KEY Audit Issues

and Act 461 Report

2017 Edition

Better Information, Better Louisiana

Annual Report to the Legislature • February 2017

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 2016 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 two main categories – *State Government* and *Local Government*. The *State Government* category is divided further into specific agencies listed alphabetically. The report summaries that follow reflect only a portion of the nearly 4,500 reports released in calendar year 2016 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 2016, 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 www.lla.la.gov. These reports include agency responses. In some instances, changes already may have been implemented or be in progress.

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*ACT 461 Reporting Requirements

Act 461, 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:

- 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; or
- repeat findings.

Overall, the cumulative financial impact of these reports from 2016 is **at least $1,619,821,421**.

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."

In 2016, the LLA released 195 staff reports covering a variety of topics and state agencies. That was approximately 34 reports more than in 2015 and 33 more than in 2014. In addition, the Legislative Auditor oversaw the work of nearly 320 independent contract audit firms that conducted more than 4,000 audits and other types of engagements on state and local government.

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

In addition to the audit reports it issues, the LLA provides many other services. For example, in 2016 the office prepared 116 fiscal notes for legislation affecting the expenditures of political subdivisions. The office also prepared 164 actuarial notes for legislation affecting the 13 state and statewide public retirement systems. That was approximately 54 percent, or 88 more actuarial notes than in calendar year 2015. The LLA also reviewed 2,770 millages levied in the state and prepared 15 legal opinions.

Approximately 265 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 written and 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 allegations, 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.

Key Personnel

Thomas H. Cole, *CPA*
First Assistant Legislative Auditor/ Local Government Audit Services

Nicole Edmonson, *MPA, CIA, CGAP, CRMA*
Assistant Legislative Auditor for State Audit Services

Elizabeth Coxe, *MSLS, CTP*
Chief Administrative Officer

Jenifer Schaye, *JD, CFE*
General Counsel

Bradley Cryer, *CPA*
Assistant Legislative Auditor and Director of Local Government Services

Roger Harris, *JD, CCEP*
Assistant Legislative Auditor and Director of Investigative Audit Services

Karen LeBlanc, *CIA, MSW*
Assistant Legislative Auditor and Director of Performance Audit Services

John Morehead, *CPA*
Assistant Legislative Auditor and Director of Recovery Assistance Services

Ernest Summerville, Jr., *CPA*
Assistant Legislative Auditor and Director of Financial Audit Services

Our Vision

We envision an accountable, transparent, responsive government that provides efficient and effective services for the benefit of the people of Louisiana.

Our Goals

Plan and perform quality audit and advisory services of state and local governments and not-for-profit organizations in an efficient and effective manner.

Communicate the results of our audit services to the public, Legislature, public officials, and other decision makers timely and effectively.

STATE GOVERNMENT

Did you know?

All of our audit reports can be found online.
Log on to **www.lla.la.gov** to find current and archived reports.

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

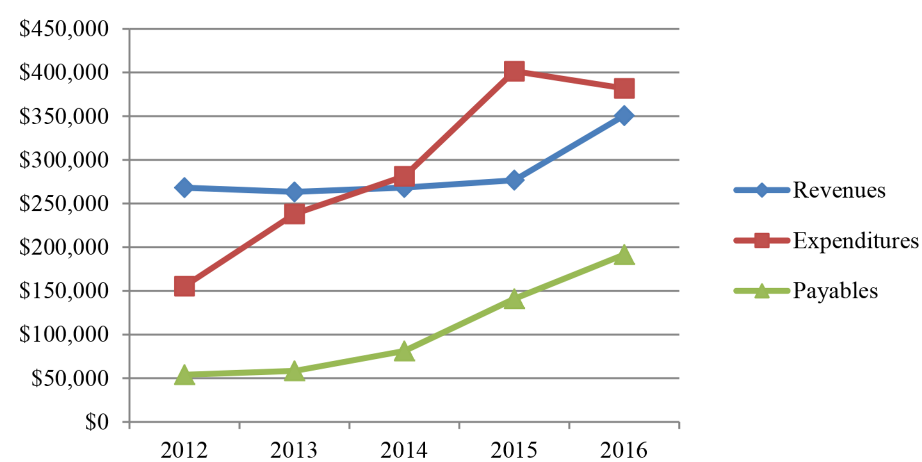
Financial Audit Services focuses on whether agencies and universities have adequate controls in place to ensure accountability over public funds and compliance with state and federal laws, regulations, and grant agreements. Performance Audit Services evaluates the economy, efficiency, and effectiveness 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 Levee Districts

Auditors in LLA's Financial and Performance Audit Services sections performed 29 engagements on various boards, commissions, and levee districts whose fiscal years ended June 30, 2016. Auditors evaluated certain controls to ensure accurate financial reporting, compliance with applicable laws and regulations, and overall accountability over public funds. These procedures disclosed deficiencies and/or noncompliance in areas including, but not limited to, ethics training, contracts, travel regulations, financial reporting, payroll, and segregation of duties. In addition to these reports, Financial Audit Services released the following report on the Health Education Authority of Louisiana, which falls under this category.

Health Education Authority of Louisiana – Evaluation of Operations and Funding • January 18, 2017

HEAL Revenues and Expenses



Source: HEAL's Audited Financial Statements

An evaluation of the Health Education Authority of Louisiana's (HEAL) operations, including the sources and uses of its funding, identified numerous weaknesses. Auditors found that HEAL has not funded a construction project since 2004, but between 1968 and 2004, it financed nine construction projects totaling $253.4 million, including the HEAL parking garage in New Orleans, which is the primary source of its revenue. In addition, HEAL's expenses increased 153 percent between fiscal years 2012 and 2016, while its revenue remained relatively consistent from fiscal years 2012 to 2015, increasing 3 percent. Revenue did increase 27 percent in fiscal year 2016 but that was a result of refinancing some outstanding bonds. The result was deficit spending in fiscal years 2014 through 2016. HEAL staff also circumvented state purchasing oversight controls and violated state purchasing regulations. Auditors found as well that HEAL staff and board members violated state regulations for travel mileage reimbursements, required ethics training, and required reporting to the Division of Administration.

Louisiana State Board of Dentistry – Regulation of the Dental Profession • October 24, 2016

Auditors found that LSBD did not conduct inspections of 568 (35.5 percent) of 1,600 dental offices between fiscal years 2012 and 2014. In addition, LSBD did not always notify dental offices of violations or require dentists to submit proof that violations were corrected. Auditors also found instances in which offices with similar violations were disciplined differently.

Louisiana Tax Commission – Inventory Tax Credit – Financial Risks to the State Associated with the Inventory Tax Credit • June 1, 2016

The state could save money by better administering the inventory tax credit and by passing laws to clarify what kinds of businesses can claim the credit. Businesses have an incentive to reclassify property as inventory so that they can claim the inventory tax credit, which is not available for other classes of property. Auditors found that the state might have paid out $20 million more each year from 2007 to 2014 for these improperly classified inventories. Additionally, the state could save approximately $33 million annually by clarifying that the credit is only available for businesses that are formally classified as manufacturers, distributors, or retailers.

State Bond Commission – Impact of State Borrowing Activities on Louisiana's Future Financial Resources • February 15, 2016

Short-term Measure	Amount	Future Cost to State
Use of Bond Premiums	$210 million	$71 million
Execution of Bond Defeasances	$335 million	$160 million
Long-term Cost to the State		**$231 million**

The state ultimately will pay $231 million in interest over the next 20 years as a result of borrowing activities undertaken to reduce deficits in the General Fund between fiscal years 2011 and 2016. The State Bond Commission used $210 million in bond proceeds to pay debt service on other bonds; effectively, the Commission used borrowed money to pay the state's ordinary operating expenses. As a result, the state will need to repay the full $210 million with an additional $71 million in interest over 20 years. The Commission also approved the use of $335 million in non-recurring revenue for short-term bond defeasances, as required by legislation. However, these funds also could have been used for capital outlay, which would have enabled the state to avoid $160 million in interest payments over 20 years. The report suggested that the State could avoid expanding the nine-year backlog of capital outlay projects by approving less new spending, appropriating cash for existing projects, and raising additional revenues to increase the borrowing limit. Auditors also estimated that the state would see a $7 million reduction in its annual borrowing capacity (based on the state's debt limit) if its credit rating were downgraded from Aa2 to Aa3.

Board of Regents

Delgado Community College • December 14, 2016

Weaknesses in Controls over Movable Property

Delgado Community College was unable to locate $1,277,852, or 3.7 percent, of the college's total movable property. Of that amount, $575,451 was identified in fiscal 2016, the majority of which was computers and computer-related equipment. Failure to establish sufficient controls over property increases the risk of financial misstatements, loss arising from theft or unauthorized use, and noncompliance with state laws and regulations. Furthermore, because of the nature of services provided, there is a risk that sensitive information could be improperly taken from missing computers and/or computer-related equipment.

Louisiana Delta Community College • November 16, 2016

Inadequate Collection Procedures over Delinquent Student Accounts

LDCC did not send out any billing notices for student accounts with unpaid balances, which totaled approximately $1.4 million as of June 30, 2016. The college also did not transfer any fiscal year 2016 delinquent accounts to the Louisiana Office of Debt Recovery. Furthermore, the college did not clearly define when an account is considered delinquent. Not sending billing notices to students for overdue accounts and failing to transfer delinquent accounts to ODR hinders the collectability of the outstanding balances, which may impair the college's funding of ongoing operations. In addition, not clearly defining when an account is considered delinquent hinders the college's ability to drop non-paying students in a timely manner.

LSU Health Care Services Division • December 21, 2016

Weaknesses in Agreements for Use of State Assets

At June 30, 2016, HCSD and LSU did not have complete, signed agreements in place for all equipment, buildings, and parking lots used by the partner managing the University Medical Center New Orleans. As a result, HCSD and LSU were unable to provide sufficient support for the method used to account for the assets and related transactions in HCSD's Annual Fiscal Report, resulting in significant identified and potential misstatements. The outstanding lease issues included: a second amendment to the UMCNO buildings and parking lot lease agreement for future lease payments of approximately $51 million that was not signed at June 30, 2016; an agreement for the use of equipment purchased by the state for UMCNO with scheduled lease payments totaling approximately $90 million over five years that was not signed as of June 30, 2016, and did not contain a listing of equipment to be leased; and the agreement for the partner's use of equipment from the closed Interim Louisiana Hospital, effective on June 24, 2013, with a lease term of 10 years and annual lease payments of approximately $3 million, that did not contain an agreed-upon Exhibit A listing the annual lease payment by equipment item as required by the agreement.

Weaknesses over State Assets in New Orleans Hospitals

For the second consecutive year, HCSD did not ensure assets purchased by the Division of Administration, Office of Facility Planning and Control for UMCNO were considered by the hospital's managing partner for tagging and entry into the state's asset management system. As of June 30, 2016, OFPC purchases totaling approximately $75 million had not been analyzed to determine if the related items were subject to Louisiana Property Assistance Agency requirements or properly reported in HCSD's financial statements. In addition, assets assigned to the Interim LSU Public Hospital in New Orleans totaling $1,153,106 were reported by the partner as unlocated.

Weaknesses over Property Control

For the second consecutive year, HCSD identified a significant amount of unlocated movable property associated with the now-closed Earl K. Long Medical Center in Baton Rouge. EKLMC's annual certification of property inventory was disapproved by the Louisiana Property Assistance Agency because of an unacceptable number of discrepancies reported in fiscal 2016. The latest certification disclosed unlocated property totaling $2,050,726 (or 93 percent) of the $2,212,284 remaining EKLMC movable property not being leased by the private partner.

McNeese State University • November 23, 2016

Failure to Submit Past-Due Student Accounts Receivable for Collection

McNeese State University did not submit past-due student accounts receivable to the Louisiana Attorney General for collection in accordance with its policy. Failure to submit these accounts for collection increases the risk that the accounts will become uncollectible. In September 2016, the University submitted 951 past-due accounts totaling $1,377,274 to the Attorney General. Prior to that, the last submission occurred in October 2014.

South Louisiana Community College • December 7, 2016

Inadequate Administration over Federal Direct Student Loans Program

For the second consecutive year, the College did not have an adequate process in place to properly calculate Direct Loan Fund awards and notify students of the amounts they were eligible to receive. As a result, students who were eligible for Direct Loan Funds may not have received any or all funds for which they were eligible. Auditors found that six (50 percent) of the 12 students tested were not offered $11,400 in subsidized and/or unsubsidized loans that they were eligible to receive. In addition, the College incorrectly calculated subsidized and/or unsubsidized loan awards for five (42 percent) of the 12 students tested who were eligible to receive an additional $1,502.

Unlocated Movable Property

The College's campuses submitted annual certifications of property inventory to the Louisiana Property Assistance Agency during fiscal year 2016 that reported unlocated movable property items totaling $1,963,712, of which $1,437,682 was for computers and computer-related equipment. Failure to adequately monitor, secure, and account for all movable property and to locate missing items subjects the College's movable property to an increased risk of loss and/or unauthorized use and to noncompliance with state laws and regulations. Furthermore, because of the nature of the services provided by the College, there is a risk that sensitive information could be improperly taken from the missing computers and/or computer-related equipment.

Southern University Baton Rouge Campus – Review of Campus Buildings • February 17, 2016

Auditors found safety deficiencies and potentially hazardous conditions on the SUBR campus, including 21 buildings with life safety code deficiencies cited by the Office of the State Fire Marshal; two buildings on "fire watch" because fire alarms and/or sprinklers were not operational; three buildings in noncompliance with the Americans with Disabilities Act accessibility standards; and multiple buildings with deteriorating conditions causing environmental issues. Auditors also analyzed repair and maintenance funding, noting that limited funding presented challenges to correcting life safety code deficiencies, completing court-ordered ADA modifications, and remediating the deteriorating condition of SUBR buildings.

Ceiling tiles in John W. Fisher Hall

Source: Photo taken by legislative auditor staff (August 2015).

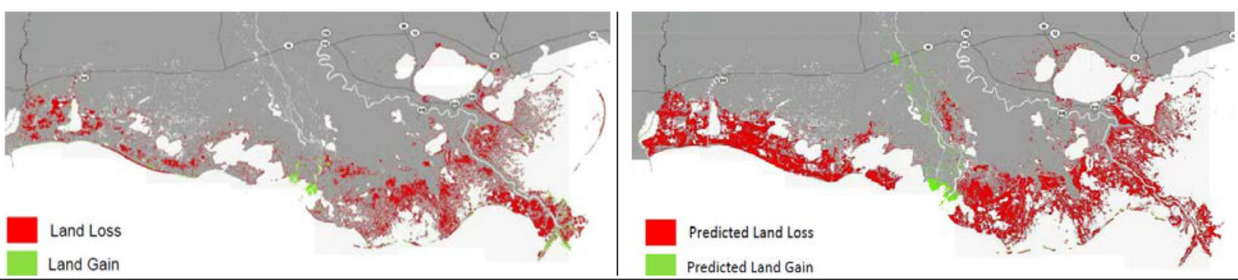
Coastal Protection and Restoration Authority

Oversight of Project Funding and Outcomes • January 20, 2016

In 2012, CPRA implemented a $50 billion, 50-year master plan that includes projects vital to increasing flood protection and creating a self-sustaining coastal landscape. While CPRA estimates that approximately $12.4 billion worth of protection and restoration projects have been constructed or are currently under construction since 2008, the majority are not part of the master plan, and CPRA has made only small progress toward implementing the plan. CPRA has identified $19.5 billion for funding the master plan, but only $9.7 billion is guaranteed. Louisiana also needs to pay back billions of dollars to the federal government for federal and state cost sharing projects that are not part of the master plan, such as the Hurricane Storm Damage Risk Reduction System project.

Past and Potential Future Net Land Change

Net Land Change Between 1932 to 2010 | **Net Land Change by 2061 if No Action is Taken**



Source: Prepared by legislative auditor's staff from a presentation prepared by CPRA.

Department of Children and Family Services

Management Letter • December 19, 2016

Control Weakness over Temporary Assistance for Needy Families Work Verification Plan

For the fifth consecutive year, DCFS did not ensure that all documentation required under the TANF program cluster was maintained, potentially subjecting the Department to financial penalties from the federal government. The federal grantor could assess the state penalties totaling not less than 1 percent and not more than 5 percent of the $111 million adjusted grant award; however, the likelihood of such an assessment is unknown.

Inadequate Control over Temporary Assistance for Needy Families Eligibility Documentation

For the fourth consecutive year, DCFS did not have accurate and complete eligibility documentation for clients receiving cash benefits under the TANF program cluster. Because DCFS case workers failed to include all required documentation in three (12 percent) of 25 case files reviewed, it is likely a significant number of eligibility documents are missing in a program that disbursed approximately $19 million in cash assistance during fiscal year 2016. These exceptions increase the risk that clients may receive benefits to which they are not entitled and could result in DCFS having to repay the funds to the federal grantor.

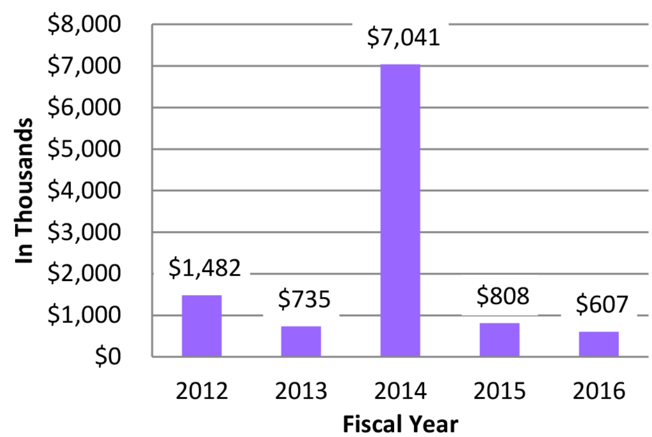
Department of Education

Recovery School District • December 19, 2016

Inadequate Controls over Movable Property

For the 10th consecutive year, RSD did not maintain and accurately report equipment as required by state equipment regulations and did not maintain accurate information in the state's movable property system. RSD's annual certification of property inventory, which was submitted to the Louisiana Property Assistance Agency on April 18, 2016, was disapproved because of an unacceptable number of discrepancies in fiscal 2016. The certification disclosed $607,229 in unlocated movable property for the current period and $5,657,316 for items reported as unlocated in the previous three years that remained unlocated in fiscal year 2016.

Unlocated Property - Initial Year Reported



Source: Fiscal Year 2012-2016 Annual Property Certifications

Department of Environmental Quality

Procedural Report • September 28, 2016

Inadequate Controls over the Waste Tire Management Program

DEQ has not fully implemented effective monitoring procedures over the Waste Tire Management Program to ensure that the data used to calculate subsidized payments to waste tire processors is reasonable. This increases the risk that subsidies could be based on inaccurate data, resulting in overpayments. Between July 1, 2007, and June 30, 2015, DEQ disbursed $78.9 million in subsidies to six waste tire processors.

Department of Health (formerly Department of Health and Hospitals)

Adult Protective Services • February 29, 2016

LDH designed the Adult Protective Services program to meet most program guidelines recommended by best practices; however, it could improve in some areas. APS management should develop a caseload standard policy and a detailed training policy. APS also should improve its documentation and review of abuse and neglect intake reports to ensure allegations of abuse and neglect are appropriately screened and categorized, and it should require improved documentation of capacity determinations and monthly supervisor case reviews to ensure caseworkers conduct thorough and timely investigations. In fiscal year 2014, APS management established stricter timeframes for face-to-face contacts and completion of case investigations, but not all cases met these timeframes. APS could better serve its clients by collecting better data on risk assessment scores and service referrals, as well as tracking clients with repeat cases, to help management identify outcomes and trends. APS management faces several challenges, such as multiple data systems, low staffing levels, and an increase in the number of complex cases involving financial exploitation.

Improper Payments to Waiver Service Providers

For the fifth consecutive year, LDH paid New Opportunities Waiver (NOW) and Community Choice Waiver (CCW) claims under Medicaid totaling $13,989 ($8,703 in federal funds and $5,286 in state funds) for waiver services that were not documented as required. NOW is administered by the LDH Office for Citizens with Developmental Disabilities and CCW by the LDH Office of Aging and Adult Services. Improper payments for waiver services have been reported in 14 of the last 17 audits, totaling $609,008.

Inadequate Controls over Quarterly Federal Expenditure Reporting

For the second consecutive year, LDH failed to accurately complete the required quarterly reports of federal expenditures, including more than $250 million in errors that were not discovered before the reports were submitted to the federal oversight agency. The federal expenditures reported in the quarterly reports are used to reconcile the draws of federal funds. Uncorrected errors increase the risk that federal funds will be overdrawn or underdrawn, place LDH in noncompliance with federal regulations, and limit the usefulness of the reports.

Noncompliance with Subrecipient Monitoring Requirements

For the second consecutive year, the Office of Public Health did not adequately monitor WIC program subrecipients. OPH did not verify that contracted local agency subrecipients received an audit in accordance with federal regulations when appropriate and did not issue management decisions on applicable findings. Failure to properly monitor subrecipients could result in noncompliance with program requirements and increase the likelihood that the state may have to return funds to the federal grantor. The WIC program as a whole served an average of 128,000 participants per month with a total annual program cost of $104 million. OPH has provided approximately $6 million annually to WIC subrecipients during the past three fiscal years.

Noncompliance with Third-Party Liability Requirements

For the second consecutive year, LDH failed to maintain required processes that identify and recover paid claims where a third party is liable to pay for medical services provided to Medicaid-eligible recipients. In addition, for at least eight months of fiscal year 2016, LDH did not establish alternate procedures to pursue and recover previously identified instances of third-party liability that the Department continued to report at more than $29 million.

Noncompliance with Vendor Monitoring and Cost Containment Requirements

For the second consecutive year, OPH did not implement cost containment requirements and adequately monitor WIC program vendors. Failure to implement cost containment requirements and properly monitor vendors can result in inflated food costs, undetected vendor violations, and federal claims to recover excess food funds. Without the proper procedures in place, it is unknown how much of the $73 million in food costs is at risk of noncompliance with program regulations.

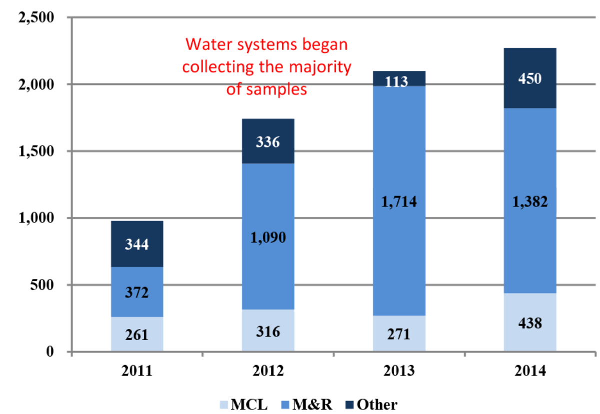
Medicaid Recipient Eligibility – Managed Care and Louisiana Residency • October 26, 2016

LDH needs to strengthen its processes for verifying and updating, in a timely manner, the eligibility of Medicaid recipients who do not meet the Louisiana Medicaid residence requirement. Because of weaknesses in the current processes, LDH did not identify recipients who moved out-of-state in a timely manner and continued to pay per member per month (PMPM) fees to the managed care organizations. The auditors' review noted erroneous payments of $943,274 from February 2012 through May 2016, with an additional $1,491,552 in questionable payments. The review focused on recipients with out-of-state addresses already updated by LDH. Other recipients who have moved from Louisiana and have not been identified by LDH likely exist.

Office of Public Health – Safe Drinking Water Program • August 10, 2016

An examination of the Department's regulation of drinking water found that the Office of Public Health needs to strengthen its monitoring and enforcement activities to better ensure that water systems provide safe drinking water to consumers. Because of staffing reductions and a new EPA rule that requires increased sampling, OPH has had to rely on water systems to collect the majority of the samples used to test for contamination since 2012. As a result, OPH cannot fully ensure the integrity of these samples. Additionally, although OPH conducted all required sanitary surveys (onsite reviews of public water systems) of 89 percent of active water systems from 2009 to 2014, 48.1 percent of these surveys were not conducted within required timeframes. OPH also did not always cite water systems for violations of the public notification rules. From 2011 to 2014, OPH did not issue violations for 35.4 percent of unperformed public notifications. Finally, OPH did not always follow up to determine if water systems complied with corrective actions and did not always escalate enforcement actions when it identified continued noncompliance.

Number of Violations, Calendar Years 2011-2014



Source: Prepared by legislative auditor's staff using information contained in SDWIS as of September 30, 2015.

Department of Public Safety & Corrections

Corrections Services – Oversight and Benefits of the Transitional Work Program • April 18, 2016

The state benefits from the Transitional Work Program by paying a reduced per diem rate that results in savings of approximately $12.1 million per year for offenders who participate. In addition, the recidivism rates of offenders who participate in TWP are lower than offenders who do not. However, auditors found that nearly half of the TWP slots were not filled. If TWP facilities operated at capacity, the state could save an additional $7 million a year. Corrections Services also did not ensure that TWP providers deducted restitution and other obligations offenders owed from their wages. During calendar year 2015, providers only deducted 0.05 of a percent ($19,184 out of $38.8 million) of total restitution and obligation owed. During the same time period, offenders spent $6.4 million on commissary and cash allowances. Auditors found as well that Corrections Services should develop procedures to ensure that offenders participating in TWP are supervised at all times. Between fiscal years 2013 and 2015, offenders escaped 254 times.

Corrections Services – Evaluation of Strategies to Reduce Louisiana's Incarceration Rate and Costs for Nonviolent Offenders • September 5, 2016

Auditors found that of 128,612 individuals incarcerated or on supervision between fiscal years 2009 and 2015, 75,370 (58.6 percent) had nonviolent offenses only, meaning they had no violent convictions in their past, and 22,851 (17.8 percent) had drug offenses only. Expanding pretrial diversion and specialty courts could reduce the incarceration rate by diverting nonviolent offenders from prison. However, better data collection is needed to evaluate whether these programs are effective. Sentencing reforms, such as reducing the use of mandatory minimum sentences and the habitual offender law for nonviolent offenders, and sentencing certain nonviolent offenders to probation instead of prison also could reduce the incarceration rate. In addition, expanding rehabilitation programs in local facilities that are effective at decreasing recidivism and further expanding re-entry services at the local level to help offenders transition back into society would help reduce Louisiana's incarceration rate. Auditors also found that previous reform efforts have resulted in more offenders on parole, causing the caseloads of probation and parole officers to increase by 12.9 percent. Additional strategies to reduce the supervision required for low-risk, nonviolent offenders could reduce the incarceration rate by focusing probation and parole resources on offenders most likely to re-offend.

Corrections Services – Procedural Report • September 28, 2016

Offender Management System

The Department paid $3.6 million over three years to a vendor but was unable obtain a functioning integrated offender management system. In July 2012, the Department entered into a contract with the vendor to develop a new offender management system, which would integrate the Department's multiple systems to include all aspects of offender management from intake to release. The Department paid the vendor $3,643,033 as of June 30, 2016, to develop the system, which went live on June 15, 2015, but was taken off-line on July 31, 2015, because of system failures. During fiscal year 2016, the project was suspended because of funding issues and limited resources. However, the Department has received funding in fiscal year 2017 for OTS services and will re-evaluate the project.

Corrections Services – Oversight of Trusty Programs • December 6, 2016

Trusties are offenders classified as minimum security who are given privileges not available to the general prison population and who are provided with job assignments. Corrections Services does not ensure that all state correctional institutions comply with departmental regulations, which has resulted in some inmates being given trusty status, despite not being eligible. In addition, Dixon Correctional Institute's policies allow trusties who are assigned to work in state buildings in Baton Rouge to meet less stringent requirements regarding crimes of violence, and the Department does not collect centralized and electronic information on trusties, including when and why their trusty status was downgraded or removed. Auditors also found that staff at the Louisiana State Police Barracks used their internal inmate screening process to determine which inmates would be classified as trusties, which differs from LSP's departmental policy. LSP needs to establish departmental specific requirements for Barracks trusties, including what eligibility requirements can be waived.

Office of Juvenile Justice • December 7, 2016

Failure to Establish Approved Rates for Residential Care Facilities

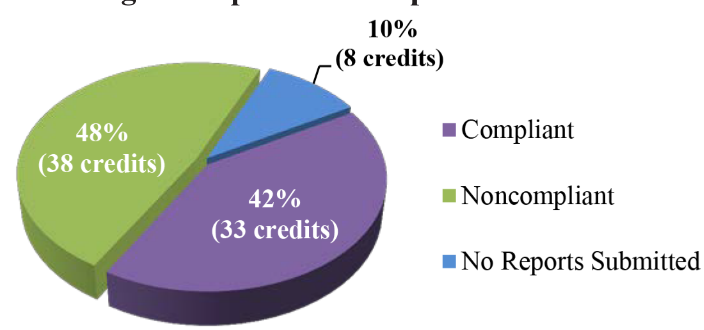
OJJ did not establish approved maintenance payment rates for its seven residential care facilities and continued to pay at unapproved rates without reimbursement of foster care funds from the Department of Children and Family Services. In the prior management letter for fiscal year 2015, auditors reported that OJJ developed a rate-setting methodology for residential facilities, which was used from April 2015 through June 2015. However, this methodology was not approved by DCFS. For fiscal year 2016, a new rate-setting methodology was not developed, submitted, or approved. Failure to establish approved payment rates resulted in noncompliance with foster care regulations and prevented OJJ from receiving federal reimbursement for the $2,229,880 paid to residential care facilities in fiscal year 2016. As a result, state funds had to be used. In addition, failure to obtain reimbursement within the two-year period of performance could result in the loss of federal reimbursement.

Department of Revenue

Tax Incentive Reporting – Follow-up on Agency Compliance with Act 191 of the 2013 Regular Session • September 14, 2016

Act 191 of the 2013 Regular Session requires, in part, that agencies annually report whether tax incentives have been successful in meeting their intended purposes and whether they have resulted in a positive return on investment for the state. Auditors conducted procedures as a follow-up to a May 2015 report on agency compliance with Act 191 of the 2013 Regular Session. They found 46 (58 percent) of the 79 tax incentive reports that agencies were required to submit to the Legislature by March 1, 2016, either were not submitted or did not comply with all of the reporting requirements. According to the 2015-2016 Tax Exemption Budget, the amount of revenue loss from these 46 incentives totaled approximately $1.1 billion in fiscal year 2015. In addition, return on investment information was not consistently reported to the Legislature. As a result, the legislative committees charged with making decisions to change or eliminate incentives are not receiving the information they need.

Percentage of Reports in Compliance with Act 191



Source: Prepared by LLA using 2016 Act 191 reports submitted to the Legislature.

Management Letter • November 30, 2016

Overpayment of Sales Tax Distributions to Local Government

LDR continued to overpay Algiers Economic Development District No. 1. The overpayment to the District, which has occurred since the beginning of a Cooperative Endeavor Agreement executed in 2004 is $7.3 million, including $494,454 in fiscal year 2016. LDR did not concur with the prior year finding and did not implement any corrective action during fiscal year 2016. Rather than using the excess of 1.25 cents of the sales tax collections in its calculation, LDR continued to use the total sales tax collections from the taxpayers in the District, which resulted in the overpayments.

Department of State

Procedural Report • July 27, 2016

Fines on Foreign Corporations and Foreign Limited Liability Companies

Based on the number of late filings, more than $5.3 million in fines from April 2015 through April 2016 could have been assessed but were not. Auditors' review of the statutes concluded that the Department of State, as the executive agency charged with the administration of state corporation laws, is responsible for assessing the fines established in state law on foreign corporations and foreign limited liability companies that fail or refuse to file their annual reports. Foreign corporations and foreign LLCs are required to submit their annual reports on or before their anniversary date of qualifying to transact business. The annual report provides DOS with current business information, including changes in registered agent, contact information, and physical location.

Department of Transportation and Development

Comite River Diversion Canal Project – Status and Reasons for Delays • January 18, 2017

Lilly Bayou Control Structure

Source: Prepared by legislative auditor's staff using information from the Amite River Basin Commission.

A lack of consistent and sufficient funding for the U.S Army Corps of Engineers is the primary reason little progress has been made on the Comite River Diversion Canal Project. Since 2000, only one of the 27 construction components of the project – the Lilly Bayou control structure – has been finished. Funding comes from a combination of federal, state, and local sources, including a dedicated millage paid by residents in the area that would benefit from the channel. As of September 20, 2016, approximately $133,439,096 in total funding had been designated for the project, with $117,260,135 spent and $16,178,961 not spent. More than $200 million in federal and state funds is needed to complete the project. In addition to not having consistent or sufficient monies, any funds that the Corps does receive for the Comite Project can be redirected to other work if they are not spent in the year in which they are appropriated. Auditors also found that insufficient purchasing of mitigation land by the Corps from 2002 through 2011 caused delays, as did state legislation that prohibited the expropriation of land for the project. The current delay is the result of U.S. Highway 61 bridge construction and utilities relocations that must take place to keep the project moving. Stakeholders in the project also have cited the need for a more comprehensive plan to help alleviate flooding along the entire Comite and Lower Amite river basins.

Department of Veterans Affairs

Joint Investigative Report • February 1, 2016

LLA and the Office of Inspector General (OIG) conducted a joint investigation of LDVA after receiving separate allegations involving actions occurring under the direction of now former Secretary David LaCerte. The investigation found seven issues, and some remain under investigation by the OIG. LDVA paid $44,128 to a company for improperly documented work without having a contract as required by law; used $27,560 in federal funds designated specifically for the Southeast Louisiana Veterans Cemetery in Slidell to purchase a Ford Expedition for use exclusively by headquarters' staff; and had $19,414 in improperly authorized, advanced, and/or reimbursed travel expenses. LDVA employees also failed to disclose information about potential crimes affecting veteran residents at multiple War Veterans Homes, and the Department did not properly budget for Veteran Service Office operations, which resulted in some parishes paying too much for services and others not paying enough. In addition, the former secretary engaged in questionable organizational, hiring, and pay practices that appear to have contributed to an environment with little accountability, and his service record did not support the military service cited in his biography, which was posted on the LDVA website during his tenure.

Procedural Report • January 18, 2017

An examination of the Department of Veterans Affairs' operations related to its veterans homes and headquarters found numerous problems with pharmacy inventory, meals provided to employees and guests, resident housing fees, and funds for discharged or deceased residents. The Pharmacy Department of the Southeast Louisiana Veterans Home in Reserve did not have adequate controls in place to ensure that the recording and reporting of medications and medical supplies was complete, accurate, and verifiable. In addition, meals at the home were provided free of charge to some employees, while the number of meal tickets collected in the cafeteria from non-residents was not reconciled to the number of meals sold, and the home had a significant increase in meal costs in December 2015 that was not justified by records. In addition, auditors found instances at two of the five Veterans Homes in which management did not properly assess the monthly fees charged to residents and did not verify the income of residents to ensure the correct fee amounts were assessed. The report also noted that three of the five Veterans Homes failed to comply with policy and state law over handling abandoned funds of residents who either had been discharged or passed away. The evaluation found as well that violations of the LaCarte state purchasing policy occurred at the Department's headquarters and at three Veterans Homes, and multiple violations of state travel regulations took place at headquarters.

Department of Wildlife and Fisheries

Procedural Report • November 9, 2016

Management Oversight of Funds and Operations

An evaluation of the Louisiana Department of Wildlife and Fisheries' internal controls found a lack of management oversight over funds and operations. The report cited several deficiencies, including purchases that appeared excessive, missing state property, and inadequate controls over purchasing, contracting, and time and attendance. The state entered into an agreement with British Petroleum Exploration & Production

Inc. (BP) following the Deepwater Horizon Oil Spill that called for BP to pay the Department up to $18 million to develop a seafood testing program. Auditors found that the Department lacked financial and operational oversight over the nearshore segment of the BP Tissue Sampling Program, which resulted in deviations from the Seafood Safety Testing Sampling Protocol, costs that appeared excessive, and missing state property. Employees spent more than $3 million, or $2,796 per fish, for the 1,091 fish sampled. Of the $3 million, approximately $2.3 million was spent on boats, fishing and water sports equipment, lodging, vehicles, household supplies and groceries, clothing, cameras, and other items. Auditors also found a lack of management oversight over purchasing, sponsorships, and contracts. Some examples included the Department's purchase of a used aircraft for $1.8 million without a proper inspection, which could cost the state up to $580,000 in repairs; $283,675 spent on clothing and uniform purchases for Department employees that were made without a formal uniform policy; $220,000 spent on a Catamaran that was used twice from 2012 to 2016 and appeared to have little or no benefit to the Department; and $188,805 paid for sponsorship agreements that could be considered a donation of public funds, which would be a violation of the Louisiana Constitution. In addition, the report documented findings related to improper oversight of the Louisiana Saltwater Series and the License to Win! Sweepstakes that may have resulted in donations of state resources or ineffective programs; not properly accounting for property, including drones and guns; and not ensuring that time sheets and leave were properly approved.

LDWF used federal grant funds totaling $1.8 million to purchase a used aircraft without a proper inspection and did not exercise reasonable due diligence in using the aircraft. As a result, damages to the aircraft noted after the purchase could cost the state up to $580,600 in repairs.

District Attorney Offices

Evaluation of Revenues and Expenditures of Louisiana District Attorney Offices • August 1, 2016

District attorney's offices did not report all state and local funding, which makes it difficult to know how much total revenue each office receives. Auditors found that the offices either partially reported local funding they received or did not report any local funding in their financial reports. While neither governmental accounting standards nor state law requires them to report all local funding, the Louisiana Government Budget Act requires all sources of revenues to be included in their budgets. Auditors also found that some district attorney's offices did not report all state funding as required by governmental accounting standards and the *Louisiana Governmental Audit Guide*. Twenty-one of the 42 district attorney's offices did not report $12.3 million in state salaries and benefits for district attorneys and assistant district attorneys, and four of the 42 offices did not report a total of $177,500 in victim assistance grants in their financial statements. If district attorney's offices do not report complete and accurate information, it is difficult for legislators to assess whether the funding for the various components of the criminal justice system is equitable and adequate.

Division of Administration

Governor's Office of Homeland Security and Emergency Preparedness • December 28, 2016

Inaccurate Annual Fiscal Report

The financial data submitted in GOHSEP's Annual Fiscal Report was materially misstated by a $207 million overestimate of future disallowed program costs. Disallowed costs are ineligible program expenses that reduce the amounts due to the state from the Federal Emergency Management Agency and the amounts paid to program applicants through the Public Assistance program. Because of an increase in identified disallowed costs during the fiscal year, GOHSEP's method of estimating future disallowances produced unreasonably high results. The Office of Management and Finance of the Department of Public Safety and Corrections, Public Safety Services (DPS) is tasked with the preparation of GOHSEP's Annual Fiscal Report. GOHSEP's management did not review the final report for accuracy and reasonableness before DPS sent it to the Office of Statewide Reporting and Accounting Policy.

Hazard Mitigation Grant Program Awards Identified for Grant Recovery

For the fiscal year ended June 30, 2016, GOHSEP identified $10.4 million in noncompliant Hazard Mitigation Grant Program awards for 582 applicants through the project closeout process. GOHSEP identified 554 additional instances of contractor abandonment, incomplete work, or potential contractor fraud that were not reported in the prior fiscal year, amounting to $6 million. Because these noncompliant awards and contractor overpayments were not recovered as of June 30, 2016, the outstanding grant recovery balance identified during the fiscal year was $16.4 million. Outstanding grant recovery balances from previous years were $22.6 million, with awards in recovery at June 30, 2016, totaling $39 million and involving 1,803 applicant awards. Because of the known overpayments in grant recovery, GOHSEP reduced its federal funding requests to minimize the amounts due back to the federal awarding agency. Therefore, of the $39 million in grant recovery, $9.7 million is considered to be federal questioned costs.

Governor's Office of Homeland Security and Emergency Preparedness • July 2015 through June 2016

Support of Federal Reimbursements

The LLA conducted agreed-upon procedures engagements for the Governor's Office of Homeland Security and Emergency Preparedness to help evaluate the completeness and accuracy of documentation submitted in support of federal reimbursements under the Public Assistance and Hazard Mitigation Grant programs. In 2016, Recovery staff conducted 9,259 reviews of federal reimbursement requests totaling $1,359,231,875. The auditor identified $189,144,044 in federal reimbursements that were not supported by sufficient documentation at the time of the review.

Inadequate Grant Recovery of Homeowners Assistance Program Awards

The Community Development Block Grant (CDBG) Homeowner Assistance Program (HAP) is the largest single housing recovery program in U.S. history, with approximately $8.9 billion in disbursements since fiscal year 2007. For the fiscal year ended June 30, 2016, the Office of Community Development (OCD) identified $171 million in noncompliant HAP awards for 6,577 homeowners through post-award monitoring. In addition, awards identified as noncompliant in previous years totaling $672 million remain in recovery status. Of the $8.9 billion total HAP awards disbursed as of June 30, 2016, 21,762 awards totaling $843 million are in grant recovery.

Inadequate Recovery of Small Rental Property Program Loans

The federal Community Development Block Grant Small Rental Property Program provides funding to property owners to repair their storm-damaged, small-scale rental properties and make their units available to low- and moderate-income tenants. For the fiscal year ended June 30, 2016, OCD identified $5,650,504 in SRPP loans for 65 property owners who failed to comply with one or more of their loan agreement requirements and were assigned to loan recovery status. In addition, awards placed in recovery in previous fiscal years totaling $73,518,027 remain in recovery status. Of the $438.3 million in SRPP outstanding loans at June 30, 2016, 941 totaling $79,168,531 are in recovery status.

Misclassification of State Funds

The Division of Administration directed the Louisiana Economic Development department to improperly classify a $34.6 million default payment made in March 2011 by Northrop Grumman Ship Systems. The misclassification has cost the state more than $2.1 million in interest and administrative costs as of June 30, 2016. Rather than depositing the funds into an escrow account to defease the related debt obligations, the state deposited the $34.6 million into the Louisiana Economic Development Fund, which was then "swept" as part of Act 378 of the Regular Legislative Session of 2011 and used in the Louisiana Medical Assistance Trust Fund. The state will continue to incur interest and administrative costs until the debt is defeased. If not defeased prior to the October 2022 settlement date of the original obligation, the state will incur more than $6.2 million in additional interest and administrative costs.

General Statewide Reports

Constitutional and Statutory Dedications • February 15, 2016

At the time the report was issued in February 2016, Louisiana had 26 dedications established in the Louisiana Constitution and 344 dedications established in the Louisiana Revised Statutes. In fiscal year 2014, spending from dedications totaled approximately $4.3 billion, or 16 percent of total expenditures. Of this amount, $2.3 billion (54.3 percent) was from constitutional dedications. Most dedications are funded through taxes and assessments. The purpose of most dedications is to support local governments and environmental protection; however, the dedications pertaining to infrastructure generally have the largest expenditures. The Legislature establishes dedications to ensure funding for governmental programs and activities by assigning uses for specific sources of revenue. During the budget process, dedicated money does not undergo the same level of scrutiny and prioritization as money that is appropriated from the General Fund. In addition, complex accounting and a lack of transparency and accountability make it difficult to determine whether dedicated funds are spent appropriately. To improve the existing review process for dedications, the LLA recommended the Legislature develop standardized criteria for evaluating dedications and add sunset provisions to ensure dedications are reviewed periodically. In addition, the Legislature could improve transparency and accountability by publishing how agencies spend dedicated revenue.

Evaluation of the Internal Audit Function in State Agencies and University Systems • January 11, 2017

Legislation passed in 2015 required all state agencies and postsecondary management boards with appropriations of $30 million or more to have an internal audit function that adheres to professional standards. Before that, the internal audit operation did not have to meet professional standards. Forty-one state agencies and university systems meet the $30 million threshold, and 35 separate internal audit functions were identified. Auditors found that state law does not specify the reporting structure for internal audits or require the use of an internal audit committee. Performance auditors also found that the internal audit budgets for fiscal year 2017 ranged from $60,000 to $1.8 million and that half of the internal audit operations were staffed with just one auditor. In addition, auditors found that 26 of the internal audit operations did not have a current quality assurance review as required by professional standards and state law. Performance auditors also found that helping management better understand the role and value of internal audits could result in more effective and risk-based audits. A survey of the 35 auditors showed that 15 were required to perform non-internal audit duties, and 11 reported that mandated audits or management requests hindered their ability to produce risk-based audits.

Louisiana's Tax Revenues and Exemptions • February 19, 2016

Louisiana assesses 40 different taxes from which the state expected to collect about $7.5 billion in fiscal year 2015. Most of that revenue came from individual income, sales, severance, petroleum products, and corporate income and corporate franchise taxes. In contrast, the state has 464 tax exemptions, which were expected to total more than $7.9 billion in fiscal year 2015. Of the 464 exemptions, 399 are related to the individual income, sales, severance, petroleum products, and corporate income and corporate franchise taxes. Tax exemptions have grown every year since fiscal year 2010 and were projected to exceed tax revenue in fiscal year 2015 by more than $400 million. Louisiana also does not have a comprehensive review process to keep track of its tax exemptions. While state law requires information on certain exemptions to be reported by the agencies involved and legislators to review that information, the provisions do not cover all tax exemptions or provide specific criteria for how to review exemptions, and are not always followed. In addition, of the 464 tax exemptions, only 52 have sunset provisions. That means most of Louisiana's exemptions essentially continue on automatic pilot.

Among the actions legislators could consider taking:

- Require that all new or modified tax exemptions contain a clear performance statement that includes their public purpose and their expected outcome.

- Develop a schedule for how often reviews should be conducted or include sunset dates on all exemptions that dictate when they should be reviewed.

- Designate who specifically will conduct reviews of tax exemptions and what criteria they will use for their review.

Louisiana Workforce Commission

Management Letter • December 14, 2016

LWC did not adequately manage the implementation of the Helping Individuals Reach Employment (HiRE) system, including security over the system and changes to the system, to ensure its compliance with all federal, state, and financial reporting requirements. HiRE is the system used to administer the unemployment insurance program. As a result, data did not properly convert from the original system; interfaces to other systems did not properly function; and HiRE could not properly determine eligibility and benefits, process proper payments in a timely manner or without manual intervention, or produce reliable reports to support financial and federal reporting objectives. Because the system could not produce reliable reports, management was unable to support the amounts reported in its Annual Fiscal Report for fiscal year 2016, and therefore, auditors could not confirm or verify the accuracy of more than $251 million in benefit payments, $24 million in net claimant receivables, $9 million due to the federal government, $1 million in payables to claimants, and $7 million in employer payment income.

Other Reports

Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) is the official financial report for the State of Louisiana and presents the state's financial position at June 30, 2016, and the operating activities of the state's primary government and its component units for the fiscal year then ended. The financial information included in the CAFR is intended for use 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 30, 2016, with qualified opinions based on work performed by financial auditors spread across state agencies, departments, colleges, universities, and numerous other entities such as boards, commissions, districts, and public corporations. LLA's opinion qualifications resulted from the following:

- Management did not record the primary government's liability for the Coastal Protection and Restoration Authority's 35 percent cost share related to two project partnership agreements with the U.S. Army Corps of Engineers to construct and improve the levee systems in the greater New Orleans area. Based on the deferred payment calculation reports provided by the Corps, the total project costs were approximately $3.4 billion as of June 30, 2016, and CPRA's cost share obligation was $1.4 billion, which includes accrued interest during construction of $350 million. In addition, the component unit levee districts, which are responsible for the operation and maintenance of the projects completed by the Corps, did not capitalize these project assets. Management contended these amounts were not verifiable because the Corps had not permitted CPRA to examine the calculations and other documentation supporting the project costs and, therefore, CPRA's liability and the levee districts' assets could not be reasonably estimated.

- Material weaknesses were identified in the Louisiana Workforce Commission's implementation of a new system for processing unemployment insurance benefits. As a result, auditors were unable to rely on the system to provide sufficient, appropriate audit evidence to support amounts presented in the financial statements. Amounts derived from the system that could not be confirmed or verified by alternate means included assets and liabilities at June 30, 2016, totaling $23,960,000 and $10,297,000, respectively, and revenues and expenses for the year then ended totaling $7,421,000 and $251,175,000, respectively.

In addition to LLA's opinions, the audit report disclosed that the state's net pension liability at June 30, 2016, was estimated to be approximately $6.1 billion. The related actuarial valuation was performed by pension system actuaries using various assumptions. Because actual experience may differ from the assumptions used, there is a risk that this amount at June 30, 2016, could be under or overstated.

Single Audit

The 2015 Single Audit Report for the State of Louisiana, issued on March 15, 2016, included 58 findings, with 19 of those repeated from the prior year. LLA cited questioned costs of $302,027,736 for all federal programs. The related federal awarding agencies will make a determination as to whether the state will have to repay these questioned costs.

The report also contained LLA's opinions on the state's administration of its 29 major federal programs and a detailed schedule of the state's expenditures of federal awards, which totaled more than $14 billion for the fiscal year ended June 30, 2015.

Based on LLA's procedures, nine major federal programs had modified opinions:

- The **Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii** administered by the Division of Administration, Office of Community Development, had more than $281 million in questioned costs because of awards paid to ineligible homeowners and small rental property owners.

- The **Workforce Investment Act Cluster and the Community Services Block Grant**, both administered by the Louisiana Workforce Commission, did not ensure adequate monitoring of subrecipients.

- The **Alcohol Open Container Requirements and the Minimum Penalties for Repeat Offenders for Driving While Intoxicated programs**, both administered by the Department of Public Safety and Corrections, Public Safety Services, reimbursed claims submitted by the Department of Transportation and Development outside of the period of availability, resulting in $737,895 in questioned costs. In addition, DOTD did not ensure adequate monitoring of subrecipients for these two programs and for the Highway Planning and Construction Cluster.

- The **Foster Care - Title IV-E program**, administered by the Department of Public Safety and Corrections, Office of Juvenile Justice, did not have adequate support or used unapproved rates in making payments totaling more than $2.7 million to seven residential care facilities.

- The **Children's Health Insurance program and the Medicaid Cluster**, administered by the Louisiana Department of Health, did not ensure compliance with federal cash management requirements that resulted in instances of both overdrawn and underdrawn funds. In addition, the Department failed to keep in place required processes to identify and recover paid claims where a third party is liable and did not establish alternate procedures to pursue and recover approximately $29 million in previously identified instances of third party liability.

LOCAL GOVERNMENT

Did you know?

We offer assistance and training, from internal audit training programs to use of public dollars seminars, for all manner of governmental entities, from local fire districts to state departments.

Local Government Services

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 2016:

Agreed-Upon Procedures: 67
Audits: 2,248
Reviews/Attestations: 260
Compilations: 455
Sworn Financial Statements: 1,082

Total:* *4,112

During the 2016 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 of funds 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
- Inadequate reconciliation of bank accounts
- Errors in accounting records
- Deficit fund balances

The Legislative Auditor also has statutory authority to approve all millages levied in the state. In that capacity, the office's millage experts approved 2,770 millages in 2016, while the tax review officer certified pension contributions to certain retirement systems. In addition, the staff conducted 10 statewide training sessions to assist local governments with the legal requirements of levying millages.

Center for Local Government Excellence

In 2016, the LLA continued its Center for Local Government Excellence training and certification program, holding Level 1 sessions in Bossier City, Monroe, and Lafayette.

The two-day workshops introduce participants to the basics of internal control, accounting, and financial reporting for local governments, as well as to legal issues faced by local government officials and their staffs. 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 400 government officials and staff members, certified public accountants, and attorneys have received training.

Level 1 workshops will continue to be held in early 2017 in the Baton Rouge, New Orleans, and Alexandria regions. Participants completing the Level 1 workshops will be invited to Level 2 and Level 3 sessions as part of an overall certification program to improve transparency and accountability in local government.

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 approximately 120 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

In addition, advisers worked with the Fiscal Review Committee and Madison Parish Hospital to appoint a fiscal administrator. Advisers also worked with Morehouse Hospital, CHC, and the U.S. Department of Agriculture to move the hospital toward the use of a management company. Advisers continue to monitor the hospital's fiscal status. Lastly, advisers worked with Jackson Parish Hospital providing recommendations to improve fiscal and programmatic operations.

Advisers also have continued to address internal controls related to the collection of utility payments in many of the municipalities they visited. In 2015 and 2016, advisers reviewed controls and provided recommendations for at least seven municipalities to help strengthen their processes related to the effective management of utility systems. Advisers stressed the use of cut-off policies and consistent practices and emphasized the need for collection strategies.

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 2016 Regular Legislative Session, the office's analysts received 50 requests and prepared 116 fiscal notes in response.

The following summaries highlight some of the reports and letters issued by Advisory Services in 2016.

Act 774 of 2014 Annual Report • November 2, 2016

The Act 774 annual report on St. Tammany Parish summarizes the results of the first year of the Act, with the referenced procedures being performed by both Legislative Auditor staff and independent certified public accountants. Based on the auditors' evaluation, 74 entities within St. Tammany Parish were found to be subject to the additional risk assessment required by Act 774, resulting in 61 separately-issued reports. The most common deficiencies identified in the reports were a lack of written policies and procedures, a lack of understanding of ethics requirements, a lack of supporting documentation for credit card purchases, and a lack of written supervisory review/approval. Other deficiencies included cash advances made on a credit card, finance charges and/or late fees paid on credit card accounts, improper reimbursement of travel expenses, and overpayment of accrued leave.

Avoyelles Parish Port Commission • August 2, 2016

An Advisory report on the Avoyelles Parish Port Commission examined the Commission's arrangements related to inmate labor, grass-cutting, and leasing. The report recommended that officials conduct local market research, obtain necessary documentation, and draw up formal agreements detailing the need for the activities, the value they provide, and what each party is responsible for.

St. Tammany Parish Mosquito Abatement District • May 2, 2016

An Advisory report on the St. Tammany Parish Mosquito Abatement District noted that the District had a large fund balance and recommended that the District adopt a policy to reduce its unassigned fund balance to a more reasonable level. The report also included recommendations on ways to improve the District's financial operations, including establishing or improving written policies.

St. Tammany Parish Recreation District No. 4 • October 3, 2016

A joint Investigative and Advisory Services report on the St. Tammany Parish Recreation District No. 4 found instances of improper credit card use, a failure to document and deposit cash, a lack of documentation for travel advances and mileage reimbursements, and numerous issues with the District's business practices and internal controls.

Town of Rayville • September 21, 2016

An Advisory follow-up to an Investigative report issued on the Town of Rayville in January 2016 revealed that the Town had made little progress in correcting previously identified deficiencies in purchasing and disbursements. The follow-up also identified other areas of concern in the Town's financial and business practices.

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 2016.

City of Kaplan • September 28, 2016

The City of Kaplan's police chief was unable to provide receipts or records documenting his use of $19,325 in Police Department funds from May 2010 to June 2015. The police chief obtained the $19,325 primarily through the use of two previously undisclosed Kaplan Police Department bank accounts and from the Kaplan Police Department dispatch cash bag. According to records obtained during the audit, it appears the police chief may have used at least $6,965 of this amount for personal purposes. The audit report was turned over to the District Attorney for the 15th Judicial District.

Department of Public Safety and Corrections – Avoyelles Correctional Facility • August 15, 2016

Avoyelles Correctional Facility (AVC) records indicate that concession sales exceeded amounts deposited into the corresponding AVC bank account by $31,170 from August 9, 2014, to February 21, 2016. AVC employees told auditors that the former administrative program director was the only employee to regularly obtain and/or count cash concession collections alone. Auditors also were told that the administrative program director directed others to alter and destroy public records related to concession sales. The audit report was turned over to the District Attorney for the 12th Judicial District.

District Attorney for the 9th Judicial District • April 4, 2016

An investigative audit found that $794,166 in seized cash assets sent to the District Attorney's Office for the 9th Judicial District was never deposited into the office's bank accounts. The assets were seized by local law enforcement agencies between January 2009 and October 2015. A former bookkeeper for the District Attorney's Office was primarily responsible for receiving, recording, and depositing seized cash assets and disbursing the money as instructed by the court. In addition to the $794,166 in seized assets not deposited, auditors found $267,640 in funds from other sources had been deposited improperly into the asset forfeiture account and the District Attorney's Office had failed to disburse $281,015 in asset forfeitures as ordered by the court. The report was turned over to the U.S. Attorney for the Western District of Louisiana.

Orleans Parish Sheriff • April 4, 2016

An investigative audit found that the Orleans Parish Sheriff's Office (OPSO) paid more than $1 million in supplemental pay to 56 employees who may not have been eligible to receive it. The audit also found that 16 OPSO deputies worked off-duty details during their regularly scheduled work hours and that OPSO failed to follow public bid law for a jail renovation project. In addition, auditors found that a deputy sheriff who organized off-duty details may have violated state law by operating a private security business. Between March 2009 and March 2015, the deputy sheriff's security business was paid more than $2 million to provide off-duty details using OPSO deputies and others. However, auditors determined that the deputy inflated invoices for his security business and billed customers more than $78,000 for services that were not provided. The report was turned over to the District Attorney for the Orleans Parish Judicial District of Louisiana and the U.S. Attorney for the Eastern District of Louisiana.

Washington Parish Fire Protection District No. 6 • February 22, 2016

An investigative audit of the Washington Parish Fire Protection District No. 6 (District) found that a former Board of Commissioners member used his position to improperly direct public funds totaling $128,083 to himself and his family members from March 14, 2012, to August 31, 2015. The majority of the payments were for maintenance and improvement jobs at District properties with little to no verification of necessity, completeness, competitive pricing, and/or authorization and included checks totaling at least $25,364 for work that was not performed. The former board member acknowledged issuing checks to himself and his family members without authorization, signing board members' names to checks without authorization, and creating invoices for services that were not performed. The report was turned over to the District Attorney for the 22nd Judicial District of Louisiana.

CONCLUSION

Similar to last year, the reports highlighted in the 2017 Annual Report underline two primary concerns: the failure to address repeat audit findings and the lack of effective internal fiscal controls at both the state and local levels.

By calling these issues to the attention of lawmakers, agency management, and the public, the Legislative Auditor hopes to encourage open, transparent discussion on how best to address these concerns, and, ultimately, to improve the efficiency and effectiveness of government for all of the state's residents.

ACT 461 REPORTS

Did you know?

The Louisiana Legislative Auditor was formed in 1962. However, similar duties had been performed by various agencies since 1907. In 1964, J.B. Lancaster was appointed the first Legislative Auditor.

First Quarter, Calendar Year 2016

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Department of Public Safety and Corrections - Youth Services - Office of Juvenile Justice	1/20/2016	OJJ incorrectly billed the primary recipient agency, Department of Children and Family Services, for reimbursement of Foster Care administrative costs, resulting in estimated potential overbillings of $601,424, which if disallowed may need to be returned to the federal grantor.	$601,424
Department of Public Safety and Corrections - Youth Services - Office of Juvenile Justice (Repeat)	1/20/2016	OJJ did not have adequate support (for the second year in a row) or used unapproved rates in making Foster Care maintenance payments totaling $2,723,539 to seven residential care facilities for the fiscal year ended June 30, 2015, increasing the risk that costs could be disallowed, requiring repayment to the federal grantor.	$2,723,539
Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP)*	3/22/2016	Completed work was not within the scope of the approved project.	$8,358,263
Governor's Office of Homeland Security and Emergency Preparedness	3/22/2016	Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records, or other applicable documentation.	$35,248,800
Governor's Office of Homeland Security and Emergency Preparedness	3/22/2016	Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable federal and state procurement requirements.	$28,501,669

First Quarter, Calendar Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Governor's Office of Homeland Security and Emergency Preparedness	3/22/2016	Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance.	$9,948,696
Governor's Office of Homeland Security and Emergency Preparedness	3/22/2016	GOHSEP's cost estimating tool and/or expense review form either omitted or contained duplicate and/or incorrectly categorized expenses.	$722,111
Governor's Office of Homeland Security and Emergency Preparedness	3/22/2016	Completed work was not within the scope of the approved project.	$333,940
Governor's Office of Homeland Security and Emergency Preparedness	3/22/2016	Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records, or other applicable documentation.	$2,584,169
Governor's Office of Homeland Security and Emergency Preparedness	3/22/2016	Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable federal and state procurement requirements.	$10,486,300

*Since March 2008, LLA has noted exceptions totaling $897,388,745, which includes the $82,779,539 noted this period, and GOHSEP has resolved $769,619,508, which includes the $56,947,843 resolved this period.

First Quarter, Calendar Year 2016 (Cont.)

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Bunches Bend Protection District	3/23/2016	District purchased dirt at a cost of $294,000 in connection with its levee improvement project without advertising for bids as required by the public bid law.	$294,000
City of Lafayette	3/9/2016	Expenses were submitted for reimbursement under the FEMA Public Assistance Program that are not eligible for reimbursement.	$292,866
City of New Roads	3/9/2016	Expenses were submitted for reimbursement under the FEMA Public Assistance Program that are not eligible for reimbursement.	$301,332
City of New Roads	3/9/2016	Expenses were submitted for reimbursement under the FEMA Public Assistance Program that are not supported.	$224,766
District Attorney for the 9th Judicial District	3/30/2016	Seized Cash Assets Not Deposited	$1,342,821
Orleans Parish Clerk of Court Criminal District Court	3/23/2016	Clerk of Court Did Not Follow Proper Procedures for Election Reimbursements from the Louisiana Secretary of State	$386,583
Orleans Parish Sheriff	3/30/2016	Ineligible Employees Received State Supplemental Pay	$1,026,083
Orleans Parish Sheriff	3/30/2016	OPSO Failed to Properly Apply Public Bid Law for House of Detention Renovations	$231,820

First Quarter, Calendar Year 2016 (Cont.)

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Sabine Parish Police Jury	3/23/2016	Parish Transportation Act - Individual Police Jurors Directed Road Maintenance Work	$378,682
Southwest Louisiana Electric Membership Corporation	3/9/2016	Expenses were submitted for reimbursement under the FEMA Public Assistance Program that are not eligible for reimbursement.	$367,537

Total for Quarter • $104,355,401

Second Quarter, Calendar Year 2016

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Department of Public Safety and Corrections - Corrections Services	4/13/2016	Nearly half of the Transitional Work Program (TWP) slots are not filled. If TWP facilities operated at capacity, the state could save an additional $7 million a year.	$7 million annually
Department of Public Safety and Corrections - Corrections Services	4/13/2016	Corrections does not ensure that providers deduct court-ordered restitution and other offender obligations TWP offenders owe from their wages, as required by law and internal policy. As a result, providers only deducted .05% ($19,184 out of $38.8 million) of total restitution and other obligations owed from offenders, including $5 million owed to victims and $29 million owed to Corrections during calendar year 2015.	According to DOC, they will start collecting an additional $1-$2 million in obligations owed to Corrections
Department of Revenue - Louisiana Tax Commission	6/1/2016	Approximately $157 million has been or will be claimed in potential excess tax credits for tax years 2007 through 2014.	$157 million from tax years 2007 through 2014
Department of Revenue - Louisiana Tax Commission	6/1/2016	Amending the inventory tax credit law to specify that only companies with a primary business activity of manufacturing, distributing, or retailing are eligible for the inventory tax credit would reduce the cost of the credit but would not affect local governments' ability to levy the tax.	$229.5 million from tax years 2007 through 2013
Division of Administration, Office of Risk Management	6/23/2016	Auditors calculated that FARA owes the state $185,288 for not achieving the required $50 million in guaranteed savings; however, ORM only invoiced FARA for $59,252 due to concerns about the inflation rate applied to property lines of insurance.	$185,288

Second Quarter, Calendar Year 2016 (Cont.)

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Choctaw Road Landfill (Repeat)	5/18/2016	Landfill is a joint venture between Washington Parish Government and the City of Bogalusa. Management letter comment 2015-01 discloses that the landfill has a receivable balance of more than $1 million due from the city. This receivable has been increasing since 2013. The city collects an ad valorem tax dedicated to landfill operations, but the proceeds from the tax do not appear to be sufficient to support the city's annual share of the landfill's operations.	$1,072,408

Total for Quarter • At least $394,757,696

Third Quarter, Calendar Year 2016

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Department of State	7/27/2016	Our procedures indicated that $5.3 million to $10.4 million in fines from April 2015 through April 2016 could have been assessed but were not for foreign corporation and foreign limited liability companies that failed to file their annual reports with the Department of State timely.	$5.3 million to $10.4 million

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Child Development Council of Acadiana, Inc.	9/2/2015	Agency owes $1.8 million to the U.S. Department of Health and Human Services (DHHS) for questioned costs related to the construction of a building without approval from DHHS and other disallowed costs.	$1,855,599
City of Bogalusa	7/16/2014	*(2013-1)* Underfunded retirement system **(Repeat)**; *(2013-2)* Improper use of restricted funds/interfund loans **(Repeat)**; *(2013-9)* Landfill payable in arrears	*(2013-1)* $16.6 million; *(2013-2)* $1.2 million; *(2013-9)* $441,556
Housing Authority of Kenner	10/1/2014	The U.S. Department of Housing and Urban Development (HUD) issued reports that indicate the housing authority may owe HUD nearly $3 million in questioned and unsupported costs.	$2,980,776
Housing Authority of Kenner	6/10/2015	HUD issued reports that indicate the housing authority may owe HUD nearly $3 million in questioned and unsupported costs. **(Repeat)**	$2,876,158

Third Quarter, Calendar Year 2016 (Cont.)

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Jefferson Parish Second Justice Court Justice of the Peace and Constable	9/28/2016	Justice of the Peace may have improperly used $168,381 in garnishment and bank loan proceeds for personal purposes; Constable received personal benefits from association he created; Constable included personal and household expenses in sworn financial statements; Clerk of Court collected $12,630 in improper fees for herself.	Total amount unknown but at least $212,636
Madison Parish Hospital Service District	6/29/2016	Based upon fraud reported in an LLA investigative report dated 1/2/2013, management has estimated that approximately $2 million will be owed back to third- party payors. **(Repeat)**	$2,000,000
New Orleans Firefighters' Pension and Relief Fund	8/6/2014	New system is reporting a net investment loss of more than $40 million, including one investment that lost $15 million. Old and new systems are underfunded by more than $432 million. **(Repeat)**	$40 million investment loss; Pension system underfunded by $432 million
Reconcile New Orleans, Inc.	12/3/2014	Building transferred to a third party, contrary to the requirements of a cooperative endeavor agreement with the state.	$430,552
Richland Parish Hospital Service District No. 1B	7/9/2014	The Hospital incurred debt via a promissory note for the purchase of a rural health clinic practice without obtaining State Bond Commission approval.	$290,000
Sabine Parish Police Jury	8/3/2016	Certain Police Jurors authorized road work totaling $378,682 without obtaining approval of the parish governing authority.	$378,682

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
St. Tammany Parish Fire Protection District No. 11	9/17/2014	Over collection of Bond millage. Amount of over collection for 2013 was approximately $166,000 but, since 1995, could be as high as $2 million. This was on GO debt. **(Repeat)**	Estimated $131,000 for 2013 with cumulative impact of $2 million.

Total for Quarter • At least $508,565,959

Fourth Quarter, Calendar Year 2016

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Baton Rouge Community College	12/21/2016	The College did not timely notify students of overdue accounts and did not timely transfer delinquent accounts to the Department of Justice.	$4,413,346
Delgado Community College	12/14/2016	Delgado was unable to locate $1,277,852 of the college's total movable property.	$1,277,852
Department of Public Safety and Corrections - Corrections Services	9/28/2016	The Department paid the vendor $3,643,033 as of June 30, 2016, to develop the Offender Management System, which went live on June 15, 2015, but was taken off-line on July 31, 2015, due to system failures.	$3,643,033
Department of Public Safety and Corrections - Youth Services - Office of Juvenile Justice (Repeat)	12/7/2016	Failure to establish approved payment rates results in noncompliance with Foster Care regulations and prevents OJJ from receiving federal reimbursement for the $2,229,880 paid to residential care facilities in fiscal year 2016, resulting in the use of state funding instead.	$2,229,880
Department of Revenue (Repeat)	11/30/2016	The Department has continued to overpay the Algiers Economic Development District No. 1 (District). The overpayment to the District since the beginning of their Cooperative Endeavor Agreement executed in 2004 is $7.3 million, including $494,454 in overpayments during fiscal year 2016.	$7.3 million
Department of Wildlife and Fisheries	11/9/2016	The Department's lack of financial and operational oversight over the nearshore segment of the BP Tissue Sampling Program resulted in protocol deviations, costs that appear excessive, and missing state property.	$3,050,085
Department of Wildlife and Fisheries	11/9/2016	Lack of management oversight over purchasing, sponsorships, and contracts resulted in questionable purchases totaling $763,929.	$763,929
Department of Wildlife and Fisheries	11/9/2016	The Department's purchase of an aircraft without a proper inspection could cost the state up to $580,000 in repairs.	$580,000

Fourth Quarter, Calendar Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Department of Wildlife and Fisheries	11/9/2016	The Department made a questionable purchase of a $220,000 Catamaran that was only used twice from 2012 to 2016. During that timeframe, the Department incurred expenses totaling almost $38,000 to maintain and repair the vessel.	$258,000
Department of Wildlife and Fisheries	11/9/2016	The Department did not properly oversee the Louisiana Saltwater Series or the License to Win! Sweepstakes, which may result in donations of state resources or ineffective programs.	unknown
Executive Department	12/28/2016	The Division of Administration directed the Department of Economic Development to improperly classify a $34.6 million default payment made in March 2011, which has ultimately cost the State more than $2.1 million in costs, as of June 30, 2016. Rather than depositing the funds to an escrow account to defease the related debt obligations, the State deposited the $34.6 million default payment into the Louisiana Economic Development Fund, which was then "swept." If not defeased prior to the October 2022 settlement date of the original obligation, the State will incur more than $6.2 million in additional costs.	$8.3 million
Executive Department (Repeat)	12/28/2016	The Division of Administration identified $171 million in noncompliant Homeowner Assistance Program (HAP) awards for 6,577 homeowners through post-award monitoring for the Community Development Block Grant/State's Program. Of the $8.9 billion total HAP awards disbursed as of June 30, 2016, 21,762 awards totaling $843 million are in grant recovery.	$171,094,466
Executive Department (Repeat)	12/28/2016	The Division of Administration identified $5,650,504 in Small Rental Property Program (SRPP) loans for 65 property owners under the Community Development Block Grants/State's Program who failed to comply with one or more of their loan agreement requirements and were assigned to loan recovery status. Of the $438.3 million in SRPP outstanding loans at June 30, 2016, 941 loans totaling $79,168,531 are in recovery status.	$5,650,504

Fourth Quarter, Calendar Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	Completed work was not within the scope of the approved project.	$8,165,285*
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	Expense reimbursements were not supported by invoices, receipts, lease agreements, contracts, labor policies, time records, equipment logs, inventory records or other applicable documentation.	$16,502,855*
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements.	$34,267,012*
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance.	$2,233,454*
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	GOHSEP's cost estimating tool and/or expense review form either omitted or contained duplicate and/or incorrectly categorized expenses.	$1,049,569*
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	Completed work was not within the scope of the approved project.	$1,409,876*
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	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.	$8,182,317*

Fourth Quarter, Calendar Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	Contracts and purchases totaling more than $10,000 per vendor per calendar year did not comply with applicable Federal and State procurement requirements.	$11,753,412*
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	Work reflected in the expense reimbursements did not comply with applicable FEMA regulations and guidance.	$729,164*
Governor's Office of Homeland Security and Emergency Preparedness	10/11/2016	Requests for reimbursement were mathematically incorrect.	$229,269*
Governor's Office of Homeland Security and Emergency Preparedness	12/28/2016	The financial data submitted in the Governor's Office of Homeland Security and Emergency Preparedness' (GOHSEP) Annual Fiscal Report was materially misstated by a $207 million overestimate of future disallowed program costs.	$207 million
Governor's Office of Homeland Security and Emergency Preparedness (Repeat)	12/28/2016	GOHSEP identified $10.4 million in noncompliant Hazard Mitigation Grant Program (HMGP) awards for 582 applicants, through the project closeout process. GOHSEP identified 554 additional instances of contractor abandonment, incomplete work, or potential contractor fraud that were not reported in the prior fiscal year, amounting to $6 million.	$16,448,927
Louisiana Delta Community College	11/16/2016	The College did not send out any billing notices on student accounts with unpaid balances totaling approximately $1.4 million at June 30, 2016. The college also did not transfer any fiscal year 2016 delinquent accounts to the Louisiana Office of Debt Recovery.	$1.4 million

Fourth Quarter, Calendar Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Louisiana Department of Health	10/26/2016	From February 2012 through May 2016, LDH paid $943,274 in PMPMs for 160 recipients who were ineligible due to out-of-state residency. Based on the results of the testing of a statistical sample and related claims, auditors projected results for the remaining 253 eligibility cases containing out-of-state addresses, resulting in an additional $1,491,552 in questionable payments.	$2,434,826
Louisiana State University Health Sciences Center - Health Care Services Division	12/21/2016	At June 30, 2016, the Health Care Services Division (HCSD) and Louisiana State University administration (LSU) did not have complete, signed agreements for all equipment, buildings, and parking lots being utilized by the partner managing the University Medical Center New Orleans (UMCNO). As a result, HCSD and LSU were unable to provide sufficient support for the method used to account for the assets and related transactions in HCSD's Annual Fiscal Report resulting in significant identified and potential misstatements.	unknown
Louisiana State University Health Sciences Center - Health Care Services Division (Repeat)	12/21/2016	As of June 30, 2016, Office of Facility Planning and Control purchases totaling approximately $75 million for UMCNO had not been analyzed to determine if the related items were subject to Louisiana Property Assistance Agency requirements or properly reported in HCSD's financial statements. In addition, assets assigned to the Interim LSU Public Hospital in New Orleans totaling $1,153,106 were reported by the partner as unlocated.	$76,153,106
Louisiana State University Health Sciences Center - Health Care Services Division (Repeat)	12/21/2016	For the second consecutive year, HCSD identified a significant amount of unlocated movable property associated with the now-closed Earl K. Long Medical Center.	$1,918,285

Fourth Quarter, Calendar Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
Louisiana Workforce Commission	12/14/2016	Louisiana Workforce Commission (LWC) did not adequately manage the implementation of the Helping Individuals Reach Employment (HiRE) system, and as a result, data did not properly convert from the original system; interfaces to other systems did not properly function; and HiRE could not properly determine eligibility and benefits, process proper payments timely or without manual intervention, or produce reliable reports to support financial and federal reporting objectives.	unknown
Louisiana Workforce Commission	12/14/2016	LWC did not properly secure its data by fully testing HiRE's security functionality, appropriately restricting administrative access, reporting on the access of its employees, and monitoring system activity. Due to the weaknesses described in the finding, we are unable to determine whether unauthorized changes or inappropriate exposure of data have taken place.	unknown
Louisiana Workforce Commission	12/14/2016	LWC did not ensure overpayment claims data properly converted from the original mainframe system to HiRE or that critical interfaces to other systems functioned properly.	unknown
Louisiana Workforce Commission	12/14/2016	LWC did not have adequate controls to ensure proper financial reporting for the Unemployment Trust Fund. As a result, LWC submitted an unreliable Annual Fiscal Report to the Office of Statewide Reporting and Accounting Policy. HiRE did not produce reliable reports to support financial reporting objectives.	unknown
McNeese State University	11/23/2016	The University did not submit past-due student accounts receivable to the Louisiana Attorney General for collection in accordance with its policy.	$1,377,274
Recovery School District (Repeat)	12/19/2016	For the 10th consecutive year, the Recovery School District (RSD) did not maintain and accurately report equipment as required by state equipment regulations and did not maintain accurate information in the state's movable property system. In addition, RSD's property certification disclosed more than $6 million in unlocated movable property.	$6,264,545

Fourth Quarter, Calendar Year 2016 (Cont.)

STATE AGENCIES			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
South Central Louisiana Technical College	11/23/2016	The College did not make timely efforts to collect on past-due student accounts generated from the Fall 2012 semester to the Summer 2015 semester, with unpaid balances totaling approximately $215,145 at June 30, 2016.	$215,145
South Louisiana Community College	12/7/2016	The College reported nearly $2 million of movable property that could not be located, of which $1,437,682 was for unlocated computers and computer-related equipment.	$1,963,712
University of Louisiana at Lafayette	12/21/2016	The University had several control weaknesses over monitoring of its contract with its food services vendor to ensure it is receiving all commissions due. For example, the University was unable to reconcile a $500,000 difference between what students were assessed for meal plans and the sales per the vendor system.	$500,000
University of Louisiana at Monroe	12/14/2016	As of June 30, 2016, the University had not collected $622,165 from the University of Louisiana at Monroe Foundation for athletic ticket sales and multimedia sponsorship transactions. The uncollected amount consisted of $497,061 owed from fiscal year 2015 and $125,104 owed from fiscal year 2016, as of November 2015.	$622,165

*For Public Assistance - Since March 2008, the LLA has noted exceptions totaling $959,606,920, which includes the $62,218,175 noted this period, and GOHSEP has resolved $852,383,891, which includes the $82,764,383 resolved this period. For Hazard Mitigation - Since March 2008, the LLA has noted exceptions totaling $239,698,118, which includes the $22,304,038 noted this period, and GOHSEP has resolved $123,147,179 which includes the $6,547,453 resolved this period.

Fourth Quarter, Calendar Year 2016 (Cont.)

LOCAL GOVERNMENT			
Agency Name	**Issue Date**	**Finding Description**	**Amount**
District Attorney of the 9th Judicial District	11/16/2016	The Louisiana Legislative Auditor conducted an investigation on the DA for the period January 1, 2009, through October 31, 2015. Finding 2015-6 in the audit report states that seized case assets from local law enforcement agencies in the amount of $794,166 were not deposited into the District Attorney's bank accounts. Additionally, the records show that the former bookkeeper diverted funds from other sources to cover a misappropriation in the amount of $267,640.	$794,166
Orleans Parish Clerk of Court- Criminal District Court (Repeat)	11/2/2016	The LLA investigation determined that from February 2010 through March 2014, the Clerk of Court received $120,168 of election reimbursements that were paid prior to requesting reimbursement from the LA SOS, that election employees were paid a higher rate than their normal salaries, $213,146 was paid for temporary workers that was not authorized by the Secretary of State and $53,269 in non-payroll election expenses were incurred that were also not authorized by the Secretary of State.	$213,146
Orleans Parish Sheriff Office	10/12/2016	A deputy sheriff operated a private security business in possible violation of state law, sheriff deputies worked off-duty details during OPSO working hours, and OPSO made payments totaling $231,820 to Gulf State, LLC for renovations without going through the state bid law process. The General Fund also had a deficit of $904,492 due to operating expenditures exceeding revenues. The office plans to fund the deficit through future revenues.	$231,820
St Bernard Parish Hospital Service District	11/2/2016	Payments To Contractor With an Expired Contract and Without Proper Evidence	$1,521,940

Total for Quarter • At least $612,142,365

Total for Calendar Year 2016

At least $1,619,821,421

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1600 NORTH THIRD STREET
P.O. BOX 94397
BATON ROUGE, LOUISIANA 70804-9397
225-339-3800 PHONE
225-339-3870 FAX

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