

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

THIRD QUARTER, FISCAL YEAR 2018



REPORT TO THE JOINT LEGISLATIVE
COMMITTEE ON THE BUDGET
ISSUED MARCH 2018

**LOUISIANA LEGISLATIVE AUDITOR
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LOCAL GOVERNMENT SERVICES
THOMAS H. COLE, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report is available for public inspection at the Baton Rouge office of the Louisiana Legislative Auditor.

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

March 29, 2018

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

Dear Chairman LaFleur and Members of the Joint Legislative Committee on the Budget:

Act 461 of the 2014 Regular Session requires the Legislative Auditor to make quarterly and annual reportings to the Joint Legislative Committee on the Budget of certain audits which have findings with a dollar impact of \$150,000 or more relative to waste or inefficiencies, missed revenue collections, erroneous or improper payments or overpayments by the state, theft of money, failure to meet funding obligations such as pension or health benefits, failure to comply with federal fund or grant requirements, failure to comply with state funding requirements, misappropriation of funds, errors in or insufficient support for disaster expenditures, accountability of public money associated with various disasters such as the Deepwater Horizon event, and repeat findings.

Attached is our report to meet the requirements of Act 461 for the third quarter of Fiscal Year 2018. That report is linked and referenced to the full reports which contain the applicable findings of interest, as well as management's responses.

We are available to present the information that is of interest to your committee. We hope that this report assists you in your legislative decision-making process.

Sincerely,

A handwritten signature in blue ink that reads "Thomas H. Cole".

Thomas H. Cole, CPA
First Assistant Legislative Auditor

THC/ch

ACT 461 REPORTING – MARCH 2018

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STATE 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*) (p.3)
- Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records, or other applicable documentation. (*Amount: \$17,500,129*) (p.3)
- Contracts and purchases totaling more than \$30,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements. (*Amount: \$46,765,520*) (p.3)
- Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance. (*Amount: \$4,125,608*) (p.3)
- GOHSEP's cost estimating tool and/or expense review form either omitted or contained duplicate and/or incorrectly categorized expenses. (*Amount: \$609,807*) (p.3)

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*) (p.2)
- Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, HUD settlement statements, appraisals, elevation certificates, duplication of benefits verifications, engineer plans, inspection photographs, or other applicable documentation. (*Amount: \$908,002*) (p.2)
- 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*) (p.3)
- Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance. (*Amount: \$259,772*) (p.3)

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. (p.7)
- **Inadequate Contract for Services (Repeat)** - LWC's contract with Geographic Solutions, Inc. lacked key essential terms. (p.5)
- **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. (p.1)
- **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. (p.5)
- **Noncompliance with Federal Regulations over Benefit Overpayments (Repeat)** - LWC did not ensure compliance with UI regulations that improve program integrity and reduce overpayments. (p.4)

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. (p.1)

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. (p.2)

- **(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. (p.3)
- 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. (p.5)

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). (p.2)

LOCAL GOVERNMENT AGENCIES

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