

EXECUTIVE DEPARTMENT

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

Management Letter
Issued April 23, 2025

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
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MICHAEL J. "MIKE" WAGUESPACK, CPA

FIRST ASSISTANT LEGISLATIVE AUDITOR
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Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA

Executive Department



April 2025

Audit Control # 80240076

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, 2024, we performed procedures at the Executive Department to provide assurances on financial information that is 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 to the procedures noted above, we also performed certain other procedures for the period July 1, 2023 through June 30, 2024.

We also 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 April 11, 2024. We determined that management has resolved the prior-year findings related to Restore Louisiana Homeowner Assistance Program Awards Identified for Grant Recovery and Weakness in Controls over Payroll. The prior-year finding related to Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act (FFATA) has not been resolved and is addressed again in this letter.

The prior-year finding related to Inadequate Recovery of Small Rental Property Program Loans (SRPP), is not repeated in the current report because the Office of Community Development – Disaster Recovery (OCD-DR) did not identify any new noncompliant SRPP loans for the Community Development Block Grant (CDBG) program during fiscal year 2024. As a result, no questioned costs are reported for fiscal year 2024. However, as of June 30, 2024, 814 noncompliant files totaling \$70.1 million identified in previous years are still outstanding.

The U.S. Department of Housing and Urban Development (HUD) has completed compliance monitoring activities for the SRPP. As a result, HUD issued a monitoring report with one finding: The SRPP lacks sufficient fiscal accounting controls and procedures to ensure that CDBG funds identified as ineligible expenses are recaptured and repurposed for eligible uses. In March 2024, HUD agreed to final resolution of the finding through the state's agreement to a voluntary grant reduction for hurricanes Katrina and Rita totaling \$18.5 million. HUD instructed the state to release liens on all properties (other than those related to fraud) and not to pursue these SRPP applicants for return of any funds. As of June 30, 2024, OCD-DR represented that it planned to release liens and withdraw pending lawsuits related to SRPP noncompliance. As of April 2025, OCD-DR provided documentation to us supporting that it continued its efforts in implementing corrective action by releasing liens and payment plans against property owners and represented to us that it continued to withdraw pending lawsuits. The state is awaiting HUD's close-out of the Small Rental Property Program.

Current-year Finding

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 OCD-DR did not comply with FFATA reporting requirements for CDBG. During fiscal year 2024, OCD-LGA approved 41 subawards totaling approximately \$22 million to 40 different subrecipients, and OCD-DR approved 33 subawards totaling approximately \$310.9 million to 32 different subrecipients. Our procedures identified the following:

- In a sample of eight OCD-LGA subawards, none of the eight subaward obligations were reported in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) until 39 to 62 days after the required timeframe.
- Of the 10 OCD-DR subawards tested, four obligations reported in FSRS were not reported until 5 to 86 days after the required timeframe. This is the fourth consecutive year we have reported noncompliance with FFATA requirements for OCD-DR.

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 stated that they were unable to submit the reports in FSRS timely. OCD-DR management stated that the infrequency of preparation of the FFATA reports caused the required FFATA reports to be submitted untimely to FSRS. Both OCD-LGA and OCD-DR 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 OCD-DR's administration of federal awards.

OCD-LGA and OCD-DR management should ensure that established internal controls are operating to ensure compliance with FFATA reporting requirements, which includes the timely submission of information. Management concurred with the finding and provided a corrective action plan (see Appendix A).

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, 2024, 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):

- Lessor Leases

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

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

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

- Operating expenses
- Sales of Commodities and Services

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

Based on the results of these procedures, we did not report any findings. In addition, the account balances and classes of transactions tested 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, 2024, 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)
- Emergency Rental Assistance Program (Assistance Listing 21.023)
- Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing 21.027)

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 Executive Department complied with applicable program requirements. In addition, we performed certain procedures on information submitted by the Executive 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 a finding related to Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act. This finding was included in the Single Audit for the year ended June 30, 2024. In addition, the Executive 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 internal control and compliance with related laws and regulations over payroll at the Mental Health Advocacy Service, District Assistance Fund distributions to local districts by the Louisiana Office of the State Public Defender; supplemental payments for the District Attorneys and Assistant District Attorneys; and expenditures of the Governor's Conference and Interstate Compacts. We also performed procedures on payroll for the Executive Office to follow up on the prior-year finding.

Based on the results of these procedures, 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.

Other Report

On March 7, 2025, a report was issued by the Louisiana Legislative Auditor's Economic Advisory Services Section. This report discusses various sources of funding for the FORTIFIED program, including the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii. This report is available on the Louisiana Legislative Auditor's website.

The recommendation in this letter represents, in our judgment, that which will most likely bring about beneficial improvements to the operations of the Executive Department. The nature of the recommendation, its implementation costs, and its potential impact on the operations of the Executive Department should be considered in reaching decisions on courses of action. The finding related to the Executive 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

RJD:MK:BH:BQD:aa

EXECUTIVE2024

APPENDIX A: MANAGEMENT’S RESPONSE

Office of Community Development
State of Louisiana
Division of Administration

JEFF LANDRY
GOVERNOR



TAYLOR F. BARRAS
COMMISSIONER OF ADMINISTRATION

March 12, 2025

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 is submitting the following as a response to the audit finding titled "Noncompliance with Reporting Requirements for the Federal Funding Accountability and Transparency Act".

The DOA agrees with the LLA that the subawards tested were not reported in the Federal Funding and Accountability and Transparency Act Subaward Reporting System (FSRS) within the required time frame. The Office of Community Development – Local Government Assistance and the Office of Community Development – Disaster Recovery have revised written procedures to increase the frequency of reporting and reviews, which should reduce or prevent future errors.

The contact person responsible for the corrective action is Traci Watts, OCD Director or Ginger Moses, OCD Chief Operating Officer.

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

Sincerely,

Signed by:

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Nancy Keaton, Assistant Commissioner of Finance

C: Taylor Barras, Commissioner of Administration
Erin Sindelar, Internal Audit Administrator
Traci Watts, Director, Office of Community Development – Local Government Assistance
Gina Campo, Executive Director, Office of Community Development – Disaster Recovery

APPENDIX B: SCOPE AND METHODOLOGY

We performed certain procedures at the Executive Department for the period from July 1, 2023, through June 30, 2024, 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, 2024.

- 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), Emergency Rental Assistance Program (Assistance Listing 21.023), and the Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing 21.027) for the year ended June 30, 2024, as a part of the 2024 Single Audit.
- We performed certain 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, 2024, as a part of the 2024 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 certain other procedures on the Mental Health Advocacy Service's payroll, District Assistance Fund distributions to local districts by the Louisiana Office of the State Public Defender; supplemental payments for the District Attorneys and Assistant District Attorneys; expenditures of the Governor's Conference and Interstate Compacts; and payroll for the Executive Office. 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.