

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

FIRST QUARTER, FISCAL YEAR 2019



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

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
LOCAL GOVERNMENT SERVICES
THOMAS H. COLE, CPA

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

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's website at www.lla.la.gov.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Elizabeth Coxe, Chief Administrative Officer, at 225-339-3800.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

October 2, 2018

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

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

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

Attached is our report to meet the requirements of Act 461 for the first quarter of Fiscal Year 2019. That report is linked and referenced to the full reports which contain the applicable findings of interest, as well as management's responses.

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

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch

ACT 461 REPORTING – OCTOBER 2018

TABLE OF CONTENTS

	Page
State Agencies.....	2
Local Government Agencies.....	5

STATE AGENCIES

Acadiana Area Human Services District

- 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*) (p.1)

Office of Attorney General

- The AG did not deposit \$712,713 into the Fraud Fund in fiscal year 2016 in accordance with state law. (*Amount: \$712,713*) (p.4)

Central Louisiana Human Services District

- 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*) (p.2)
- 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*) (p.3)

Coastal Protection and Restoration Authority (Oil Spill)¹

- 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*) (p.2)

Department of Environmental Quality

- **(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.*) (p.1)

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

Louisiana Department of Health

- 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*) (*p.4*)
- 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*) (*p.7*)
- 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*) (*p.8*)
- 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*) (*p.8*)

Governor's Office of Homeland Security and Emergency Preparedness (Public Assistance)²

- Completed work was not within the scope of the approved project. (*Amount: \$2,292,861*) (*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: \$40,121,678*) (*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: \$11,952,466*) (*p.3.*)
- Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance. (*Amount: \$9,425,230*) (*p.3*)
- GOHSEP's cost estimating tool and/or expense review form either omitted or contained duplicate and/or incorrectly categorized expenses. (*Amount: \$956,247*) (*p.3-4*)

² 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)³

- 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*) (p.2-3)
- Contracts and purchases totaling more than \$10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements. (*Amount: \$1,477,274*) (p.3)

³ 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

- 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*) (p.10)