

EXECUTIVE DEPARTMENT

STATE OF LOUISIANA



FINANCIAL AUDIT SERVICES
MANAGEMENT LETTER
ISSUED JUNE 23, 2022

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

LEGISLATIVE AUDITOR
MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
ERNEST F. SUMMERVILLE, JR., CPA

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Louisiana Legislative Auditor

Michael J. “Mike” Waguespack, CPA

Executive Department



June 2022

Audit Control # 80210067

Introduction

As a part of our audit of the State of Louisiana’s Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2021, we performed procedures at the Executive Department to provide assurances on financial information that was significant to the state’s Annual Comprehensive Financial Report; evaluate the effectiveness of the Executive Department’s internal controls over financial reporting and compliance; and determine whether the Executive Department complied with applicable laws and regulations. In addition, we determined whether management has taken actions to correct the findings reported in the prior year.

Results of Our Procedures

Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the Executive Department management letter dated July 26, 2021. We determined that management has resolved the prior-year findings related to Inaccurate Annual Fiscal Reports, Inadequate Controls over Certain Coronavirus Relief Fund Transactions, Inadequate Controls over Vendor Record Changes, and Lack of Written Policies and Procedures. The prior-year findings related to Inadequate Recovery of Small Rental Property Program Loans and Weakness in Controls over Information Technology Security and Data Recovery have not been fully resolved and are addressed again in this letter.

The prior year finding related to Inadequate Grant Recovery of Homeowner Assistance Program Awards is not repeated in the current year because the Division of Administration, Louisiana Office of Community Development (LOCD) did not identify any new noncompliant Homeowner Assistance Program (HAP) awards for the Community Development Block Grant/State’s Program (CDBG) during fiscal year 2021. As a result, no questioned costs are reported for fiscal year 2021. However, as of June 30, 2021, 27,468 noncompliant files totaling \$907.2 million identified in previous years are still outstanding. Of this total, LOCD is actively pursuing collections on 13,916 files totaling \$454.4 million and the remaining 13,552 files totaling \$452.8 million have been determined uncollectable for various reasons such as death or bankruptcy. As of June 30, 2021, \$8.9 billion total HAP awards have been disbursed to 130,053 homeowners. At year end, LOCD was actively reviewing files for 580 applicants totaling \$15.4 million to make final determinations of the homeowner’s noncompliant status or final

assessment of the collectability of accounts determined to be noncompliant. In addition, LOCD reported that the following progress was made during fiscal year 2021: 168 files were submitted to a law firm to pursue collection efforts; 134 applicants requested a plan for payment; and 273 files with obligations were paid off or were cleared.

Current-year Findings

Inadequate Recovery of Small Rental Property Program Loans

For the fiscal year ended June 30, 2021, the Division of Administration, LOCD identified \$4,335,784 in Small Rental Property Program (SRPP) loans for 42 property owners under the CDBG Program who failed to comply with one or more of their loan agreement requirements and were assigned to loan recovery status. Since LOCD has not recovered these loans, we consider these amounts totaling \$4,335,784 to be questioned costs. In addition, 1,194 noncompliant loans identified in previous years totaling \$110.4 million remain outstanding.

As of June 30, 2021, of the 4,484 outstanding SRPP loans totaling \$436.8 million, 1,078 noncompliant loans totaling \$100.4 million are in active recovery status, and LOCD represented that current recovery efforts are to either recoup the loan funds or work with the applicants to bring them into compliance with the state's continuing requirements of the program. The remaining 158 noncompliant loans totaling \$14.3 million have been determined by LOCD to be uncollectable for various reasons such as foreclosure, property seizure, or legal dispute.

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

In response to hurricanes Katrina and Rita, the state was awarded and has allocated approximately \$653 million to the SRPP as part of the Road Home program. In accordance with the state's U.S. Department of Housing and Urban Development (HUD)-approved Action Plan Amendment 24, the SRPP offers forgivable loans to qualified property owners who agree to offer rental properties at affordable rents to be occupied by lower-income households. In exchange for accepting loans ranging between \$10,000 and \$100,000 per rental unit, property owners are required to accept limitations on rents and incomes of renters during an "affordability period," a specified period of time based on the amount of funding received and the type of work being done (renovation or full construction) ranging between three and 20 years. The loan amounts are determined based on location of property, number of bedrooms, and the poverty level of the renter. In addition to accepting limitations on rents and income of renters, property owners also agree to maintain property insurance and maintain flood insurance, if necessary. These requirements become effective one year after the closing date and remain until the expiration of the "affordability period." According to the loan agreements, failure to comply with any of the loan requirements shall constitute default and mandatory repayment. Good internal controls would ensure that policies and procedures are in place with an established timeline to monitor compliance with the

loan agreements and provide for specific actions (i.e., loan modification, foreclosure, or repayment) if a property owner fails to comply with the loan agreement or does not provide evidence of compliance as required by the loan agreement.

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

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

Restore Louisiana Homeowner Assistance Program Awards Identified for Grant Recovery

For the fiscal year ended June 30, 2021, the Division of Administration, LOCD identified \$901,739 in noncompliant Restore Louisiana Homeowner Assistance Program (RLHAP) awards for 58 homeowners through established program implementation and monitoring procedures for the CDBG Program. Since LOCD has not recovered these noncompliant awards at year-end, we consider these amounts to be questioned costs.

As of June 30, 2021, \$651,111,383 in total RLHAP awards have been disbursed to 17,160 homeowners. LOCD is actively reviewing 36 files totaling \$775,032 to make final determinations of the homeowner's noncompliant status. At year-end, LOCD reported that 263 homeowner files totaling approximately \$5 million have been reviewed through its monitoring procedures. Of the 263 homeowners, LOCD reported that 94 homeowners were placed in recapture status, 141 homeowners were cleared through the review process, 10 homeowners returned their grant award, in whole or in part, and 18 homeowners entered into repayment plans.

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

In response to the March and August Floods of 2016, the state was awarded approximately \$1.07 billion to administer the RLHAP. In accordance with the state's HUD-approved Action Plan, eligible homeowners must enter into grant agreements with the state which require homeowners to comply with program requirements in exchange for compensation to rehabilitate or reconstruct their damaged property. Homeowners have three program options to choose from based on their

progress in the rebuilding process and their capacity to complete their home repair or reconstruction. Eligibility and grant award calculations are determined based on information provided by the homeowner, the results of field inspections, and available third-party datasets. Once eligibility has been established and award amounts have been calculated, funds are awarded to the homeowner upon the effective date of signing the grant agreement, which is referred to as the closing date. Should homeowners experience a change in the circumstances after grant determination or if additional information becomes available after closing, homeowners' grant calculation or program eligibility may change. In the event the change reduces their amount of eligible funding, RLHAP may require that a homeowner return all or a portion of their award. Circumstances that may result in homeowners being required to repay all or a portion of the award include: duplicative benefits received but not included in initial grant award calculation, information discovered identifying the homeowner as ineligible for the award received, failure to complete construction per program requirements, substantial noncompliance with requirements of grant agreements, voluntary withdrawal from the program, or discovery that the homeowner provided false or misleading information during the grant award process.

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

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

The Division of Administration, Office of Community Development – Local Government Assistance (OCD-LGA) and LOCD did not comply with Federal Funding Accountability and Transparency Act (FFATA) reporting requirements for the CDBG Program. During fiscal year 2021, OCD-LGA approved 32 subawards totaling approximately \$23 million to 31 different subrecipients and LOCD approved 14 subawards totaling approximately \$74 million to 11 different subrecipients. Our procedures identified the following:

- In a sample of nine OCD-LGA subawards, none of the nine subaward obligations were reported in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) within the required time frame.
- Of the 14 LOCD subawards tested, five subawards were not reported in FSRS. In addition, for two of the 14 subawards tested, LOCD reported an inaccurate obligation date within FSRS. None of the nine obligations reported in FSRS were reported within the required time frame.

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

OCD-LGA management represented that staffing and scheduling conflicts caused the agency to submit required FFATA reporting untimely in FSRS. For LOCD, management stated that the infrequency of preparation and review of the FFATA reports caused the required FFATA reports to be missing information and to be submitted untimely to FSRS. Both OCD-LGA and LOCD did not maintain adequate internal controls to ensure compliance with FFATA reporting requirements. Not complying with the FFATA requirements increases the likelihood that the public will not have access to transparent and accurate information regarding OCD-LGA and LOCD's administration of federal awards.

OCD-LGA and LOCD management should establish and implement adequate internal controls to ensure compliance with FFATA reporting requirements, which includes the timely submission of complete and accurate information. Management agreed with the auditor's observations and provided a corrective action plan (see Appendix A, page 5).

Weakness in Controls over Information Technology Security

For the second consecutive year, the Division of Administration, Office of Technology Services (OTS), did not have adequate controls over certain information technology security functions. Although OTS has made progress in designing, testing, implementing, and supporting enterprise-wide technology platforms and standards, OTS has not completely deployed consolidated and centrally managed platforms for certain technical areas. Due to their sensitivity, we have communicated these areas confidentially to management. A lack of formal, established standards and procedures in these areas increases the risk of inconsistent application of existing practices and may lead to inadequately secured applications and devices.

We evaluated OTS controls based on best practices, as defined by *Control Objectives for Information and Related Technologies*, a framework by the Information Systems Audit and Control Association.

OTS should continue its efforts to fully document enterprise-wide standards and procedures for all security areas. OTS did not concur with the finding; however, management acknowledged that OTS has not completed the deployment of the consolidated and centrally managed platforms for certain technical areas. OTS stated that it has made considerable progress in this area and will continue to provide updates on the progress of implementation (see Appendix A, page 6).

Annual Comprehensive Financial Report – State of Louisiana

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2021, we considered internal control over financial reporting and examined evidence supporting certain account balances and classes of transactions as follows:

Division of Administration (Agency 107):

- Liabilities resulting from claims and litigation

- Lessor Leases

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

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

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

- Operating expenses

Louisiana GO Zone Loan Fund (Agency 862):

- Notes receivable

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

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

Federal Compliance - Single Audit of the State of Louisiana

As a part of the Single Audit for the year ended June 30, 2021, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on the Executive Department's major federal programs, as follows:

- Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Assistance Listing 14.228)
- Coronavirus Relief Fund (Assistance Listing 21.019)
- Emergency Rental Assistance Program (Assistance Listing 21.023)
- Governor's Emergency Education Relief Fund (Assistance Listing 84.425C)
- Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Assistance Listing 97.036)

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

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

Based on the results of these Single Audit procedures, we reported findings related to Inadequate Recovery of Small Rental Property Program Loans, Restore Louisiana Homeowner Assistance Program Awards Identified for Grant Recovery, and Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act. These findings will also be included in the Single Audit for the year ended June 30, 2021. In addition, the department's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings is materially correct.

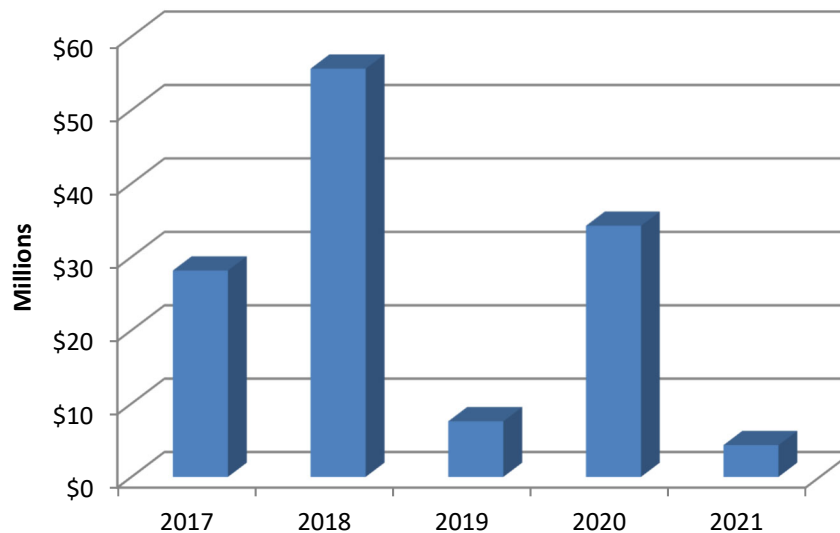
Other Procedures

In addition to the Annual Comprehensive Financial Report and Single Audit procedures noted above, we performed certain procedures that included obtaining, documenting, and reviewing the internal control and compliance with related laws and regulations over payroll at the Mental Health Advocacy Service, District Assistance Fund distributions to local districts at the Louisiana Public Defender Board, and supplemental payments of the District Attorneys and Assistant District Attorneys. Based on the results of these procedures performed, we did not report any findings.

Trend Analysis

We compared the most current and prior-year financial activity using the Executive Department's Annual Fiscal Reports and/or system-generated reports and obtained explanations from management for any significant variances. We also prepared an analysis of SRPP program awards added to recovery for fiscal years 2017 through 2021 (Exhibit 1). In fiscal year 2020, there was a large increase in SRPP awards added to recovery. According to LOCD, a significant number of SRPP program awards had loan closings in 2009 and 2010. During fiscal year 2020, these files reached the ten-year maturity period and were due for compliance reviews. The results of these reviews led to the increase in the files placed in recovery because of noncompliance with program requirements.

Exhibit 1
SRPP Awards Added to Recovery, by Fiscal Year



Source: OCD Loan Recovery Reports

Other Reports

On January 5, 2022, a report was issued by the Louisiana Legislative Auditor's Financial Audit Services for the Office of Group Benefits. This report includes a repeat finding titled *Inaccurate Annual Fiscal Reports* that involves the Office of Finance and Support Services, an office within the Division of Administration within the Executive Department. This report is available on the Louisiana Legislative Auditor's website.

On June 22, 2022, a report was issued by the Louisiana Legislative Auditor's Financial Audit Services for the Louisiana Department of Health. This report includes a finding titled *Inadequate Controls over Backup and Recovery* that involves the Office of Technology Services, an office within the Division of Administration within the Executive Department. This report is available on the Louisiana Legislative Auditor's website.

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

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

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MK:CST:BQD:EFS:aa

EXECUTIVE2021

APPENDIX A: MANAGEMENT'S RESPONSES

Office of Community Development
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

March 30, 2022

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

RE: Inadequate Recovery of Small Rental Property Program Loans

Dear Mr. Waguespack:

The Division of Administration, Louisiana Office of Community Development (OCD) is submitting the following as a response to the audit finding titled "Inadequate Recovery of Small Rental Property Program Loans."

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

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

In summary, as of June 30, 2021, the LLA reports that 1,236 applicant files have been identified as noncompliant. Of these, 158 files have been determined to be uncollectible, leaving 1,078 files that are actively being addressed. OCD's compliance and repayment efforts relating to the state

imposed continuing requirements of the program are ongoing.¹ The optimal outcome of these efforts is the continued provision of affordable housing through compliance.

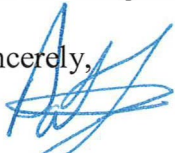
In June 2016, OCD, working with the Louisiana Housing Corporation (LHC) and the HUD, identified 397 SRPP borrowers that did not meet a National Objective. Immediately thereafter, OCD's Legal Section and LHC program staff began communicating with non-compliant borrowers and evaluating proposed workouts. OCD sent default letters to and initiated recapture efforts on all borrowers. Each file is processed with a goal of either reaching compliance, securing repayment, or identifying another viable workout plan. As of June 30, 2021, of the 397 files identified, 74 borrowers have become compliant, 11 have either partially or fully repaid their loans, 18 borrowers have transferred their housing obligations to other compliant properties, and 27 have been determined uncollectable for various reasons. As noted in the audit, LOCD continues to seek technical assistance regarding the enforcement of mortgages through the judicial foreclosure/public auction process.

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

The contact person responsible for the corrective action is Edwin Legnon, OCD Director of Finance and Reporting. Once approved by HUD, the anticipated completion date for this corrective action plan will coincide with the closing of the SRPP program.

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

Sincerely,



Patrick W. Forbes, P.E.
Executive Director

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

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

Office of Community Development
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

May 4, 2022

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

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

Dear Mr. Waguespack:

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

LOCD acknowledges the LLA finding of "Restore Homeowner awards identified for Grant Recovery." In response to the 2016 Floods, the LOCD created the Restore Louisiana Homeowner Assistance Program (HAP). Grant recapture procedures were established from the beginning of the program and have been implemented timely. It is impossible to administer a disaster recovery program that will not have certain files requiring grant recapture during the life of the program. The Restore Program requires a duplication of benefits check on all files prior to grant execution. For example, it is always possible an applicant may receive additional funding, e.g., insurance proceeds that are deemed duplicative by law. The Restore Program has controls in place to capture these amounts in the grants management system, subrogation agreements executed with each applicant, and recapture procedures to recover the funds. From the very beginning, the Restore Program was created to minimize the potential of applicants' ending up in recapture. As a result, the state has issued over \$651 million to 17,160 homeowners of which **58, or 0.338%** have been placed in recapture. As the Restore Homeowner Program comes to a close, LOCD does not anticipate further files requiring recapture of funds.

LOCD agrees with the observation of 58 files with a potential grant recapture as a necessary ongoing activity for the Program. LOCD will continue to follow the established recapture procedures for these grant awards to ensure ultimate compliance, however, this is not a corrective action, but rather the continued implementation of program protocols.

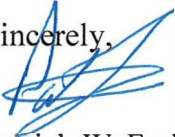
May 4, 2022

Page 2

The contact person responsible for these ongoing compliance activities is Edwin Legnon, OCD Director of Finance and Reporting. The anticipated completion date for activities addressing this finding will coincide with the closing of the Restore Louisiana program.

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

Sincerely,



Patrick W. Forbes, P.E.
Executive Director

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

Office of Community Development
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

June 17, 2022

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

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

Dear Mr. Waguespack:

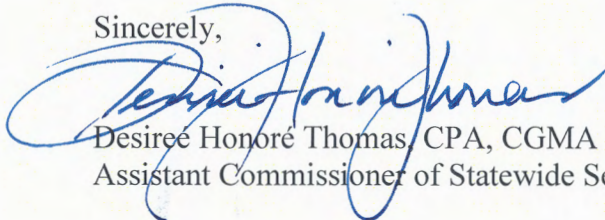
The Division of Administration, Office of Community Development (OCD) is submitting the following as a response to the audit finding titled "Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act".

OCD agrees that the required reporting for the Community Development Block Grant (CDBG) local subawards administered by Local Government Services (LGA) was submitted 12 days late, on January 12, 2022. Additionally, OCD agrees with the LLA that five of the CDBG-Disaster Recovery (CDBG-DR) subawards that were tested, were not reported timely and that two of the CDBG-DR subawards had inaccurate obligation dates. All inaccuracies have been corrected and we are in the process of reviewing our procedures to ensure the finding is not repeated.

The contact persons responsible for the corrective action are Traci Watts, OCD-LGA Director, and Edwin Legnon, OCD-DRU Director of Finance and Reporting.

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

Sincerely,



Desiree Honoré Thomas, CPA, CGMA
Assistant Commissioner of Statewide Service

C: Jay Dardenne, Commissioner of Administration
Patrick Forbes, P. E., Executive Director, CDBG-Disaster Recovery
Traci Watts, Director, CDBG-Local Government Assistance
Erin Sindelar, Internal Audit Administrator

Office of Technology Services
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

April 27, 2022

Michael J. "Mike" Waguespack, CPA
Louisiana Legislative Auditor
Attention: Carrie Thompson, CPA, Audit Manager
1600 North Third Street
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Waguespack,

We have received the preliminary audit finding on "Weakness in Controls over Information Technology Security" dated April 19, 2022.

The Division of Administration, Office of Technology Services does not concur with the finding as presented. While OTS has not completed the deployment of the consolidated and centrally managed platforms for certain technical areas, considerable progress has been made towards designing, testing, implementing, and supporting the enterprise-wide technology platforms and standards. OTS has continuously prioritized these changes, however, the extended implementation timeline is directly related to the security environment and the ever-evolving operational risks that are due in part to emerging cyberthreats. We will continue to provide updates on the progress of the implementation as requested.

We appreciate the opportunity provided to respond to this issue and welcome your continued recommendations and support to ensure that OTS continues to provide services based upon best practices. Neal Underwood, Deputy Chief Information Officer, will oversee the efforts towards continued progress.

Sincerely,

A handwritten signature in blue ink that reads 'Richard Howze'.

Richard "Dickie" Howze
Chief Information Officer
Division of Administration, Office of Technology Services

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Executive Department for the period from July 1, 2020, through June 30, 2021, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2021.

- We evaluated the Executive Department's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to the Executive Department.
- Based on the documentation of the Executive Department's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the Annual Comprehensive Financial Report.
- We performed procedures on the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Assistance Listing 14.228), Coronavirus Relief Fund (Assistance Listing 21.019), Emergency Rental Assistance Program (Assistance Listing 21.023), Governor's Emergency Education Relief Fund (Assistance Listing 84.425C), and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Assistance Listing 97.036) for the year ended June 30, 2021, as a part of the 2021 Single Audit.
- We performed procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2021, as a part of the 2021 Single Audit.
- We compared the most current and prior-year financial activity using the Executive Department's Annual Fiscal Reports and/or system-generated reports to identify trends and obtained explanations from the department's management for significant variances.

In addition, we performed procedures on the Mental Health Advocacy Service's payroll, Louisiana Public Defender Board's District Assistance Fund distributions to local districts, and District Attorneys and Assistant District Attorneys' supplemental payments. The scope of these procedures was significantly less than an audit conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

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

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