHSD did not have adequate controls over cash during the fiscal years ending June 30, 2017, and June 30, 2018, increasing the risk that errors or fraud, and noncompliance with state laws could occur and remain undetected. (Amount: \$632,543)
- CLHSD did not bill Medicare, Medicaid, and private insurance companies in accordance with insurers' contracts, resulting in CLHSD failing to collect \$224,411 of self-generated revenues during the fiscal year 2017 and fiscal year 2018, as of April 23, 2018. (Amount: \$244,411)

### Coastal Protection and Restoration Authority (Oil Spill) – September 19, 2018

- Amounts requested/invoiced are not supported by invoices, receipts, lease agreements, contracts, appraisals, labor policies, time records, equipment logs, or other applicable documentation. (Amount: \$1,418,665)

**Note:** Since June 13, 2017, LLA has noted exceptions totaling \$1,453,021, and CPRA has resolved \$1,452,642.

### Department of Environmental Quality – July 25, 2018

- **(Repeat)** For the sixth consecutive engagement, DEQ has not fully implemented effective monitoring procedures over the Waste Tire Management Program (WTMP) to ensure that waste tire data used to calculate subsidized payments to waste tire processors is reasonable. We first reported weaknesses in controls over payments to WTMP processors in our engagement that covered fiscal years 2008 and 2009. **(Amount: For the period July 1, 2007, through June 30, 2017, DEQ disbursed \$99.4 million in subsidies to six waste tire processors.)**

### Louisiana Department of Health – July 25, 2018

- LDH did not deposit approximately \$2.8 million into the Fraud Fund between fiscal years 2012 and 2017 in accordance with state law. **(Amount: \$2,797,768)**
- LDH incorrectly deposited \$323,570 into the Medicaid Fraud Fund in fiscal year 2012 that should have been deposited into the Nursing Home Residents' Trust Fund. **(Amount: \$323,570)**
- LDH spent \$477,266 from the Medicaid Fraud Fund in fiscal year 2017 for salaries that do not appear to meet the intended purpose of the Fraud Fund. **(Amount: \$477,266)**
- LDH spent \$642,593 from the Medicaid Fraud Fund in fiscal year 2012 on software that could not be implemented due to system compatibility issues. **(Amount: \$642,593)**

### Governor's Office of Homeland Security and Emergency Preparedness (Public Assistance) – September 26, 2018

- Completed work was not within the scope of the approved project. **(Amount: \$2,292,861)**
- Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records, or other applicable documentation. **(Amount: \$40,121,678)**
- Contracts and purchases totaling more than \$30,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements. **(Amount: \$11,952,466)**
- Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance. **(Amount: \$9,425,230)**
- GOHSEP's cost estimating tool and/or expense review form either omitted or contained duplicate and/or incorrectly categorized expenses. **(Amount: \$956,247)**

**Note:** Since March 2008, LLA has noted exceptions totaling \$1,205,520,847, which includes \$64,748,482 noted this period, and GOHSEP has resolved \$1,104,664,432, which includes \$52,007,946 resolved this period.

**Governor's Office of Homeland Security and Emergency Preparedness (Hazard Mitigation) – September 26, 2018**

- 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: \$1,759,080)**
- Contracts and purchases totaling more than \$10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements. **(Amount: \$1,477,274)**

*Note: Since March 2008, LLA has noted exceptions totaling \$272,995,408, which includes \$3,488,866 noted this period, and GOHSEP has resolved \$165,845,332, which includes \$12,025,985 resolved this period.*

**Local Government Agencies**

**District Attorney for the 42nd Judicial District – July 12, 2018**

- The DA's Traffic Diversion Program resulted in \$811,766 of revenue to the DA. If the traffic citations had not been diverted, \$1,070,000 would have been collected by the Sheriff and distributed to the Criminal Court Fund, DA, Sheriff, and 11 other agencies as required by state law. **(Amount: \$1,070,000)**



**Second Quarter, Fiscal Year 2019**  
*(October-December 2018)*

**State Government Agencies**

**Louisiana Department of Health – October 31; November 8; December 5; December 12, 2018**

- Medicaid Eligibility: Modified Adjusted Gross Income (MAGI) Determination Process. For all 60 recipients tested from the Medicaid expansion adult group using MAGI-based determinations and renewals, LDH did not utilize federal and/or state tax data to verify self-attested tax filer status and household size or to verify certain types of income, including self-employment income, out-of-state income, and various unearned income. If LDH policies and processes were strengthened, the department could experience annual cost avoidance of approximately \$111 million. **(Amount: \$111,000,000)**
- **(Repeat)** LDH has improved its process to identify incarcerated Medicaid recipients and recovered approximately \$25 million in per member per month fees (PMPMs) from January 1, 2014, through March 31, 2018. However, LDH needs to continue working with DOC to improve its process, as we identified an additional \$2.1 million in PMPMs that the department improperly paid on behalf of 1,010 Medicaid recipients but did not recover from January 1, 2014, through June 30, 2017. **(Amount: \$2,130,313)**
- 93 (93.0%) of the 100 Medicaid recipients in the targeted selection did not qualify for \$538,795 (66.3%) of the \$813,023 in PMPMs LDH paid on their behalf at some point during their Medicaid coverage. This happened, in part, because LDH relies on Medicaid recipients to self-report changes in their wages rather than proactively using LWC wage data to identify changes in recipient wages that occur during

the 12 months between application and renewal. LDH's policy decision to be a Federally-Facilitated Marketplace (FFM) determination state and caseworker errors also contributed to these ineligible recipients. (Amount: \$538,795)

- 82 (82.0%) of 100 Medicaid recipients in the random sample did not qualify for \$382,420 (47.3%) of the \$808,341 in PMPMs LDH paid on their behalf. Because this sample was random, we were able to project these results to the entire population of 19,226 single-person household Medicaid expansion recipients. Based on this projection, it appears that LDH may have paid between \$61.6 million and \$85.5 million in PMPMs for Medicaid recipients who did not qualify at some point during their Medicaid coverage. (Amount: \$382,420)
- 82 (82.0%) of 100 Medicaid recipients in the random sample did not qualify for \$382,420 (47.3%) of the \$808,341 in PMPMs LDH paid on their behalf. Because this sample was random, we were able to project these results to the entire population of 19,226 single-person household Medicaid expansion recipients. Based on this projection, it appears that LDH may have paid between \$61.6 million and \$85.5 million in PMPMs for Medicaid recipients who did not qualify at some point during their Medicaid coverage. (Amount: Between \$61.6 million and \$85.5 million)
- LDH settled with providers in 11 (36.7%) of 30 improper payment cases we reviewed from fiscal year 2012 through 2017 for \$321,729 less than the original identified improper payment amounts without documentation justifying the reductions. Of the 11 settled cases, two (18.2%) were settled for less than the Federal Financial Participation (FFP, or federal share), resulting in LDH having to use state funds to pay back the federal government. (Amount: \$321,729)

#### **Department of Public Safety and Corrections - Public Safety Services – December 10, 2018**

- DPS was unable to provide support to determine that statutory dedicated funds totaling approximately \$2.4 million were spent for public safety services in the New Orleans area as required by Louisiana Revised Statute 40:1402. (Amount: \$2,400,000)

#### **Department of Revenue – December 19, 2018**

- LDR incorrectly reported net receivables in its 2018 Annual Fiscal Report. (Amount: \$31,100,000)

#### **Office of Lieutenant Governor and Department of Culture, Recreation, and Tourism – November 15, 2018**

- (Repeat) Louisiana Seafood Marketing and Promotion Board (Board) employees and Office of Lieutenant Governor employees did not follow established internal control policies and procedures related to the review and approval of Seafood Marketing Program expenditures. The Board continued to procure professional and consulting services totaling \$82,831 without the initiation of a formal contract or agreement. In addition, 167 (86%) invoices lacked evidence of prior approval to initiate the purchases. Of the 167 invoices that lacked evidence of prior approval, 37 (22%) invoices totaling \$141,724, relating to 25 different projects, were paid without obtaining the required quotes or a formal contract or agreement with the vendor. (Amount: \$224,555)

### **Louisiana Delta Community College – December 19, 2018**

- **(Repeat)** The college overstated student account balances on the annual fiscal report. **(Amount: \$1,200,000)**
- Waivers to out-of-state students were granted without developing criteria or documenting reasons for granting the waivers. **(Amount: \$177,000)**

### **LSU Health Sciences Center - Health Care Services Division – December 12, 2018**

- During fiscal year 2018, HCSD did not attempt to collect from a contractor, HarmonIQ, debt totaling \$163,544 for services performed from February 2016 through November 2016. **(Amount: \$163,544)**
- **(Repeat)** For the third consecutive year, LSU Health Sciences Center, Health Care Services Division and Louisiana State University administration did not have a final, signed agreement for the equipment being utilized by the partner managing the University Medical Center New Orleans. In addition, the state has not been reimbursed for supplies and other items purchased related to a separate agreement. **(Amount: \$8,400,000)**

### **Louisiana State University Health Sciences Center in Shreveport – December 10, 2018**

- The Center did not have adequate controls over contracts to pursue collection of accounts receivable and failed to establish proper allowance and write-off procedures. **(Amount: \$2,000,000)**

## **Local Government Agencies**

### **City of Jeanerette – October 24, 2018**

- Unpaid Federal and State Payroll Taxes **(Amount: \$182,308)**

### **Sewerage and Water Board of New Orleans – November 7, 2018**

- S&WB contract documentation included possible constitutional violations related to the donation of public funds, possible bid law violations, lack of appropriate approvals, and insufficient monitoring of conflicts of interest. The board operates its pumps with a combination of power purchased from Entergy and power produced from its own turbines; however, it costs the S&WB more than double to produce its own power rather than buy power from Entergy. In addition, auditors cited concerns with the S&WB's internal communications, declining cash reserves, and ability to hire and retain qualified staff. **(Estimated amount: >\$150,000)**



**Total for Calendar Year 2018 - More than \$3.8 billion**



# Agency Index



Agency	Page No(s).	F	LSU and Related	Public Safety & Corrections, Department of..... 13
<b>A</b>				
Acadiana Area Human Services District..... 12		Fenton, Village of..... 28	Campuses..... 7, 20	
<b>B</b>				
Attorney General, Office of..... 18		<b>G</b>		
		Governor's Office of Homeland Security and Emergency Preparedness ..... 16	LSU at Shreveport ..... 7	<b>R</b>
			LSU Health Sciences Center - Health Care Services Division..... 8	Red River Parish Communications District... 29
			LSU Health Sciences Center in Shreveport..... 8	Revenue, Department of ..... 15
			LSU System ..... 7	<b>S</b>
<b>B</b>				
Baton Rouge (Consolidated City/East Baton Rouge Parish Government)..... 28		<b>H</b>		
		Health, Louisiana Department of ..... 3, 10, 18, 20, 21, 27		St. Tammany Parish (Act 774)..... 25
<b>C</b>				
Bossier Parish Community College ..... 8		<b>I</b>		
		Insurance, Department of ... 12	<b>M</b>	Sewerage and Water Board of New Orleans..... 26
			Monroe City School Board .. 30	South Louisiana Community College ..... 9
<b>C</b>				
Central Louisiana Human Services District..... 11		<b>J</b>		
		Jeanerette, City of ..... 30	<b>N</b>	State, Department of ..... 15
<b>D</b>				
Children and Family Services, Department of ..... 9		<b>K</b>		
		Killian, Town of..... 26	Natchitoches Fire Protection District No. 1 ..... 29	State Bond Commission..... 6
			Natural Resources, Department of..... 13	
			New Orleans, City of ..... 29	<b>T</b>
			New Orleans Jazz Orchestra, Inc..... 30	Thrive Academy ..... 6
<b>D</b>				
Delgado Community College ..... 8		<b>L</b>		
		Louisiana Board of Regents ..... 7		<b>U</b>
		Louisiana Delta Community College ..... 9		University of Louisiana at Monroe..... 8
		Louisiana Economic Development..... 17	<b>O</b>	
		Louisiana Office of the Lieutenant Governor..... 18	Office of Financial Institutions..... 16	<b>V</b>
		Louisiana River Pilot Review and Oversight, Board of..... 6	Office of State Lands ..... 17	Vermilion and Iberia Railroad Development District Board of Commissioners..... 6
		Louisiana State Employees' Retirement System..... 19	Office of State Parks..... 27	
		Louisiana Workforce Commission..... 4, 18, 21	<b>P</b>	Vidalia, Town of ..... 25
			Pearl River, Town of ..... 25	Ville Platte, Housing Authority of ..... 28
			Pharmacy, Louisiana Board of..... 5	
			Pinecrest Supports and Services Center ..... 11	<b>W</b>
				Work Out Now: WON Louisiana Legislative Commission..... 6

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