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Louisiana

**Single Audit Report
for the Year Ended
June 30, 1996**

**Daniel G. Kyle, Ph.D., CPA, CFE, CGFM
Legislative Auditor**

STATE OF LOUISIANA
Independent Auditor's Reports on Internal Control,
Compliance With State and Federal
Laws and Regulations, and
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

The Auditor's Report on the State of Louisiana's General Purpose Financial Statements dated December 19, 1996, has been issued under separate cover.

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor. Also, the report is being transmitted to the Regional Inspector General for Audit of the U.S. Department of Education, which is the cognizant federal agency for the single audit of the State of Louisiana, and to each federal department or agency that provided federal financial assistance to the State of Louisiana during the year ended June 30, 1996.

March 31, 1997



To Members of the Legislature and Taxpayers of Louisiana

The State of Louisiana Single Audit Report, together with the Comprehensive Annual Financial Report, provides an overview of the operations of Louisiana state government for the fiscal year ended June 30, 1996. Each year the Louisiana Legislative Auditor audits the activities of state government's departments, agencies, universities, and other organizational units to ensure accountability and to review agency compliance with certain laws and regulations relating to financial matters. The results of the Single Audit of Louisiana, including reportable audit findings, are included in my Single Audit Report.

As a result of my audit of the 1996 Comprehensive Annual Financial Report, I issued a qualified opinion on the state's general purpose financial statements contained in the separately issued Louisiana Comprehensive Annual Financial Report. My opinion was qualified because the state's General Fund financial statements include an unexplained reconciling item of approximately \$6 million that is adjusted through revenue to make the Combined Balance Sheet and Combined Statement of Revenues, Expenditures, and Changes in Fund Balance reconcile. Because this item could not be identified, its effect on assets, liabilities, fund balance, revenues, and expenditures could not be determined.

The 1996 Single Audit Report includes my report on the Schedule of Federal Financial Assistance, along with my report on the State of Louisiana's internal control structure and its compliance with laws and regulations, which includes federal requirements. The reports contain more than 200 matters that require the attention of state government.

The Executive Summary highlights the statewide issues that are major concerns as well as issues that are material to the state's financial operations. Of specific concern are the findings that have been repeated for several consecutive years.

Louisiana's governmental leadership continues to face many challenges and many difficult decisions including changes in law, resources, and technology. These changes represent challenges that we must face with integrity, intelligence, and foresight. As Legislative Auditor, I am committed to providing accurate, timely, and relevant information to the legislature and taxpayers of Louisiana to assist them in addressing the current problems facing our state.

Sincerely,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

STATE OF LOUISIANA
SINGLE AUDIT REPORT
For the Fiscal Year Ended June 30, 1996

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STATE OF LOUISIANA
SINGLE AUDIT REPORT
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Executive Summary



EXECUTIVE SUMMARY
For the Fiscal Year Ended June 30, 1996

Introduction

The Single Audit Report on the State of Louisiana for the fiscal year ended June 30, 1996, contains the Schedule of Federal Financial Assistance and the auditor's report thereon and reports on the state's internal control structure and its compliance with laws and regulations. The Single Audit Report also contains schedules of findings and recommendations, and management's responses to those findings and recommendations.

The single audit, as performed by the Louisiana Legislative Auditor and other auditors, meets the requirements of the Single Audit Act of 1984 and the associated U.S. Office of Management and Budget Circular A-128.

The single audit includes various departments, agencies, universities, and other organizational units included in the Comprehensive Annual Financial Report of the State of Louisiana using the criteria established by Governmental Accounting Standards Board Statement 14, "The Financial Reporting Entity." Status as a component unit was determined by evaluating the primary government's financial accountability, which includes selection of a voting majority of the governing authority, imposition of will, financial benefit and/or burden, and fiscal dependence.

Our Mission

To provide legislative oversight relating to the use of public funds within Louisiana's state and local governments

Our Objectives

- To provide the legislature and other public officials with accurate and relevant information for use in their decision-making process
- To provide quality audit services for state and local governments
- To evaluate the effectiveness, efficiency, and usefulness of state programs
- To project a positive public image
- To maintain a high degree of professionalism within the organization
- To provide a satisfying and rewarding place to work

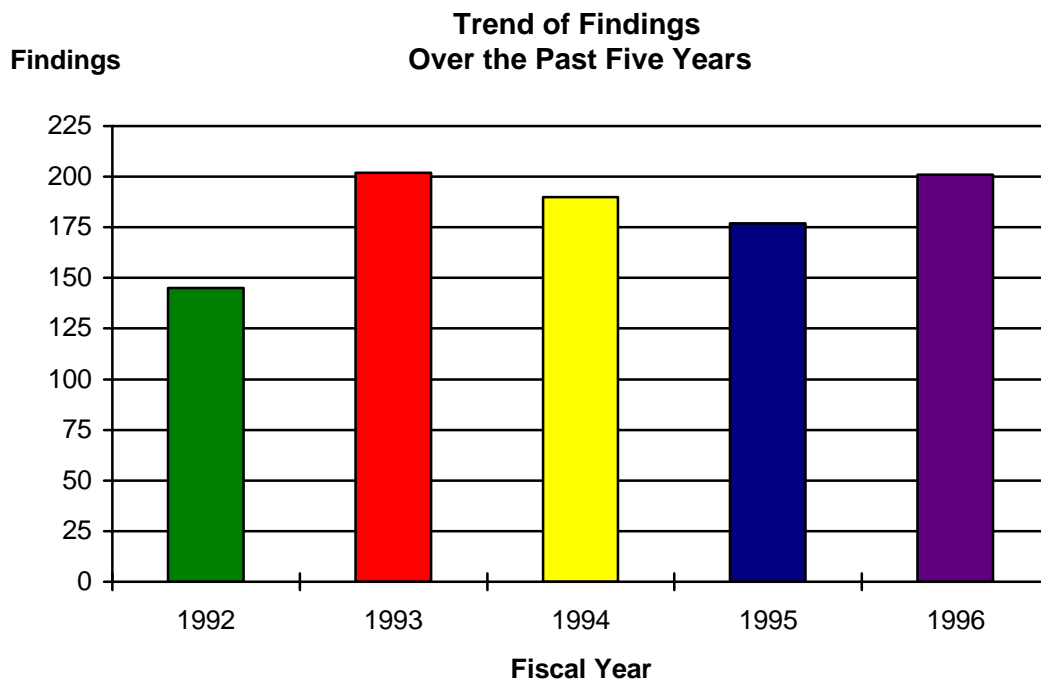
Findings and Questioned Costs

As a result of auditing Louisiana's general purpose financial statements and Schedule of Federal Financial Assistance, we noted certain deficiencies concerning internal control structure and compliance with laws and regulations. These deficiencies are presented in the schedules of findings and recommendations as described in the Table of Contents of the accompanying report.

Our audit of fiscal year ended June 30, 1996, indicated that approximately 67 percent of the findings reported in the prior audit were resolved. A total of 201 findings was reported within this year's Single Audit Report. This total includes 58 findings (29 percent) that were unresolved issues from the prior audit.

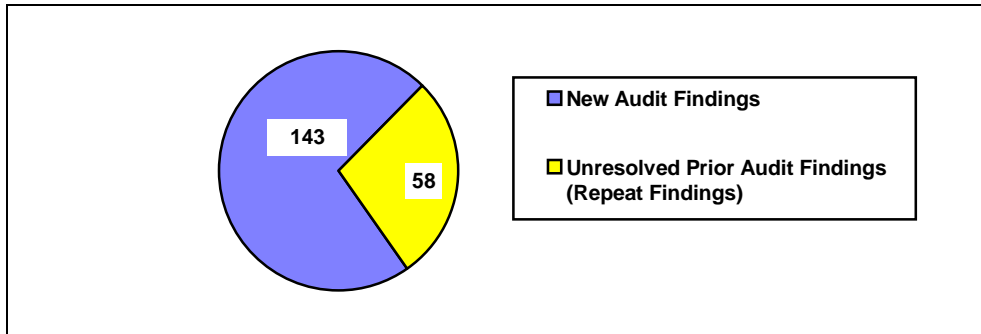
The 1996 Louisiana Single Audit Report disclosed questioned costs of \$1,157,898, which are detailed within the findings that are presented in the schedules of findings and recommendations (Schedules A through G) of the accompanying report. The resolution of these questioned costs will be determined by the respective grantors.

Below and on the following page are graphical descriptions of the trend of total findings over the past five years, the number of repeat findings as compared to new findings for this fiscal year, and the state's reported questioned costs over the past five years.



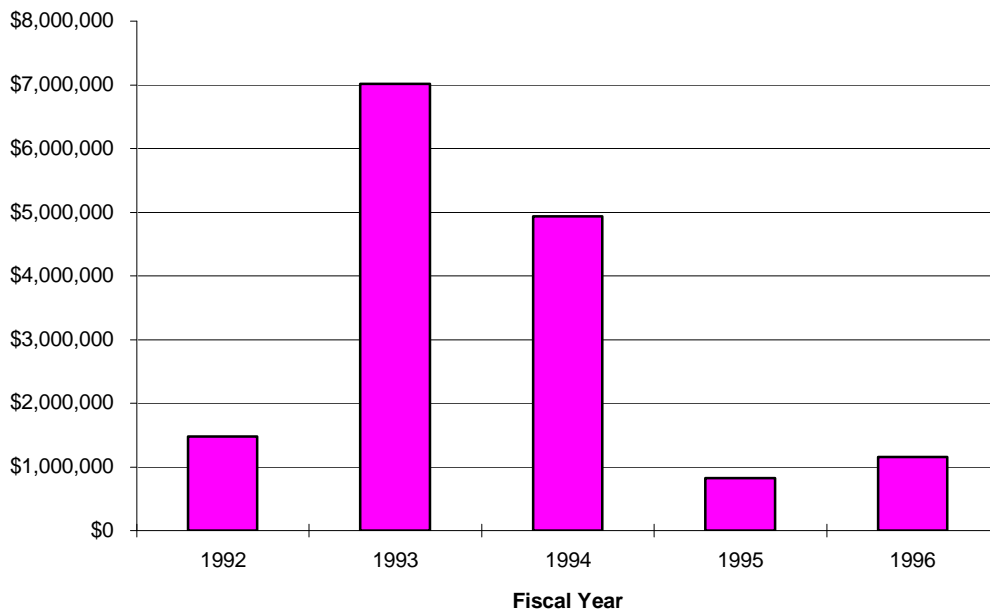
EXECUTIVE SUMMARY
For the Fiscal Year Ended June 30, 1996

**Fiscal Year 1996
Comparison of Repeat Findings
to New Findings**



**Trend of Questioned Costs
Over the Past Five Years**

Questioned Costs



EXECUTIVE SUMMARY

For the Fiscal Year Ended June 30, 1996

Statewide Areas of Concern

There were four findings reported in the 1996 Single Audit Report that warrant statewide concern. For a finding to be considered a statewide concern, it has one or more of the following characteristics:

1. It exists at numerous departments throughout the state.
2. It arises from current statewide policies that do not satisfactorily address the state's needs.
3. It could have a significant fiscal impact on either the state as a whole or on a segment of the state.

Ineffective Internal Audit Function

For the fourteenth consecutive year, the State of Louisiana did not have an effective internal audit function for state government to examine, evaluate, and report on its internal control structure, including data processing, and to evaluate its compliance with the policies and procedures of the control system.

Although internal audit resources exist within some agencies, our study and evaluation of the state's internal control structure found that an effective internal audit function did not exist at eleven state agencies, two state hospitals, one court, and one levee district. An effective internal audit function is needed to ensure that the state's assets are safeguarded and that state policies and procedures are uniformly applied.

Inadequate Controls in State's Movable Property System

The State of Louisiana did not ensure that all state agencies, hospitals, universities, and component units maintain adequate internal controls over movable property as prescribed by the Commissioner of Administration and Louisiana law. The state's policies and procedures should be uniformly applied to ensure that movable property is adequately safeguarded and accurately reported in the financial statements.

Our audit of movable property records throughout the state disclosed that five state agencies, five state universities, two state hospitals, one regional management center, and one state school have not maintained an adequate movable property control system. In addition, there were two board audits performed by other auditors that revealed inadequacies in movable property records. Many of these agencies have had movable property audit findings for several years.

EXECUTIVE SUMMARY

For the Fiscal Year Ended June 30, 1996

Inadequate Compilation Process

The Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP), does not have adequate procedures or resources for compiling the state's Comprehensive Annual Financial Report (CAFR). The compilation procedures should enable management to produce timely financial statements that do not contain material or significant errors. The current compilation process has deficiencies in that (1) OSRAP does not have a formal process that will consistently reconcile prior year fund balances as reported in the computerized accounting system to prior year fund balances as reported in the CAFR; (2) significant state entities and agencies are not fully accounted for in the state's computerized accounting system, which causes an inordinate amount of effort to include the accounts of these agencies in the appropriate fund statements; and (3) an ineffective review process by management causes an excessive reliance on the audit process to detect a significant number of errors in the statements and notes and impedes the timely completion of the CAFR.

The Division of Administration should seek and assign additional resources to establish a compilation process that includes a formal process to reconcile the computer system's prior year fund balances to the prior year fund balances reported in the state's CAFR; establish written procedures that would ensure that all state entities and accounts are properly incorporated into the CAFR; and establish an effective management review process to limit the number of errors in the financial statements and note disclosures.

Improper Use of Nonrecurring Revenue

The State of Louisiana did not use nonrecurring revenue to retire or defease bonds "in addition to existing amortization requirements of the state," as required by both the Louisiana Constitution and the Appropriations Act (Act 44 of the 1995 Regular Session). Nonrecurring revenue of \$106,580,325, resulting from the General Fund unreserved - undesignated fund balance for fiscal year ended (FYE) June 30, 1994, was declared by the Revenue Estimating Conference (REC) and placed in an escrow agent bank account on June 28, 1995. During FYE June 30, 1996, this money was used to meet regular debt service payments of the state. This had the effect of reducing the state's debt service expenditures paid from current collections, thereby freeing up funds for other purposes. However, this approach did not fulfill the constitutional requirement that the funds be used "in addition to existing amortization requirements."

Approximately \$18 million of the nonrecurring revenue was used in fiscal year (FY) 1995 to defease three bond issues that were scheduled to be paid out in FY 1996. The remaining balance of approximately \$88 million was used for regularly scheduled debt service payments in FY 1996 for 16 other issues. Because the total outstanding principal balance for 6 of those 16 issues was \$81,165,000, a total of 9 issues could have been defeased in FY 1995, and regular debt service could have been paid from current collections in FY 1996.

On June 14, 1996, the REC declared nonrecurring revenue of \$145,689,000 resulting from the General Fund unreserved - undesignated fund balance for FYE June 30, 1995, and the money was placed in an escrow agency bank account on June 25, 1996. This money will be used for regularly scheduled debt service in FY 1997. In addition, the state issued 1996-A refunding bonds during FY 1996 to be used to defease certain issues. If the state had used the nonrecurring revenue in addition to regular payments for debt service amortization, it is possible that the refunding issue would have been a lesser amount.

Management should use nonrecurring revenues to retire or defease bonds "in addition to the existing amortization requirements," instead of using the funds to meet existing amortization requirements. This practice would allow the state to use available funds to retire or defease debt in advance instead of issuing refunding bonds, which creates more state debt.

EXECUTIVE SUMMARY
For the Fiscal Year Ended June 30, 1996

Material Findings

During the 1996 Single Audit, there were four findings reported that were considered to be material weaknesses in the internal control structure of the state, or a state agency within the state. For a finding to be considered a material weakness, the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Three of the statewide findings discussed on the previous pages are considered to be material weaknesses.

- Ineffective Internal Audit Function
- Inadequate Controls in State's Movable Property System
- Inadequate Compilation Process

Another finding reported in the Single Audit Report that was considered to be a material weakness is within the State Employees Group Benefits Program.

Inadequate Controls Over Financial Reporting

The State Employees Group Benefits Program does not have adequate controls in place to ensure compliance with financial reporting regulations and failed to record \$10,960,056 of expenditures in accordance with state regulations. Louisiana Revised Statute 39:80 requires the Commissioner of Administration to prepare annual financial statements for the State of Louisiana in accordance with generally accepted accounting principles. To accomplish this task, the Commissioner issued Policy and Procedure Memorandum No. 68 (PPM 68) specifying that revenue should be recognized in the fiscal year in which economic activity generates the revenue. Expenditures, with the exception of payroll, should be recognized in the year in which liability for the expenditure occurs. In addition, the Division of Administration issues written instructions each year to assist agencies in preparing their annual financial report in accordance with PPM 68. Good internal controls would require review procedures to determine that these reporting requirements and instructions are followed.

Of the unreported expenditures, \$10,959,703 represents that portion of fiscal year 1996 health insurance premiums that were due to health maintenance organizations (HMOs). Although the program recorded the collection of the revenue, it failed to record the associated obligation (expenditure) to the contracting HMOs. The fiscal officer and fiscal manager were aware of the need to record the expenditure; however, the decision was made not to report the expenditure after discussion with the executive director. Had this error not been detected by the external auditor, the liabilities and expenditures in Louisiana's Comprehensive Annual Financial Report would have been understated.

The State Employees Group Benefits Program should establish and follow review procedures to ensure compliance with PPM 68 and the instructions of the Division of Administration when preparing its annual financial report.

EXECUTIVE SUMMARY

For the Fiscal Year Ended June 30, 1996

Federal Financial Assistance

In addition to examining the state's general purpose financial statements, we examined federal financial assistance administered by the State of Louisiana reporting entity. For the fiscal year ended June 30, 1996, the State of Louisiana reported approximately \$6.3 billion in monetary and non-monetary assistance (including loan programs) for the federal financial assistance programs administered by the state.

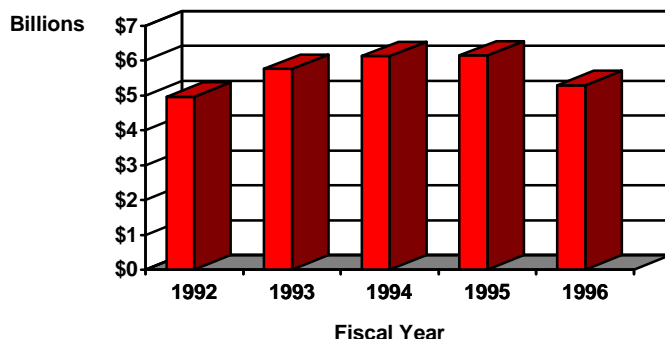
Major federal programs within the State of Louisiana were identified on a statewide basis in accordance with the criteria established by the Office of Management and Budget (OMB) Circular A-128, the Single Audit Act of 1984, and OMB's *November 1987 Questions and Answers Booklet*. Major federal financial assistance programs for the year ended June 30, 1996, are programs for which total disbursements/issues of federal financial assistance by the state and the federal government's risk in outstanding loan balances exceeded \$19 million for the previous fiscal year. Cumulatively, these programs accounted for 91 percent of the state's disbursements/issues/loans of federal financial assistance for the year ended June 30, 1996.

We performed our audit considering the internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs as required by OMB Circular A-128. We obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk. We performed procedures to determine whether the State of Louisiana had complied with the general and specific requirements as identified in the *Compliance Supplement for Single Audits of State and Local Governments*, issued by the OMB. These procedures were performed within state organizations that administer federal financial assistance programs.

The following graph illustrates the trend of total federal financial assistance disbursed by the state (excluding the loan balances) over the past five years.

Trend of Federal Financial Assistance Over the Past Five Years

Fiscal Year 1996 Total Federal Assistance
\$5,292,081,742
(excluding loan programs)



The total amount of disbursements of federal financial assistance programs has decreased by 14% from last fiscal year.

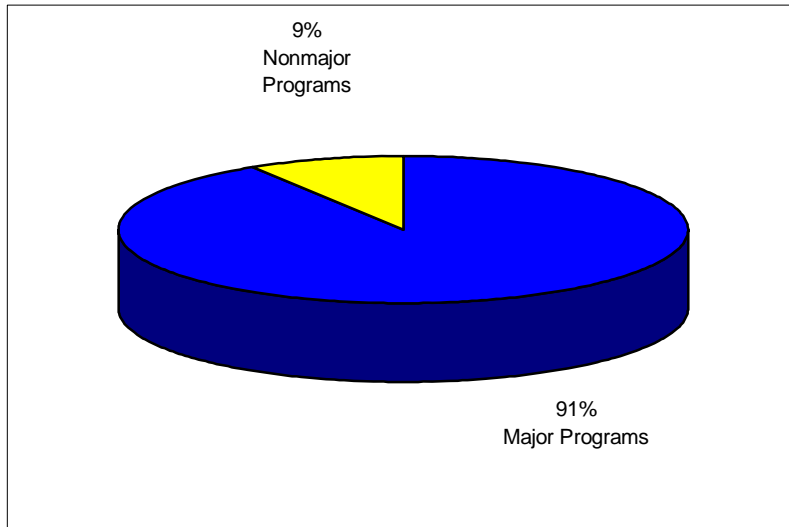
Louisiana's ten largest federal programs disbursed over 79% of the state's total federal financial assistance, excluding loan programs.

During fiscal year 1996, the state received approximately \$1 billion less from the Medical Assistance Program. This reduction was due to a restructuring of the matching requirements of the program within the state.

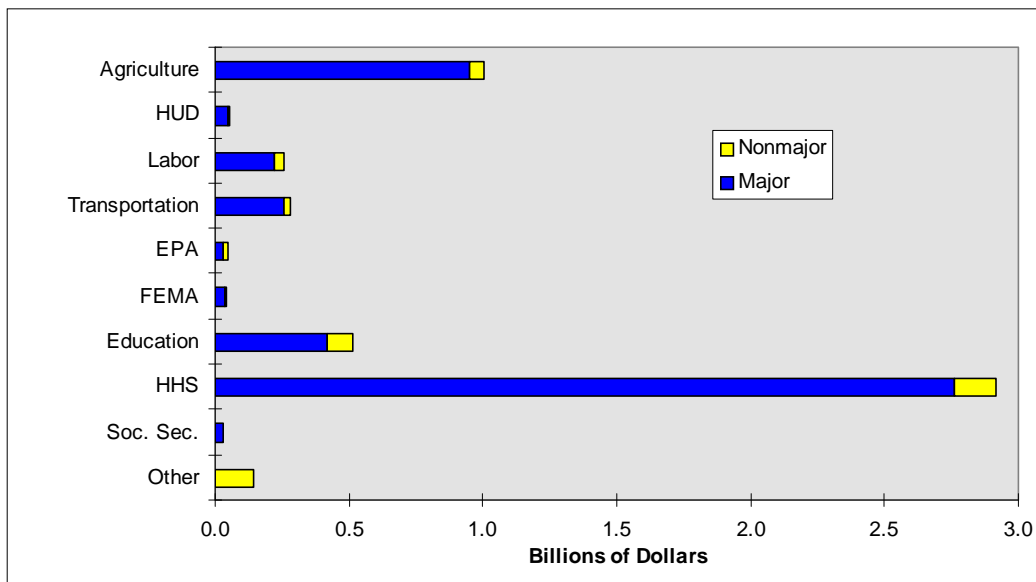
EXECUTIVE SUMMARY

For the Fiscal Year Ended June 30, 1996

Fiscal Year 1996 Major vs. Nonmajor Assistance (including loan programs)



Fiscal Year 1996 Federal Financial Assistance by Federal Agency \$5,292,081,742 (excluding loan programs)



EXECUTIVE SUMMARY
For the Fiscal Year Ended June 30, 1996

Major Federal Financial Assistance Programs

U.S. Department of Agriculture

10.550	Food Distribution
10.551	Food Stamps
10.553	School Breakfast Program
10.555	National School Lunch Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.561	State Administrative Matching Grants for Food Stamp Program

U.S. Department of Housing and Urban Development

14.228	Community Development Block Grants/State's Program
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U.S. Department of Labor

17.225	Unemployment Insurance
17.250	Job Training Partnership Act

U.S. Department of Transportation

20.205	Highway Planning and Construction
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Environmental Protection Agency

66.458	Capitalization Grants for State Revolving Funds
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Federal Emergency Management Agency

83.516	Disaster Assistance
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U.S. Department of Education

84.010	Title I Grants to Local Educational Agencies
84.027	Special Education - Grants to States
84.032	Federal Family Education Loans
84.038	Federal Perkins Loan Program - Federal Capital Contributions
84.048	Vocational Education - Basic Grants to States
84.063	Federal Pell Grant Program
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States

U.S. Department of Health and Human Services

93.560	Family Support Payments to States - Assistance Payments
93.563	Child Support Enforcement
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant to the States

Social Security Administration

96.001	Social Security - Disability Insurance
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Audit Reports





DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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March 14, 1997

**Independent Auditor's Report on the
Schedule of Federal Financial Assistance**

**HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the general purpose financial statements of the State of Louisiana as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996. These general purpose financial statements are the responsibility of management of the State of Louisiana. Our responsibility is to express an opinion on these financial statements based on our audit. The scope of our audit of the general purpose financial statements was limited, in that the state's General Fund financial statements include an unexplained reconciling item of approximately \$6 million adjusted through revenue, and its effect on assets, liabilities, fund balance, revenues, and expenditures cannot be determined. This resulted in a qualified opinion to the general purpose financial statements.

Certain portions of the statements and the related schedule of federal financial assistance accompanying this report were not audited by us, but were audited by other auditors; these include the federal financial assistance programs administered by Grambling State University, the Louisiana Educational Television Authority, the Louisiana Housing Finance Agency, the Morgan City Harbor and Terminal District, the Southern University System, and the West Jefferson Levee District. These federal financial assistance programs reflect total activity and the federal government's risk in their outstanding loan balances of \$72,959,828, which comprise approximately one percent of total assistance activity and the federal government's risk in outstanding loan balances for the state as of and for the year ended June 30, 1996. Those schedules of federal financial assistance audited by the other auditors have been furnished to us, and our assurance, insofar as it relates to the amounts included for the above mentioned agencies and universities, is based solely upon the reports of the other auditors.

Except as discussed in the first paragraph, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

LEGISLATIVE AUDITOR

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA
March 14, 1997
Page Two

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the State of Louisiana taken as a whole. The accompanying Schedule of Federal Financial Assistance (Appendix A) is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Except for the matter discussed in the first paragraph relating to an unexplained reconciling item, the information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements. In our opinion, based on our audit and the reports of other auditors, except for the effects of the unexplained General Fund reconciling item, the information in the schedule is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive style with a large, prominent initial "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

MVG:DSP:dl

{OPINION1}



DANIEL G. KYLE, PH.D., CPA, CFE
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March 14, 1997

**Independent Auditor's Report on the Internal Control Structure Based
on an Audit of the General Purpose Financial Statements**

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the State of Louisiana as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996. The scope of our audit of the general purpose financial statements was limited, in that the state's General Fund financial statements include an unexplained reconciling item of approximately \$6 million adjusted through revenue, and its effect on assets, liabilities, fund balance, revenues, and expenditures cannot be determined. This resulted in a qualified opinion to the general purpose financial statements. We did not audit the financial statements of certain component units of the State of Louisiana. Those financial statements were audited by other auditors whose reports have been furnished to us. This report, insofar as it relates to those component units, is based solely upon the reports of other auditors.

Except as discussed in the first paragraph, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The Governor and certain other statewide elected officials of the State of Louisiana and their appointees (management) are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

LEGISLATIVE AUDITOR

**HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA**

March 14, 1997

Page Two

In planning and performing our audit of the general purpose financial statements of the State of Louisiana for the year ended June 30, 1996, we and other auditors obtained an understanding of the internal control structure. With respect to the internal control structure, we and other auditors obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters contained in Schedule A involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Also, our consideration and other auditors' consideration of the internal control structure disclosed the reportable conditions described in Schedules B (page 75), C (page 89), D (page 139), E (page 159), F (page 195), and G (page 203).

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the matters described in Schedule A pages 21 through 32 involving the internal control structure and its operation that we consider to be material weaknesses as described above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the State of Louisiana for the year ended June 30, 1996.

In connection with our audit, we reviewed the prior-year findings on the internal control structure to determine whether management had implemented appropriate action to correct the conditions giving rise to those findings. The results of our review indicate that management had taken appropriate corrective action with respect to the prior-year findings, except for the matters described in the Schedule of Unresolved Prior Audit Findings (Schedule H, page 225), which have been addressed in our current report.

LEGISLATIVE AUDITOR

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA

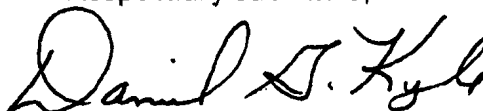
March 14, 1997

Page Three

We noted other immaterial matters involving the internal control structure and its operation that we have reported to management of the various state agencies in separate management letters that are available upon request.

This report is intended for the information and use of the Governor and certain other statewide elected officials of the State of Louisiana and their appointees (management). By provisions of state law, this report is a public document, and it has been distributed to the Louisiana Legislature and other appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with a large initial "D" and "K".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

MVG:DSP:dl

[OPINION2]

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DANIEL G. KYLE, PH.D., CPA, CFE
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March 14, 1997

**Independent Auditor's Report on the Internal Control Structure
Used in Administering Federal Financial Assistance Programs**

**HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the general purpose financial statements of the State of Louisiana as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996. The scope of our audit of the general purpose financial statements was limited, in that the state's General Fund financial statements include an unexplained reconciling item of approximately \$6 million adjusted through revenue, and its effect on assets, liabilities, fund balance, revenues, and expenditures cannot be determined. This resulted in a qualified opinion to the general purpose financial statements. We have also audited the State of Louisiana's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated March 14, 1997, which is based in part on the reports of other auditors.

Except as discussed in the first paragraph, we conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the State of Louisiana complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program. We did not consider the internal control structure, including applicable internal administrative controls, used in administering federal financial assistance programs of Grambling State University, the Louisiana Educational Television Authority, the Louisiana Housing Finance Agency, the Morgan City Harbor and Terminal District, the Southern University System, and the West Jefferson Levee District. The schedules of federal financial assistance for those agencies and universities reflect total activity and the federal government's risk in their outstanding loan balances of \$72,959,828, which comprise approximately one percent of total assistance activity and the federal government's risk in outstanding loan balances for the state as of and for the year ended June 30, 1996. Those internal control structures, including applicable internal administrative controls, were considered by other auditors whose reports have been furnished to us. Our report, insofar as it relates to the internal control structures used in administering federal financial assistance programs of the agencies and universities mentioned previously, is based solely upon the reports of the other auditors.

LEGISLATIVE AUDITOR

**HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA**

March 14, 1997

Page Two

In planning and performing our audits for the year ended June 30, 1996, we and other auditors considered the internal control structure of the State of Louisiana in order to determine our auditing procedures for the purpose of expressing our opinions on the state's general purpose financial statements and on its compliance with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated March 14, 1997.

The Governor and certain other statewide elected officials and their appointees (management) of the State of Louisiana are responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Controls

Purchases/disbursements
Fixed and movable property
Internal audit function
Budgeting/budget reporting
Financial reporting
Payroll/personnel
Inventory of materials and supplies

EDP activities
Payables/encumbrances
Debt management
Revenues/receipts
Inter/intrafund transfers
Treasury/investments
Claims/litigation

LEGISLATIVE AUDITOR

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA

March 14, 1997

Page Three

Grant Administration Controls

Relocation assistance and real property acquisition	Types of services
Cost sharing/allocation	Reporting
Matching/level of effort	Federal financial reports
Student file maintenance, fiscal procedures, and record keeping	Administrative requirements
Eligibility/participation	Monitoring subrecipients
Political activity	Coordination of student aid programs
Davis-Bacon Act	Institutional disbursements to award recipients
Civil rights	Refund calculation and overpayment procedures
Cash management	Drug-free workplace
Special requirements	Allowable costs/cost principles

For all of the internal control structure categories listed previously, we and other auditors obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we and other auditors assessed control risk.

During the year ended June 30, 1996, the State of Louisiana expended 91 percent of its total federal financial assistance under major federal financial assistance programs.

We and other auditors performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the state's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We and other auditors noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment and other auditors' judgment, could adversely affect the state's ability to administer federal financial assistance programs in accordance with applicable laws and regulations. We and other auditors noted the matters described in Schedule A (page 21), Schedule B (page 75), Schedule C (page 89), Schedule D (page 139), Schedule E (page 159), Schedule F (page 195), and Schedule G (page 203) that we consider to be reportable conditions.

LEGISLATIVE AUDITOR

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA

March 14, 1997

Page Four

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

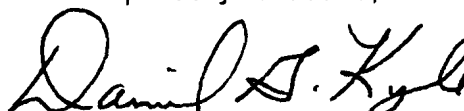
Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we and other auditors noted the matters listed on pages 21 through 32 in Schedule A involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the State of Louisiana's compliance with requirements applicable to its major federal financial assistance programs for the year ended June 30, 1996, and this report does not affect our report thereon dated March 14, 1997.

In connection with our audit, we reviewed the prior-year findings on the internal control structure, including applicable internal administrative controls, to determine whether management had implemented appropriate action to correct the conditions giving rise to those findings. The results of our review indicate that management had taken appropriate corrective action with respect to the prior-year findings, except for the matters described in the Schedule of Unresolved Prior Audit Findings (Schedule H, page 225), which have been addressed in our current report.

We noted other immaterial matters involving the internal control structure and its operation that we have reported to management of the various state agencies in separate management letters that are available upon request.

This report is intended for the information and use of the Governor and certain other statewide elected officials of the State of Louisiana and their appointees (management). By provisions of state law, this report is a public document, and it has been distributed to the Louisiana Legislature and other appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

MVG:DSP:dI
[OPINION3]



OFFICE OF
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March 14, 1997

Independent Auditor's Report on Compliance
Based on an Audit of the General Purpose Financial Statements

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the State of Louisiana as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996. The scope of our audit of the general purpose financial statements was limited, in that the state's General Fund financial statements include an unexplained reconciling item of approximately \$6 million adjusted through revenue, and its effect on assets, liabilities, fund balance, revenues, and expenditures cannot be determined. This resulted in a qualified opinion to the general purpose financial statements. We did not audit the financial statements of certain component units of the State of Louisiana. Those financial statements were audited by other auditors whose reports have been furnished to us. This report, insofar as it relates to those component units, is based solely upon the reports of other auditors.

Except as discussed in the first paragraph, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the State of Louisiana is the responsibility of the Governor and certain other statewide elected officials of the State of Louisiana and their appointees (management). As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we and other auditors performed tests of the state's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests and those of other auditors disclosed instances of noncompliance described in Schedules A through G that are required to be reported herein under *Government Auditing Standards*. We considered these instances of noncompliance in forming our opinion on whether the State of Louisiana's general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated December 19, 1996, on those financial statements.

LEGISLATIVE AUDITOR

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA

March 14, 1997

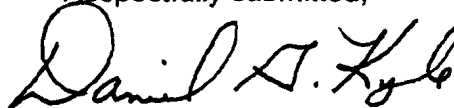
Page Two

In connection with our audit, we reviewed the prior-year findings of noncompliance with laws and regulations to determine whether management had implemented appropriate action to correct the conditions giving rise to those findings. The results of our review indicate that management had taken appropriate corrective action with respect to the prior-year findings, except for the matters described in the Schedule of Unresolved Prior Audit Findings (Schedule H, page 225), which have been addressed in our current report.

We noted other immaterial matters involving compliance that we have reported to management of the various state agencies in separate management letters that are available upon request.

This report is intended for the information and use of the Governor and certain other statewide elected officials of the State of Louisiana and their appointees (management). By provisions of state law, this report is a public document, and it has been distributed to the Louisiana Legislature and other appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

MVG:DSP:dl

[OPINION4]



OFFICE OF
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March 14, 1997

**Independent Auditor's Report on Compliance With General
Requirements Applicable to Federal Financial Assistance Programs**

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the State of Louisiana as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996. The scope of our audit of the general purpose financial statements was limited, in that the state's General Fund financial statements include an unexplained reconciling item of approximately \$6 million adjusted through revenue, and its effect on assets, liabilities, fund balance, revenues, and expenditures cannot be determined. This resulted in a qualified opinion to the general purpose financial statements.

We have applied procedures to test the State of Louisiana's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended June 30, 1996: allowable costs/cost principles, administrative requirements, civil rights, federal financial reports, Davis-Bacon Act, cash management, political activity, relocation assistance and real property acquisition, and drug-free workplace. We did not audit certain component units of the state, and we did not apply procedures to test compliance with the general requirements by Grambling State University, the Louisiana Educational Television Authority, the Louisiana Housing Finance Agency, the Morgan City Harbor and Terminal District, the Southern University System, and the West Jefferson Levee District. The schedules of federal financial assistance for those agencies and universities reflect total activity and the federal government's risk in their outstanding loan balances of \$72,959,828, which comprise approximately one percent of total assistance activity and the federal government's risk in outstanding loan balances for the state as of and for the year ended June 30, 1996. Compliance with the requirements by the agencies and universities mentioned above were tested by other auditors whose reports have been furnished to us. Our report, insofar as it relates to compliance with the requirements referred to above by the agencies and universities, is based solely upon the reports of the other auditors.

Our procedures were limited to the applicable procedures described in Office of Management and Budget *Compliance Supplement for Single Audits of State and Local Governments* and the U.S. Department of Education's *Student Financial Assistance Audit Guide*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an

LEGISLATIVE AUDITOR

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA

March 14, 1997

Page Two

opinion on the state's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Louisiana had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in Schedule D (page 139) and Schedule G (page 203).

In connection with our audit, we reviewed the prior-year findings of noncompliance with the general requirements applicable to each federal financial assistance program to determine whether management had implemented appropriate action to correct the conditions giving rise to those findings. The results of our review indicate that management had taken appropriate corrective action with respect to the prior-year findings, except for the matters described in the Schedule of Unresolved Prior Audit Findings (Schedule H, page 225), which have been addressed in our current report.

This report is intended for the information and use of the Governor and certain other statewide elected officials of the State of Louisiana and their appointees (management). By provisions of state law, this report is a public document, and it has been distributed to the Louisiana Legislature and other appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

MVG:DSP:dl

[OPINIONS]



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March 14, 1997

**Independent Auditor's Report on Compliance With Specific
Requirements Applicable to Major Federal Financial Assistance Programs**

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the general purpose financial statements of the State of Louisiana as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996. The scope of our audit of the general purpose financial statements was limited, in that the state's General Fund financial statements include an unexplained reconciling item of approximately \$6 million adjusted through revenue, and its effect on assets, liabilities, fund balance, revenues, and expenditures cannot be determined. This resulted in a qualified opinion to the general purpose financial statements.

We have also audited the State of Louisiana's compliance with the requirements governing types of services allowed or unallowed; eligibility/participation; matching, level of effort or earmarking; reporting; cost sharing/allocation; monitoring subrecipients; student file maintenance, fiscal procedures, and record keeping; institutional disbursements to award recipients; refund calculations and overpayment procedures; coordination of student aid programs; special requirements; claims for advances and reimbursements; amounts claimed or used for matching; and a variety of other specific requirements contained in Office of Management and Budget (OMB) *Compliance Supplement for Single Audits of State and Local Governments*, the U.S. Department of Education's *Student Financial Assistance Audit Guide*, various grant award agreements, and the *Catalog of Federal Domestic Assistance* that are applicable to each of the state's major federal financial assistance programs, which are identified in note N to the accompanying Schedule of Federal Financial Assistance, for the year ended June 30, 1996. The Governor and certain other statewide elected officials of the State of Louisiana and their appointees (management) are responsible for the state's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit. We did not audit compliance with those requirements by Grambling State University, the Louisiana Educational Television Authority, the Louisiana Housing Finance Agency, the Morgan City Harbor and Terminal District, the Southern University System, and the West Jefferson Levee District. The schedules of federal financial assistance for those agencies and universities reflect total activity and the federal government's risk in their outstanding loan balances of \$72,959,828, which comprise approximately one percent of total assistance activity and the federal government's risk in outstanding loan balances for the state as of and for the year ended June 30, 1996. Compliance with the requirements by the agencies and universities

LEGISLATIVE AUDITOR

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA

March 14, 1997

Page Two

mentioned previously were tested by other auditors whose reports have been furnished to us. Our report, insofar as it relates to compliance with the requirements referred to previously by those agencies and universities, is based solely upon the reports of the other auditors.

Except as discussed in the first paragraph, we conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to previously occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures and those of other auditors disclosed immaterial instances of noncompliance with the requirements referred to in the second paragraph of this report, which are described in Schedule E (page 159) and Schedule G (page 203). We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the State of Louisiana complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility/participation; matching, level of effort or earmarking; reporting; cost sharing/allocation; monitoring subrecipients; student file maintenance, fiscal procedures, and record keeping; institutional disbursements to award recipients; refund calculation and overpayment procedures; coordination of student aid programs; special requirements; claims for advances and reimbursements; amounts claimed or used for matching; and a variety of other specific requirements contained in OMB *Compliance Supplement for Single Audits of State and Local Governments*, the U.S. Department of Education's *Student Financial Assistance Audit Guide*, various grant award agreements, and the *Catalog of Federal Domestic Assistance* that are applicable to each of the state's major federal financial assistance programs for the year ended June 30, 1996.

In connection with our audit, we reviewed the prior-year findings of noncompliance with the specific requirements applicable to each major federal financial assistance program and whether management had implemented appropriate action to correct the conditions giving rise to those findings. The results of our review indicate that management had taken appropriate corrective action with respect to the prior-year findings, except for the matters described in the Schedule of Unresolved Prior Audit Findings (Schedule H, page 225), which have been addressed in our current report.

LEGISLATIVE AUDITOR

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA

March 14, 1997

Page Three

This report is intended for the information and use of the Governor and certain other statewide elected officials of the State of Louisiana and their appointees (management). By provisions of state law, this report is a public document, and it has been distributed to the Louisiana Legislature and other appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle". The signature is written in a cursive style with a large initial 'D'.

Daniel G. Kyle, CPA, CFE
Legislative Auditor

MVG:DSP:dl

[OPINION6]

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March 14, 1997

**Independent Auditor's Report on Compliance With Specific Requirements
Applicable to Nonmajor Federal Financial Assistance Program Transactions**

**HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the general purpose financial statements of the State of Louisiana as of and for the year ended June 30, 1996, and have issued our report thereon dated December 19, 1996. The scope of our audit of the general purpose financial statements was limited, in that the state's General Fund financial statements include an unexplained reconciling item of approximately \$6 million adjusted through revenue, and its effect on assets, liabilities, fund balance, revenues, and expenditures cannot be determined. This resulted in a qualified opinion to the general purpose financial statements.

In connection with our audit of the general purpose financial statements of the State of Louisiana, and with our consideration of the state's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1996. As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility/participation; matching, level of effort or earmarking; reporting; cost sharing/ allocation; and monitoring subrecipients that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the state's compliance with these requirements. Accordingly, we do not express such an opinion. We did not apply procedures to test compliance with these requirements by Grambling State University, the Louisiana Educational Television Authority, the Louisiana Housing Finance Agency, the Morgan City Harbor and Terminal District, the Southern University System, and the West Jefferson Levee District, whose schedules of federal financial assistance reflect total activity and the federal government's risk in their outstanding loan balances of \$72,959,828, which comprise approximately one percent of total assistance activity and the federal government's risk in outstanding loan balances for the state as of and for the year ended June 30, 1996. Compliance with the requirements by the agencies and universities mentioned above were tested by other auditors whose reports have been furnished to us. Our report, insofar as it relates to compliance with the requirements referred to previously by the agencies and universities, is based solely upon the reports of the other auditors.

LEGISLATIVE AUDITOR

HONORABLE M. J. "MIKE" FOSTER, JR., GOVERNOR
STATE OF LOUISIANA

March 14, 1997

Page Two

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the State of Louisiana had not complied, in all material respects, with those requirements. However, the results of our procedures and the procedures of other auditors disclosed immaterial instances of noncompliance with those requirements, which are described in Schedule F (page 195) and Schedule G (page 203).

In connection with our audit, we reviewed the prior-year findings of noncompliance with requirements applicable to nonmajor federal financial assistance programs and whether management had implemented appropriate action to correct the conditions giving rise to those findings. The results of our review indicate that management had taken appropriate corrective action with respect to the prior-year findings, except for the matters described in the Schedule of Unresolved Prior Audit Findings (Schedule H, page 225), which have been addressed in our current report.

This report is intended for the information and use of the Governor and certain other statewide elected officials of the State of Louisiana and their appointees (management). By provisions of state law, this report is a public document, and it has been distributed to the Louisiana Legislature and other appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

MVG:DSP:dl

[OPINION7]

Schedule A

Reportable Conditions in the
Internal Control Structure
For the Year Ended June 30, 1996



**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in
the Internal Control Structure
For the Year Ended June 30, 1996

EXECUTIVE DEPARTMENT

Inadequate Compilation Process

The Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP), does not have adequate procedures or resources for compiling the state's Comprehensive Annual Financial Report (CAFR). The compilation procedures should enable management to produce timely financial statements that do not contain material or significant errors. The following are deficiencies in the current compilation process:

1. OSRAP has no formal process that will consistently reconcile prior year fund balances as reported in the computerized accounting system to prior year fund balances as reported in the CAFR for the state General Fund and the Bond Security and Redemption Fund.
2. Significant state entities and agencies, including the Department of Transportation and Development, the Department of Labor, the Circuit Courts of Appeal, the Supreme Court, and the Legislative Branch, are not fully accounted for in the state's computerized accounting system. During the compilation process, an inordinate amount of effort is required to include the accounts of these agencies in the appropriate fund statements. Errors made during this manual process account for some of the unreconciled differences in prior year fund balances as described in number 1 above.
3. An ineffective review process by management causes an excessive reliance on the audit process to detect a significant number of errors in the statements and notes and impedes the timely completion of the CAFR. Management has informed us that the Division of Administration does not have adequate staffing to assign additional personnel to the review function because of budgetary limitations.

The Division of Administration should seek and assign additional resources to establish a compilation process that includes a formal process to reconcile the computer system's prior year fund balance to the prior year fund balance reported in the state's General Fund and Bond Security and Redemption Fund statements; establish written procedures that would ensure that all state entities and accounts are properly incorporated into the CAFR; and establish an effective management review process that would limit the number of errors in the financial statements and note disclosures.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

In a letter from the Commissioner of Administration dated February 5, 1997, the Division of Administration concurred in part with the finding. The Commissioner concurred that the OSRAP staff resources are limited, requiring extensive overtime and assistance from other Division employees to prepare the CAFR, but expressed that the employees are capable, dedicated, and competent. He stated that the audit team is often significantly larger than the OSRAP staff responsible for financial reporting. The Commissioner did not concur that there is an inadequate review process, that OSRAP relied on the audit process to detect errors, or that significant errors were made often. Instead, he said the errors referred to were due to OSRAP's policy of providing funds to auditors before OSRAP's work is complete so that auditors can perform preliminary testing. Further, he said, "errors are often the result of a change in audit focus which, if made known to OSRAP prior to the audit, they may have been avoided." The Commissioner concurred that not having several of the state's entities on the centralized accounting computer system does create compilation problems, but he has no legal authority to mandate complete participation by all branches of government. The Commissioner expressed that tremendous strides have been made in the reporting information of the Department of Transportation and Development and the Department of Labor. Finally, the Commissioner did not concur that OSRAP has no formal process to reconcile the prior year fund balances as reported in the computerized accounting system to the CAFR for the state General Fund and the Bond Security and Redemption Fund. He stated that "time constraints coupled with limited resources do not always allow the completion of the (reconciliation) process on a 100% basis prior to required issuance" of the CAFR. See management's response at B-258.

Additional Comments: We do not agree that the audit staff is "often significantly larger than the OSRAP staff." Staff sizes are comparable. In addition, we do not agree that the errors detected are the result of providing work to the auditors for preliminary testing. Significant errors were detected in funds and notes that were presented to the auditors as final versions. The General Fund statement, for example, was given to the auditors with a \$13.4 million unreconciled compilation difference. The number of audit adjustments and the amount of error detected by the auditors indicate the need for a more comprehensive review process within OSRAP. Further, auditors are not required to notify management of "changes in audit focus." Auditors plan their work based on risk, and the audit focus will likely change each year. It is management's responsibility to consistently prepare financial statements that follow accounting standards, as well as applicable laws and regulations, regardless of the audit focus. Finally, the compilation process should result in balanced financial statements within statutory time constraints. In fiscal year 1996, the financial statements were issued with an approximate \$6 million unreconciled difference in the General Fund.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in
the Internal Control Structure (Continued)

**Inadequate Controls in State's
Movable Property System**

The State of Louisiana did not ensure that all state agencies, hospitals, universities, and component units maintain adequate internal accounting controls over movable property as prescribed by the Commissioner of Administration and Louisiana law. Considering the amount of movable property additions (\$155,152,000), deletions (\$71,175,000), and ending balance (\$980,032,000) for the General Fixed Asset Account Group, and ending balance (\$1,070,676,000) for universities, as reported by the Division of Administration, Office of Statewide Reporting and Accounting Policy for the year ended June 30, 1996, the state's policies and procedures should be uniformly applied to ensure that movable property is adequately safeguarded and accurately reported in the financial statements.

A good internal control structure requires that adequate control procedures be in place to ensure that (1) the acquisition, valuation, and disposition of movable property is accurately reflected in the accounting records; (2) the location of all movable items is monitored and updated frequently; and (3) the amounts recorded in the financial statements are materially correct. In addition, the internal control structure should ensure that movable property is properly safeguarded against loss arising from unauthorized use; that movement of items from one location to another is recorded; and that errors in processing transactions are recognized and corrected. Furthermore, Louisiana Revised Statutes (LSA-R.S.) 39:323-325, 328, and 330 require the following:

1. Property managers are responsible for the maintenance of property identification labels as prescribed by the Commissioner.
2. The property manager is required to update the master inventory listing on a monthly basis by submitting all property transactions to the Commissioner.
3. Each property manager is required to take a complete physical inventory of all property at least once each fiscal year. The Commissioner is to be notified in writing at least 30 days in advance of the date(s) on which the physical inventory will be conducted.
4. Upon completion of the annual inventory, each property manager is required to submit a certified report to the Commissioner containing all exceptions or discrepancies found when comparing the results of the physical inventory to the perpetual inventory records.

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FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

The Louisiana Property Assistance Agency (LPAA) has been designated by the Commissioner as the agency that will collect, account for, and maintain the transactions and reports that are required by state law; however, not all state entities are required to report to LPAA. Louisiana Administrative Code 34:VII.307.A. requires that acquisitions be tagged and information be forwarded to LPAA within 45 days after receipt of these items. In addition, LSA-R.S. 39:326(D) provides the Commissioner with the authority to invoke sanctions upon an agency that is in noncompliance with movable property regulations, including the restriction of property acquisitions by that agency.

Our audit of movable property records throughout the state disclosed collective amounts of \$33,989,578 in additions; \$10,795,345 in deletions; and \$286,585,558 in ending balances of movable property for those five state agencies, two state hospitals, five state universities, one regional management center, and one state school that have not maintained an adequate movable property control system as follows:

1. For the eleventh consecutive year, various offices within the Department of Health and Hospitals did not maintain adequate internal controls over movable property and did not comply with the state's movable property laws and regulations. Of the 94 additions tested, we found 42 items (\$41,776 of \$90,232) that were not tagged and added to the inventory system until 49 to 267 days after receipt of the property. Two of four items that were unrecorded and untagged in the prior year audit test were still untagged and unreported to LPAA although it has been 473 days since these items were received. Computer equipment located in the home and automobile of an employee was not tagged and not included in the movable property inventory, and there was no evidence of authorization for home usage. One of 27 items (\$751 of \$22,976) selected for physical examination could not be located. Extended audit tests at New Orleans Mental Health Clinic disclosed that the movable property listing contained 62 items (\$71,773) that were no longer under the custody of the clinic's property manager, but had been moved to other agencies. In tracing those 62 items to their new locations, we could not determine the status of 12 items (\$3,564) and 14 items (\$21,328) for New Orleans Adolescent Hospital and Chartres-Pontchartrain Mental Health Center, respectively, from a review of current movable property inventory records.
2. For the eighth consecutive year, the Office of Public Health (OPH) has not implemented the appropriate internal control procedures to ensure that all movable property regulations prescribed by the Commissioner of Administration and Louisiana law are followed. Our test of 55 acquisitions revealed that 11 items (20 percent) were not tagged; 8 items (15 percent) were not added to the inventory listing or reported to LPAA; and another 19 items (35 percent) were not reported to LPAA from 50 to 245 days from the acquisition date. Further, in a review of another 662 acquisitions, we noted that 140 acquisitions (21 percent)

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were entered into inventory over 200 days after receipt and another 202 items (31 percent) were added over 60 days after receipt. The audit also revealed that known errors in the inventory system are not corrected in a timely manner. A test of 58 items from the June 30, 1995, physical inventory that required various corrections revealed that OPH had not corrected 27 of those items (46.5 percent) on the inventory records as of June 28, 1996. In September 1995, Information Services identified 18 items that had erroneous location codes, and as of June 28, 1996, 17 of the 18 (94 percent) had not been corrected. In January 1996, OPH's in-house computerized inventory system identified 123 items that needed description corrections, and as of June 28, 1996, 70 (57 percent) still had not been corrected.

3. For the third consecutive year, the west campus (University Hospital) of Medical Center of Louisiana at New Orleans has not maintained appropriate accountability and control over its state property, as required by state movable property laws and regulations. The state acquired University Hospital (formerly Hotel Dieu Hospital) in December 1992. A complete physical inventory of equipment was not taken at that time nor was a physical inventory taken through June 30, 1995. During fiscal year 1996, the hospital began implementing a comprehensive movable property system. However, as of June 30, 1996, only 2,487 items, totaling \$13,445,830, or 51 percent of the 4,835 items, totaling \$27,367,457, on hand at June 30, 1995, had been tagged and reported to the LPAA.
4. For the fourth consecutive audit, the Louisiana Universities Marine Consortium for Research and Education has not tagged and recorded all additions to movable property in a timely manner. In a test of 29 acquisitions, we found that 20 items (\$108,281 of \$134,320) were not tagged and were not added to the inventory system until 47 to 85 days after receipt of the property.
5. For the second consecutive year, two campuses of the Southern University System (Baton Rouge and New Orleans) did not maintain adequate internal accounting controls over movable property and did not comply with the state's movable property laws and regulations. Our tests at the Baton Rouge campus revealed that (a) the property control office did not update the master inventory listing for 156 items (\$327,912 of \$995,959) of 368 items tested, or notify LPAA within 45 days; (b) the property control office did not tag 17 of the 368 items tested; and (c) for 5 of 9 months tested, the assistant property manager did not reconcile property records to reports from the LPAA property control system. Our tests at the New Orleans campus revealed that out of 25 movable property items tested (a) 9 items could not be located; (b) one item was not tagged; (c) 12 items had incorrect location codes on the master listing; and (d) one item had an incorrect description. We also tested 60 movable property items purchased

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the Internal Control Structure (Continued)

during the year, totaling \$918,843, and determined that the university did not update the master inventory listing for three items, totaling \$827,380. Further, the property manager did not reconcile property records to monthly reports generated by the LPAA property control system.

6. For the sixth consecutive period, the Louisiana School for Math, Science, and the Arts does not have adequate internal accounting controls over movable property and has not complied with movable property regulations. According to management's representation (B-73) dated January 7, 1997, procedures will be implemented in February 1997 to address the following weaknesses noted in the prior audit finding that were not addressed during the fiscal year ended June 30, 1996: (a) the school does not have formal policies and procedures to ensure that all movable property purchased, donated, or self-constructed is recorded, processed, summarized, and reported as required by state property regulations; (b) the property control manager initiates and processes transactions, performs the physical inventory, and reports to LPAA without any review or supervision; (c) the actual costs of some acquisitions were not correctly reported to LPAA; (d) the actual acquisition dates of some acquisitions were not correctly reported to LPAA; and (e) some of the acquisitions were not reported to LPAA within 45 days.
7. For the second consecutive audit, Central Louisiana State Hospital has not maintained adequate internal accounting controls over movable property. The hospital has not reconciled all purchases of movable property per the Detail Appropriation Report to the amount of acquisitions reported to LPAA. Hospital employees purchase equipment under the rules for small purchases, \$500 or less, without reporting these purchases to the property manager. A test of 28 transactions coded to materials and supplies revealed that four items, totaling \$1,320, of equipment in excess of \$250, were purchased under small purchases guidelines but were not tagged or reported to LPAA. In addition, the hospital purchased two items of equipment for \$657 that were not tagged or reported to LPAA for at least 77 days. The hospital does not have formal written policies or procedures to ensure that all acquisitions are properly tagged, valued, recorded, and reported. In addition, the property manager prepares the necessary documentation for deletions and then deletes the item without any independent review or approval.
8. For the second consecutive audit, Elaine P. Nunez Community College did not update the state property master inventory listing in a timely manner. In addition, the college did not perform reconciliations between either the property control system (physical inventory of movable property) or the library books and the accounting records (general ledger) in a timely manner. Our tests of fixed assets disclosed the following weaknesses: (a) 18 of the 646 items received by the

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college for the two years ended June 30, 1996, were not added to the master inventory listing for periods of 48 to 214 days after receipt of the item; (b) the college did not reconcile the property control system with the accounting records for either the 1995 or the 1996 fiscal year until September 1996; and (c) the college did not reconcile the Library Collection Value Report to the accounting records for either the 1995 or the 1996 year.

9. For the second consecutive audit, Regional Management Center 1, New Orleans, did not update its movable property listing within 45 days after receipt of movable property items as required by Louisiana law. Of 17 additions to movable property at the Sidney N. Collier campus, five items (29 percent) were not submitted to LPAA for periods of 128 to 219 days after receipt. Of 115 additions to movable property at the New Orleans campus, 14 items (12 percent) were not submitted to LPAA for periods of 57 to 121 days after receipt.
10. The Department of Public Service did not update movable property records timely for items acquired as required by state law. Our test disclosed that one (\$17,337) of six vehicles purchased during the year was not reported to LPAA for 63 days. In addition, 20 (\$33,709) of the equipment acquisitions received during July to September 1995 were not reported to LPAA until August 1996.
11. Louisiana State University in Shreveport did not have adequate internal accounting controls over movable property and has not complied with movable property regulations. In a test of 14 additions to movable property, we found (a) 11 items that did not contain the serial number as a part of the description in the movable property listing; (b) seven items that were not physically tagged; (c) three items that were not located where the records indicated; and (d) one item that was tagged with a number that was not consistent with the number reflected in the movable property listing. An examination of five items valued in excess of \$75,000 on the movable property listing revealed that one item listed as a laser printer with a value of \$107,858 was actually a combination of 62 individual computers, printers, and monitors in a computer lab. Further, each item was also individually tagged and listed in the property listing, thereby overstating the total property listing by \$107,858. Another test revealed that five of ten items did not contain the serial number in the description. While performing this test, we identified 13 computer terminals and 30 printers in the library that were not tagged and the printers were not added to the property listing even though they had been received at least six months before our examination. Finally, in a report dated February 27, 1996, an internal examination of 40 university personal computers performed by the LSU System Internal Audit Department disclosed (a) 12 of the computers had a total of 33 programs that were identified as unauthorized when the Software Publishers Association software program, SPAudit, was executed on them; (b) 11 of the

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computers were not located in the areas identified in the records; and (c) computers were found without the university's property control identification numbers.

12. Nicholls State University failed to record and tag timely all movable property items as required by state movable property laws and regulations. During our audit, we examined 20 acquisition documents containing 81 items, totaling \$176,891, that were not tagged as required and not entered into the LPAA property control system for periods of 48 to 161 days. The property manager initiated the tagging and recording process by establishing a pending file and issuing the tags to the receiving department to be placed on the movable property. However, the property manager failed to follow up timely on the progress of the receiving department.
13. The University of New Orleans failed to tag and record timely all movable property items as required by LPAA. During our tests, we observed donated computer equipment (32 items with an estimated value of \$45,500) that was not tagged and not entered into the university's property control records for periods of 99 days to an estimated 4 years. In addition, two lease-purchased computers, valued at \$1,600 each, were not assigned identification tags for a period of 90 days.
14. The Department of Wildlife and Fisheries does not have adequate procedures to ensure that the movable property master listing is updated in a timely manner as required by Louisiana law. In our test of 48 movable property acquisitions totaling \$186,820, 31 acquisitions, totaling \$67,378 (36 percent), were not added to the master listing. In addition, 15 acquisitions totaling \$49,506, representing 27 percent of the \$181,139 of items received by June 30, 1995, were not reported in the department's Annual Fiscal Report for the year ended June 30, 1995. Also, in 6 of the 12 months tested, monthly updates to the master listing were not submitted timely to LPAA.

In addition to those listed, the audits of the Louisiana State Board of Medical Examiners and the Louisiana State Licensing Board for Contractors, performed by other auditors, revealed inadequacies in movable property records and are included in Schedule G.

The State of Louisiana should take the necessary measures to ensure that all state agencies, hospitals, universities, and component units maintain adequate internal accounting controls over movable property to comply with state movable property regulations as prescribed by the Commissioner of Administration and Louisiana law. In a letter dated February 21, 1997, the Commissioner of Administration concurred with the finding. He stated that since February 1996, LPAA has had only three compliance personnel to perform audits at 470 agency sites. Another

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compliance position was added in January 1997, which should allow LPAA to audit each agency at least once every three years. The Commissioner recognizes that agencies that are cited for noncompliance often do not have adequate resources to meet all of their legal and operational requirements and although most agencies have tried to mitigate the problem, "resolution is not likely in the foreseeable future." LPAA will request written confirmation from the affected agencies and departments as to the validity of the findings and corrective action taken or to be taken. The imposition of sanctions may be used in extreme cases, but the Division recognizes that such sanctions often impact the recipients of agencies' services. The Commissioner stated, "Enforcement actions taken will be based upon past compliance and the proposed corrective actions of the state entity" (B-261).

Ineffective Internal Audit Function

For the fourteenth consecutive year, the State of Louisiana did not have an effective internal audit function for state government to examine, evaluate, and report on its internal control structure, including data processing, and to evaluate its compliance with the policies and procedures of the control system.

Currently in Louisiana, approximately 104 internal auditors provide coverage to 17 state agencies, 10 state hospitals, 11 state colleges/universities, and one levee district. The Governor also established the Office of the State Inspector General (IG) in fiscal year 1988 to provide an internal audit function for state agencies and to provide other valuable services to the state through investigative auditing and the operation of a complaint hotline. However, because of funding limitations, the IG does not have adequate staffing to perform an effective internal audit function. Currently, there are 12 auditors in the IG's office.

Although internal audit resources exist within the agencies noted previously, our study and evaluation of the state's internal control structure for the year ended June 30, 1996, found that an effective internal audit function did not exist in the following agencies. While the following should not be considered an all-inclusive list, their collective assets and revenues demonstrate the need for an effective internal audit function within Louisiana state government.

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the Internal Control Structure (Continued)

	<u>Assets</u>	<u>General Appropriations/ Revenues</u>
Department of Agriculture and Forestry	\$7,774,120	\$50,286,324
Central Louisiana State Hospital	5,921,027	33,528,196
Department of Economic Development	9,900,000	30,100,000
Department of Environmental Quality	105,000,000	106,000,000
Executive Department	79,000,000	201,000,000
Department of Insurance	121,000,000	171,000,000
Orleans Levee District	441,822,000	39,404,000
Pinecrest Developmental Center	8,501,792	62,423,646
Department of Public Safety and Corrections - Corrections Services	57,174,426	423,325,206
Department of Public Safety and Corrections - Public Safety Services	131,409,233	1,240,861,895
Office of Risk Management	91,362,721	207,017,933
Office of Student Financial Assistance	33,111,530	35,539,469
Supreme Court of Louisiana	16,467,942	66,931,989
Office of Telecommunications Management	9,137,282	37,598,250
Department of Wildlife and Fisheries	<u>8,000,000</u>	<u>41,000,000</u>
Total	<u>\$1,125,582,073</u>	<u>\$2,746,016,908</u>

Act 16 of the 1995 Regular Session of the Louisiana Legislature requires agencies with an appropriation level in excess of \$30 million to use existing program resources and table of organization for the purpose of establishing an internal auditor position. Considering the state's reported assets (\$37.3 billion) and its operating revenues (\$14.9 billion) and the number of control and compliance findings contained in this report, we believe that an effective internal audit function is needed to ensure that the state's assets are safeguarded and that state policies and procedures are uniformly applied.

The State of Louisiana should take the necessary steps to establish an effective internal audit function by either reallocating or increasing available internal audit resources or by pursuing other alternatives to accomplish this objective. In a letter dated February 17, 1997, the Commissioner of Administration stated, "We agree with the finding that additional internal audit functions are needed in all departments. It is our intention to evaluate current internal audit needs and existing resource levels to ascertain the additional level of funding needed to provide that resource and work to find and provide those resources to the agencies within the next fiscal period" (B-263).

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STATE EMPLOYEES GROUP BENEFITS PROGRAM**Inadequate Controls Over Financial Reporting**

The State Employees Group Benefits Program does not have adequate controls in place to ensure compliance with financial reporting regulations and failed to record \$10,960,056 of expenditures in accordance with state regulations. LSA-R.S. 39:80 requires the Commissioner of Administration to prepare annual financial statements for the State of Louisiana in accordance with generally accepted accounting principles. To accomplish this task, the Commissioner issued Policy and Procedure Memorandum No. 68 (PPM 68) specifying that revenue should be recognized in the fiscal year in which economic activity generates the revenue. Expenditures, with the exception of payroll, should be recognized in the year in which liability for the expenditure occurs. In addition, the Division of Administration issues written instructions each year to assist agencies in preparing their annual financial report in accordance with PPM 68. Good internal controls would require review procedures to determine that these reporting requirements and instructions have been followed.

Of the unreported expenditures, \$10,959,703 represents that portion of fiscal year 1996 health insurance premiums that were due to health maintenance organizations (HMOs). Although the program recorded the collection of the revenue, it failed to record the associated obligation (expenditure) to the contracting HMOs. The fiscal officer and fiscal manager were aware of the need to record the expenditure; however, the decision was made not to report the expenditure after discussion with the executive director. Had this error not been detected by the external auditor, the liabilities and expenditures in Louisiana's comprehensive annual financial report would have been understated by \$10,960,056.

The State Employees Group Benefits Program should establish and follow review procedures to ensure compliance with PPM 68 and the instructions of the Division of Administration when preparing its annual financial report. In a letter dated December 11, 1996, Mr. James R. Plaisance, Executive Director, concurred with this finding but objects to its reporting because the financial statements were corrected and resubmitted to the Division of Administration upon discovery of the error by the auditor. Mr. Plaisance also stated that the error occurred because of a misunderstanding concerning the period for which the premiums were submitted. See management's response at B-234.

Additional Comments: We concur that the program corrected and resubmitted its financial statements after this error was detected by the auditor. However, we believe the matter is more complicated than a simple misunderstanding of the period of time the premiums were intended to cover. Our interviews with agency personnel indicate that there were discussions among the fiscal officer, the fiscal manager, and the executive director before the decision was made not to accrue this large expenditure. Furthermore, the recognition of the revenue in one fiscal period while not recognizing the liability associated with that revenue until the subsequent fiscal period

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the Internal Control Structure (Continued)

is an inconsistent application of accounting principles. We therefore believe that this condition, although corrected, is reportable.

EDUCATION, DEPARTMENT OF**Inadequate Uniform Payroll System Controls**

The Department of Education did not ensure that all of its timekeeping units complied with existing internal control procedures over payroll transactions input into the Uniform Payroll System (UPS). Good internal controls include an adequate segregation of duties and a review of transactions to ensure that data is accurate and reliable and to ensure that errors and irregularities are detected within a timely period. Departmental regulations assign the bureau directors with the responsibility for certifying the accuracy and completeness of time and attendance records. In our test of five timekeeping units with a total of 91 employees, we noted the following exceptions:

1. Three of five bureau directors did not certify time and attendance sheets for their timekeeping unit.
2. Four of five units had no indication that time and attendance data input into UPS was compared to time and attendance sheets for accuracy.
3. Eight employees did not sign or initial their time and attendance sheets.
4. Nine employees did not have time of arrival or departure indicated on their time and attendance sheets.
5. Seven employees did not have leave slips to support leave taken.
6. One employee had sick leave entered as annual leave.
7. Five employees had time and attendance records that did not agree to the hours worked or the leave taken on the Fixed Time Entry Listing and Leave Register.

Management should ensure that the bureau directors perform an adequate and complete review of all time and attendance records before approval. Furthermore, the bureau directors should determine that someone other than the timekeeper verifies that payroll transactions are correctly input into UPS. Management of the department concurred with the finding and recommendations. See management's response at B-9.

EXECUTIVE DEPARTMENT

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the Internal Control Structure (Continued)

Inadequate Budget Monitoring

The Office of Planning and Budget (OPB) does not have standardized procedures in place to compare budget to actual expenditures by program, on a quarterly basis, as per instructions of OPB. As a result, some budget analysts are either not reviewing their programs once per quarter, are not documenting their review of the programs, or are not using a consistent method for performing their review. LSA-R.S. 39:77 forbids the expenditure of any monies in excess of the funds appropriated. By not performing the budget to actual comparison on a timely basis, the risk exists that expenditures could exceed budgets and not be detected in a timely manner.

Our test of 24 program files revealed that four files did not contain sufficient documentation indicating that quarterly reconciliations had been performed. In addition, one program in the sample had overspent its budget, and the situation remained undetected because of inadequate procedures.

Management should establish standardized procedures and forms for the program budget reviews and should confirm that the reviews have been performed on a quarterly basis, as prescribed by management. Management did not concur with the finding and noted that the OPB procedure is in place although some analysts did not perform the required program budget reviews consistently. However, management has established new procedures and forms that confirm analysts have performed the reviews as directed by management. See management's response at B-22.

GRAMBLING STATE UNIVERSITY**Delinquent Accounts Receivable of
Grambling State University Foundation, Inc.**

Grambling State University (GSU) has not actively pursued collection of an outstanding receivable from the GSU Foundation, Inc. (Foundation). Good business practices require the university to pursue collection of all receivables, to include any legal remedies afforded for the enforcement of the agreement between GSU and the Foundation. This receivable was established to cover scholarships awarded in prior years by the Foundation. Based on an agreement dated April 28, 1989, the Foundation was to make \$50,000 annual payments to GSU until the balance was liquidated. The Foundation failed to make the required payment during fiscal year 1995-96, leaving an outstanding balance of \$343,573.

The Foundation is presently experiencing financial difficulties as noted in its fiscal year ended December 31, 1994, audit report released on March 13, 1996, and may be unable to fulfill its obligation to the university. If the Foundation fails to pay the outstanding balance of this

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the Internal Control Structure (Continued)

receivable, the university may then have an asset on its books that is overstated. Failure to collect on this debt may result in a possible donation of public funds.

GSU should pursue enforcement of the agreement with the Foundation and obtain the required payment. Furthermore, we suggest that GSU request the Attorney General to assist in efforts to collect this debt. After exhausting all avenues for collection, an allowance for bad debts should be considered. In a letter dated October 10, 1996, Ms. Cynthia Lemelle, Interim Vice President for Finance, stated that the university will actively pursue collection of the required payment and will, if necessary, set up an allowance for bad debts after exhausting all avenues of collection (B-28).

Inadequate Control Over Athletic Events

GSU has not maintained adequate control over all athletic revenues and expenditures. Good business practices require establishment of accountability for all revenues earned and expenditures incurred, as well as maintenance of complete and orderly records to support accountability. The Red River Classic (Classic), a football game between GSU and the University of Arkansas at Pine Bluff, was selected for a review of the university's internal controls over athletic events and revealed the following:

1. The university did not fully account for all unsold game tickets, totaling approximately \$62,000. As a result, we were unable to ascertain that reported sales of approximately \$186,000 corresponded with tickets sold for the Classic.
2. The university created a high degree of risk of loss of revenue for tickets sold on consignment. An agent was hired to control distribution of game tickets for the Classic and, based on the university's instructions, issued tickets to numerous outlets to directly sell tickets. The agent and outlets did not provide a bond or any other guarantee for the value of tickets issued totaling approximately \$248,000.
3. The university was unable to provide supporting documentation for expenditures relating to the Classic. University management provided us with a list of vendors that were paid \$58,117 for game related expenditures. We were informed that these expenditures, as well as \$27,051 in game guarantees to the opponent, were paid by the agent, based on the university's instructions. We were unable to determine the validity of these expenditures.
4. The general ledger of the university does not fully reflect the total activity of the Classic. The expenditures noted in number 3, plus \$24,146 of ticket sales by the opponent, were netted against the revenue collected by the agent, resulting in \$109,314 of understatement of revenues and expenditures.

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the Internal Control Structure (Continued)**

These conditions exist because athletic department personnel have not placed considerable emphasis upon verification of athletic event activity. As a result, approximately \$62,000 of tickets remain unaccounted for, \$58,117 of expenditures are unsupported, the risk of unrecoverable loss is increased, and total financial activity is not reflected in the university's accounting records as related to the Classic.

GSU should require the athletic department to ensure that each athletic event is reconciled to actual supporting documentation for all revenues and expenditures, supporting documentation should be on hand for all expenditures, every effort should be made to reduce the risk of loss in relation to tickets issued to independent sellers, and the total financial activity should be reflected in the accounting records. In a letter dated August 21, 1996, Mr. Howard Craig, Vice President for Finance, stated that management concurred with the finding and that internal controls have been strengthened to verify and routinely monitor all financial aspects of athletic events (B-29).

HEALTH AND HOSPITALS, DEPARTMENT OF**Medical Assistance Trust Fund Fees Not Monitored**

For the third consecutive year, the Department of Health and Hospitals (DHH) has not maintained adequate controls over fees due from providers to the Medical Assistance Trust Fund to ensure that amounts reported by providers are accurate. Fees due to the Medical Assistance Trust Fund are established by LSA-R.S. 46:2601-2605. Providers are responsible for preparing and submitting reports of fees due to the fund and for remitting payments at that time. Trust fund collections were reported at \$71,462,429 for the year ended June 30, 1996. A good system of internal control would provide assurance that all fees are accurately reported.

Our review of the Medical Assistance Trust Fund disclosed that the department had entered into a contract with an independent accounting firm for audits of fees due from pharmacies, which constitute approximately 5 percent of total collections. This contract was effective January 1, 1996; however, the contract was not approved by the Division of Administration, Office of Contractual Review until May 23, 1996. At June 30, 1996, no audits had been conducted, and no other procedures were in place to provide for assurance that providers reported and remitted the correct fees. There were no audit procedures or contracts in place for any other provider types that make up the remaining 95 percent of collections.

Failure to establish adequate controls over reports filed by providers increases the likelihood that material misstatements in fees due to the department can occur or that errors may occur and go undetected. The department's ability to monitor amounts due and collect amounts that become past due would also be impeded.

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the Internal Control Structure (Continued)

DHH should establish procedures to ensure accurate monitoring and reporting of fees due from providers to the Medical Assistance Trust Fund. In a letter dated July 25, 1996, Mr. Stan Mead, Director of the Division of Fiscal Management, concurred with the finding and stated that in addition to the contract for audits of fees due from pharmacies, the department has now contracted for audits of long-term care providers required to submit fees to the Medical Assistance Trust Fund (B-55).

**LOUISIANA ECONOMIC DEVELOPMENT
AND GAMING CORPORATION****Failure to Audit Gaming Revenue**

During the period July 1, 1995, through November 22, 1995, the Louisiana Economic Development and Gaming Corporation (Corporation) failed to audit the state's share of gaming revenue received from Harrah's Jazz Company's land-based casino and did not adequately monitor the revenue controls established within the casino during that period. A good internal control structure should include regular audits of casino revenue and periodic monitoring of the casino's revenue controls to provide reasonable assurance that gaming revenue is complete and properly recorded.

During our review of the Corporation's internal audit section, which was responsible for auditing the state's share of the land-based casino's gaming revenue, we found no documentation of regular audits of gaming revenue received from the casino or documented observations of the casino's revenue controls. Interviews with management of the internal audit section revealed that although the section was active during the period July 1, 1995, through November 22, 1995, and observations of casino activity were made during the closing of the casino on November 22, 1995, no formal revenue audits or observations of revenue controls were performed before the casino's closing. Statements made by management to the Board of Directors indicated that, while no audits were conducted, it was the intention of the audit section to begin auditing and monitoring these revenues and controls in January 1996. However, the audit section's employees were terminated January 7, 1996. Because of the failure to audit gaming revenue and the lack of adequate monitoring of the controls over this revenue, the Corporation is unable to provide reasonable assurance that the state's share of gaming revenue (\$16,100,846) and the related liability for unearned gaming revenue (\$4,572,602) are complete and properly recorded.

Upon the re-opening of the land-based casino, the Louisiana Gaming Control Board (successor to the Louisiana Economic Development and Gaming Corporation) should conduct regular audits of the state's share of casino gaming revenue collected from the land-based casino and should monitor the casino's revenue controls periodically to provide reasonable assurance that the state's share of gaming revenue received is complete and properly recorded. In a letter dated November 19, 1996, Judge Hillary J. Crain, Chairman of the Louisiana Gaming Control

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Reportable Conditions in
the Internal Control Structure (Continued)

Board, indicated that he concurred with the finding and recommendation and has prepared an audit and control review program for the land-based casino in New Orleans (B-69).

**LOUISIANA STATE UNIVERSITY AND
A&M COLLEGE (BATON ROUGE)**

**Inadequate Documentation for
Louisville Slugger Scholarship**

Louisiana State University and A&M College (Baton Rouge) (LSU) did not have adequate documentation to support the awarding of the Louisville Slugger Scholarship. The Louisville Slugger Scholarship is a national award of \$20,000 (\$2,500 per semester) given to an incoming freshman at the school of the current national champion baseball team and is designed by the donor to be given to financially needy students. Nominees were sent in by the Special Assistant to the Chancellor. Good internal controls require an adequate audit trail to determine if proper policies and procedures were followed. The Office of Student Aid and Scholarships (OSAS) selected six students from the pool of applicants for the Chancellor's Leadership Awards Program to be nominees for the Louisville Slugger Scholarship. Financial need was not a consideration in determining which students would be recommended for the scholarship.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

The OSAS copied the applications but failed to compile a list of the students' names. The Chancellor's Office did not have a copy of the applications and did not maintain a list of the students' names. Because the auditor could not compare the list of names the OSAS sent to the Chancellor's Office to be nominees of the Louisville Slugger Scholarship, we could not determine, with any certainty, if the winner of the scholarship was one of the six applicants chosen by the OSAS. The student selected was a member the Lambda Chi Alpha fraternity, as was the Special Assistant to the Chancellor. Subsequently, the Board of Supervisors, on November 8, 1996, voted to rescind the scholarship because of the controversy surrounding the Special Assistant to the Chancellor and the handling of the Chancellor's Incentive Awards.

LSU should ensure that there is adequate documentation to support the awarding of all student financial assistance. In a letter dated November 25, 1996, Dr. Jerry J. Baudin, Vice Chancellor for Business Affairs and Comptroller stated, "The University concurs with this recommendation. Specifically, with respect to the Louisville Slugger Scholarship, changes have already been implemented such that should LSU be the recipient of this scholarship award again in the future, the award will be administered by the Office of Student Aid and Scholarships and the selection will be made in accordance with the criteria established by the donor" (B-81).

Inadequate Grant Reporting and Monitoring

The LSU Division of Continuing Education did not ensure that accurate information was reported by its Office of Government Programs (OGP) to the Governor's Office of Rural Development (ORD) and, in addition, allowed the OGP to overspend its budget. An adequate internal control structure includes procedures to ensure that accurate information is submitted to grantors and that grant activities remain within available resources.

On April 25, 1996, OGP submitted a report to ORD to support the expenditure of a \$100,000 grant received in fiscal year 1996 and a \$50,000 grant received in fiscal year 1995. The report also provided a summary of programs from October 13, 1994, through May 1, 1996, and allocated costs among the programs. However, we were unable to reconcile this report to the accounting records of the LSU Division of Continuing Education. In addition, OGP's financial records indicate that the account had a deficit of \$36,746 for the year ended June 30, 1996.

The inaccuracies in the report were due to OGP personnel preparing the report by reconstructing financial data without review by the business office of the LSU Division of Continuing Education. Failure to submit accurate reports to grantors and failure to monitor grant expenditures could result in misspent funds and the loss of future funding.

**STATE OF LOUISIANA
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Reportable Conditions in
the Internal Control Structure (Continued)

The LSU Division of Continuing Education should ensure that all reports required by grantors contain accurate information and that grant activities remain within available resources. In a letter dated November 7, 1996, Dr. Jerry J. Baudin, Vice Chancellor for Business Affairs and Comptroller stated, "The University concurs with the finding. Steps have already been taken to ensure that all grant funds are properly monitored with the Division of Continuing Education and accurate information is reported to grantors." See management's response at B-83.

**LOUISIANA STATE UNIVERSITY
MEDICAL CENTER (NEW ORLEANS)****Untimely Liquidation of Patient
Account Credit Balances**

For the third consecutive year, the Louisiana State University Medical Center (New Orleans) Professional Practice Association (PPA) has not instituted internal control policies and procedures to ensure that outstanding patient credit balances, which result from overpayments by patients and insurance companies, are reviewed and liquidated on a timely basis. At June 30, 1996, the PPA has outstanding credit balances of \$837,507 from patient overpayments.

Good internal controls require management to establish policies and procedures to record transactions timely and accurately. In addition, LSA-R.S. 9:164 requires that any monies due and payable for more than one year are presumed abandoned and must be reported to the Department of Revenue and Taxation.

Ownership of the current credit balances should be determined, the monies should be returned to the rightful owners, and all credit balances more than one year old should be reported to the Department of Revenue and Taxation. Management of the Louisiana State University Medical Center (New Orleans) concurred with the finding and recommendation. See management's response at B-98.

**LOUISIANA STATE UNIVERSITY
MEDICAL CENTER (SHREVEPORT)****Unrecorded Inventory**

Louisiana State University Medical Center (Shreveport) (LSUMC-S) does not have adequate internal controls over its special order supplies. It is management's responsibility to provide for, and maintain, adequate internal controls over inventory, to include the tracking, valuing, and safeguarding of all inventoriable supplies. The LSUMC-S Internal Audit Department conducted

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

an audit of the Central Medical Supply Department's policies, procedures, and practices. The report, dated May 16, 1996, revealed a weakness relating to special order supplies not being counted or included in the perpetual supply inventory. As a follow-up to this matter, three hospital departments were selected for observance to determine the physical existence of uncounted materials and supplies and to obtain a general idea of the volume of error. The following matters were disclosed:

1. During a walk-through of the Operating Rooms Department on September 3, 1996, we observed seven storage rooms, each of which contained several stocked shelves. A nursing supervisor estimated the value of these items to be approximately \$1 million but also stated that many of these items are probably obsolete. The actual value of these inventory items, as of June 30, 1996, is not known and we are not certain that the value can be reasonably estimated.
2. There were four storage rooms in the Anesthesia Department with several stocked storage shelves in each room. No estimate was provided for this inventory.
3. There were several cabinets within the Cardio Catheterization Laboratory that were fully stocked with supply items. The estimated value of these supplies was placed at \$40,000 by the laboratory director.

These conditions exist because management has not placed considerable emphasis upon accountability and safeguarding of all assets. Since the medical center did not adequately control these supplies through an inventory process, inventory is understated in the financial statements by an undetermined amount.

LSUMC-S should review each hospital department's use of special orders, establish policies and procedures to govern their use, and ensure that all supplies purchased throughout the year are tracked through an acceptable inventory method, to include year-end reporting of supplies on hand. In a letter dated September 23, 1996, Mr. Ingo Angermeier, Hospital Administrator, stated that the medical center will establish a hospital policy requiring each department obtaining medical supplies via special order to conduct a year ending inventory. The value of these inventories shall be reported to the accounting department for inclusion in the year-end financial statements of the medical center. See management's response at B-101.

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FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in
the Internal Control Structure (Continued)

LOUISIANA STATE UNIVERSITY IN SHREVEPORT**Electronic Data Processing Control Weaknesses**

Louisiana State University (LSU) in Shreveport does not have adequate electronic data processing (EDP) general controls over its computer system. The LSU System Internal Audit Department conducted an audit of the university's EDP general controls over its computer system. The report, dated May 30, 1996, revealed numerous weaknesses as follows:

1. The Department of Computing Services' organizational chart is inaccurate and misrepresents the segregation of responsibilities within the office.
2. The computing services' procedures manual is not up-to-date and thus not used as a reference tool.
3. Formal job performance evaluations should be used by management for each position in the Department of Computing Services.
4. There is a material discrepancy between the job description for the position of the associate director of the Department of Computing Services and the duties and responsibilities of the current incumbent for this position.
5. There is insufficient documentation for the various technical areas within the Department of Computing Services.
6. Recyclable scrap paper collected within the Department of Computing Services and stored in the operations room pending disposition creates a fire hazard.
7. The Department of Computing Services does not retain complete documentation to support the approval process authorizing access to application systems.
8. Management of the Department of Computing Services does not extract system generated reports from the central processing, mainframe computer.
9. The Department of Computing Services' quarterly back-up tapes are stored in an unsecured location.
10. The Department of Computing Services' disaster recovery plan has not been tested to determine the actual viability of the plan.
11. The Department of Computing Services has the following physical access deficiencies:

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FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

- Except for the operations room, entrance to the department is not restricted, allowing unauthorized access.
- Access to the operations room in the Office of Computer Services has been extended to include individuals who do not have a business need for unescorted access.
- The locked door used to control access to the Department of Computing Services' operations room prohibits visual identification of anyone requesting entrance.
- The Department of Computing Services does not maintain a record of persons obtaining entrance to the operations room.

LSU in Shreveport should review each of the conditions identified previously and take appropriate action to correct each deficiency. In addition, management should continuously monitor and make periodic changes, as needed, to its EDP general controls. In a letter dated August 20, 1996, Mr. Michael T. Ferrell, Vice Chancellor for Business Affairs, stated that the university is committed to correcting any deficiencies noted in these findings (B-87).

Inadequate Controls Over Library Subscriptions

LSU in Shreveport paid two invoices totaling \$104,000 to a vendor for library subscriptions without detailed documentation, which resulted in an overpayment of \$40,653 and a possible violation of the Louisiana Constitution of 1974. An adequate internal control structure should include policies and procedures requiring (1) adequate segregation of duties; (2) detailed support documentation before processing documents for payment, such as detailed invoices; (3) independent control over establishment of vendors; and (4) documentation of the receiving process to ensure that all goods paid for have been received. Article 7, Section 14 of the Louisiana Constitution of 1974 prohibits the loaning of public funds by a state agency.

The university has a policy that allows library management to establish vendors, order and receive books and subscriptions, and approve invoices for payment by the accounting department. The library has historically used the services of a subscription agent to procure its subscriptions. The procedure involves the agent submitting a proposal to the library which would reflect the previous year's subscriptions and would await authorization from the library to begin sending the current issues. Because of budget cuts in the current year, the process was delayed and the order was not placed in a timely manner. To begin receiving the subscriptions, the assistant dean of the library contacted the agent and requested an invoice for \$50,000 as a partial payment. The vendor complied and the invoice was prepared on May 24, 1996. On June 26, 1996, with the fiscal year-end approaching and the lapsing of appropriation nearing, the assistant dean requested an additional invoice for \$54,000, the approximate balance remaining in the subscription account. Both invoices were received by the library and submitted

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

to the accounting department for payment in accordance with the university's policy. These payments resulted in loans to the vendor totaling \$40,653 since there were no valid subscriptions to substantiate this amount.

The assistant dean was unable to provide documentation of the specific subscriptions ordered and had to contact the agent. The documentation provided by the agent, in the form of a detailed invoice dated July 8, 1996, supported subscriptions totaling \$63,347; therefore, \$40,653 of fiscal year 1996 appropriation was paid to the agent, in advance, with no supporting documentation.

The lack of segregation of duties allows employees the opportunity to establish a fraudulent vendor, process a bogus invoice, cause payment to be made, and not receive the goods. This could occur without being questioned by other departments under the existing policy.

LSU in Shreveport should reevaluate its control procedures over library expenditures as they relate to (1) adequate segregation of duties, (2) use of detailed invoices to support payment requests, (3) independent control over establishment of vendors, and (4) documentation of the receiving process to ensure that all goods paid for have been received. In addition, to avoid noncompliance with the constitutional provision prohibiting loans, the university should refrain from making advance payments for goods not yet ordered or received. In a letter dated August 20, 1996, Mr. Michael T. Ferrell, Vice Chancellor for Business Affairs, stated that management concurred with the finding and that the university has strengthened the policies and procedures that govern the library in ordering and paying for library acquisitions of books and periodicals. In addition, management's emphasis will be intensified in enforcing and abiding by all state laws and regulations regarding the procurement of library acquisitions. See management's response at B-92.

MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS**Inaccurate Patient Charges**

For the ninth consecutive year, the Medical Center of Louisiana at New Orleans has not completed the development and implementation of effective procedures to provide management with assurance that all charges incurred by patients are accurate and billed timely. Complete and accurate information on patient charges is needed to ensure that the hospital is maximizing revenue.

In our test of inpatient account charges for 26 patient accounts, the following deficiencies were noted:

1. Eleven (42 percent) of the patients' bills were not produced timely. Final bills of the 11 patients were prepared in excess of 30 days following discharge.

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Reportable Conditions in
the Internal Control Structure (Continued)

2. At our request, the 26 bills were audited by the hospital's Coding and Revenue Enhancement Department. The audits by the Coding Department of the 26 bills, totaling \$204,985, revealed inaccuracies in 25 of the bills (96 percent). It was determined that the 25 bills contained undocumented charges (overcharges) totaling \$13,190 (6 percent). Also, there were undercharges or unbilled charges on 23 of the bills totaling \$17,779 (9 percent).

As a result, management has no assurance that all services performed are billed to patients or that amounts billed to patients accurately reflect charges for services actually received.

Management of the Medical Center of Louisiana at New Orleans should ensure that all charges are documented in the patients' medical records and are processed into the billing system. In addition, the hospital should continue to establish written procedures for patient account information to provide assurance that charges incurred by patients are accurate and billed timely. Management of the hospital responded in writing and stated that the establishment of an automated order entry system is approximately 90 percent complete, which should help in capturing accurate charges. Management does not feel that a hospital of the size and complexity of the Medical Center of Louisiana can consistently produce flawless bills; however, actions are being taken to minimize errors in charges and to produce timely patient billings. See management's response at B-116.

MILITARY AFFAIRS, DEPARTMENT OF

Electronic Data Processing Control Weaknesses

The Department of Military Affairs has not established an adequate internal control structure over electronic data processing (EDP) controls. An adequate internal control structure requires that individuals be permitted access only to the data files and programs necessary to perform their duties. Duties should be segregated so that no one employee is in a position to both initiate and conceal errors or irregularities. Furthermore, periodic validations and audits should be performed to ensure the integrity of the data within the system. During our review of the department's EDP controls, the following weaknesses were observed:

On-Line Data Entry System (ODES) Nonpayroll Controls

1. There are no written procedures pertaining to the issuance of user identification (ID) codes or the deletion of user ID codes once an employee terminates or no longer has a legitimate need for access. Access to ODES was not removed timely for two employees who terminated employment with the department.
2. Because of a change in personnel, no validations were performed on check registers or input reports from July 1 to August 10, 1995, to ensure that data was

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in
the Internal Control Structure (Continued)

properly entered and processed. Also, none of the 31 manual batches that had been transmitted by the department between July 1995 and May 1996 had been validated.

3. There is an inadequate separation of duties in that one employee of the department has both data entry and approval user ID codes. During July and August of 1995, the employee entered and approved the same transactions.

ODES Automated Governmental Purchasing System (AGPS)

1. There are no written procedures pertaining to the issuance of user ID codes or the deletion of user ID codes once an employee terminates or no longer has a legitimate need for access. Our review of the Integrated Statewide Information System (ISIS) security report revealed that one user was not an employee of the department and should not have had access to the system.
2. There are no written procedures to ensure that the correct receipt date or accounting period is being entered into ISIS. The receipt date for 13 of 20 purchase orders tested by us was input into ISIS incorrectly by the accounts payable section. Accounts payable personnel either used the date the paper work was received or the date they actually input information into ISIS rather than the actual receipt date of the goods or services.
3. Four of the 30 users who had access to AGPS could add new vendors and approve payments. These are incompatible functions and should be segregated.

Failure to establish adequate controls in an on-line data entry environment could result in the loss of data, inconsistent use of on-line data entry procedures, and failure to prevent or detect errors or irregularities in processing transactions.

The Department of Military Affairs should implement the following to improve controls over electronic data processing:

ODES Nonpayroll Controls

- Establish written procedures for the issuance and deletion of user ID codes
- Delete terminated employees' user ID codes immediately
- Ensure that periodic validations are conducted on data entry and output and are documented to show the date and signature of the person performing the validation

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in
the Internal Control Structure (Continued)

- Separate the incompatible functions relating to data entry and approval authorization

ODES Automated Government Purchasing System

- Establish written procedures for the issuance and deletion of user ID codes for ODES and the proper recording of receipt dates for goods or services received
- Eliminate system access to nondepartmental personnel
- Separate the incompatible functions relating to the establishment of new vendors and payment approval authorization

In a letter dated November 15, 1996, Colonel Michael C. Appe, Director, State Resources, stated that the department concurred with the finding and recommendation and indicated that incompatible functions have been eliminated in both the ODES and AGPS systems, and written procedures are being prepared to address the other issues (B-124).

NATURAL RESOURCES, DEPARTMENT OF

Incorrect Royalty Allocations

The Department of Natural Resources failed to properly allocate \$697,615 of mineral income to the parishes as required by state law. LSA-R.S. 30:136 requires that one tenth of royalties from mineral leases on public lands or water bottoms be remitted to the parish in which severance or production occurs. Twice during the year, the department adjusted credit balances in overriding royalties, which are incentives offered to the state by oil companies to obtain a lease, against the amount owed to various parishes under LSA-R.S. 30:136. Overriding royalties are accrued directly to the state and any corrections in overriding royalties should be taken against distributions to the state. These errors occurred because new personnel did not understand how to handle these transactions properly.

Upon notification of these errors, the department immediately corrected the distributions in the following two months. However, had these errors not been detected by the external auditor, state royalties would have been overstated by \$697,615 on the state's financial statements and the parishes against which the credits were taken would not have received their proper share of royalties. The department should ensure that all personnel calculating the distribution of mineral income understand how to handle all types of credit balances. In a letter dated October 17, 1996, Mr. Robert D. Harper, Undersecretary, concurred with the finding and stated that in the future, written approval from the fiscal officer would be required for all revenue classification adjustments (B-125).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in
the Internal Control Structure (Continued)

NORTHWESTERN STATE UNIVERSITY**Electronic Data Processing Control Weaknesses**

For the third consecutive audit, Northwestern State University (NSU) has deficiencies relating to general electronic data processing (EDP) controls that could affect the integrity of programming, processing, and data. The control environment includes general EDP controls as well as the control procedures over application development and maintenance, logical access to systems and data, computer operations, and segregation of incompatible duties. Good EDP general controls combined with good EDP application controls ensure that computer production is performed according to management's design and intent. Annually, the Computer Center processes information relating to approximately \$59 million of revenues as well as various other transactions of the university. Our control work revealed the following weaknesses, which were identified in our previous audits and still have not been resolved:

1. Duties and responsibilities of EDP staff are not adequately defined in their job descriptions.
2. The university does not have an EDP internal audit function.
3. The university does not have a written systems development and documentation standards manual.
4. The university does not have written procedures for revisions and/or modifications to the existing system and applications.
5. The university does not have written procedures in the event of hardware failure or malfunction, nor does it log in the hardware failures/malfunctions with cause and resolution.
6. The university does not have a written policy and procedure manual for its EDP Department.

The following weaknesses were identified during the current year:

1. Three employees have write access to data files that are incompatible with their job responsibilities.
2. Three of four employees tested had access to the system for 37 to 77 days after they were terminated.

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FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

The Director of Information Services has focused more on providing users with the information to accomplish their required tasks rather than developing and implementing the necessary controls to safeguard the system.

Management of NSU should establish and implement general and application EDP controls in its Computer Center to address these weaknesses. In a letter dated June 25, 1996, Dr. Randall J. Webb, President, stated policies and procedures will be developed to address these weaknesses (B-129).

Weaknesses in Controls Over Scholarship Awards

NSU does not have adequate controls in place to ensure that scholarships are awarded to eligible students in accordance with criteria set by the university. An adequate internal control system would provide formal written policies and procedures that ensure that only eligible students meeting university established criteria receive scholarships. A test of 87 students receiving scholarships disclosed the following:

1. Thirty-six students receiving \$24,106 of NSU Award Scholarships did not have an application or award letter on file that indicated the award was properly authorized.
2. Three students receiving \$9,000 of Louisiana Scholars' College Scholarships (LSCS) did not have an acceptance letter or award letter indicating that the award was properly authorized.
3. Five students receiving \$15,000 of LSCS did not have the ACT or SAT test score to qualify for the scholarships.
4. Four students receiving \$2,550 of Outstanding Student Award Scholarships (OSAS) did not have applications and award letters on file. We found no documentation that these awards were authorized.
5. The ACT or SAT scores for 16 students receiving \$11,475 of OSAS were not documented or were below established standards.
6. Nine students received \$3,825 of OSAS in the spring 1996 semester even though they did not have the required 2.5 grade point average in the fall 1995 semester.

It was also noted that there is a lack of separation of duties in the Financial Aid Office. The Director of Financial Aid performs all functions relating to NSU Award Scholarships. All financial aid office personnel, except the student worker coordinator and student workers, have access to scholarship records.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in
the Internal Control Structure (Continued)

Management's lack of emphasis for establishing a control system that would ensure that scholarships are awarded to qualified recipients has resulted in ineligible students receiving scholarships.

NSU should develop and implement formal written policies and procedures to ensure that scholarships are awarded to eligible students in accordance with established criteria. The university should also ensure that there is an adequate separation of duties in the Financial Aid Office. In a letter dated July 31, 1996, Dr. Randall J. Webb, President, stated that formal written policies and procedures for awarding and administering scholarships have been established (B-138).

**PUBLIC SAFETY AND CORRECTIONS -
CORRECTIONS SERVICES,
DEPARTMENT OF****Wardens of Louisiana State Penitentiary
and Dixon Correctional Institute
Do Not Live on Prison Grounds**

The wardens of Louisiana State Penitentiary (LSP) and Dixon Correctional Institute (DCI) do not reside at their respective institutions. It would be prudent for the department to employ the most effective methods relating to its housing and vehicle expenses and the on-site management of its correctional institutions by providing housing for the wardens of LSP and DCI at their respective institutions.

We have been informed that the current LSP warden does not reside at the institution because the warden's residence located at Angola has been seriously damaged. The LSP warden was appointed to that position on March 23, 1995, and was previously employed as the warden of DCI at Jackson, Louisiana. However, he continues to reside in a house at DCI, approximately 34 miles one way from LSP. As a result, the department is currently incurring additional commuting costs for him to travel back and forth from DCI to LSP.

In addition, the current DCI warden receives a housing and subsistence allowance totaling \$9,610 per year, and the department is incurring additional commuting costs because he has been displaced by the LSP warden. The DCI warden resides in a private home approximately seven miles from the institution and, as a result, neither warden is on-site to address emergencies at their respective institutions.

The department should review the housing arrangements at LSP and DCI, and give consideration to providing housing to the wardens at their respective institutions to provide for

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

immediate on-site availability. In a letter dated January 3, 1997, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, stated, "In reference to your finding regarding the warden's residence at Dixon Correctional Institute (DCI), Warden Cain is utilizing the warden's residence at DCI because the warden's residence at Louisiana State Penitentiary (LSP) is in a serious state of disrepair and is uninhabitable in its current state. If Warden Cain were to utilize another residence at LSP, it would displace another employee. This would not be in the best interest of the department due to the recruiting and retention problems with personnel at LSP, particularly in the medical services area. Warden Cain is on 24-hour call in order to address emergencies at LSP, and provides an additional service to the department by being available for call to assist Warden LeBlanc in addressing any security problems at DCI. These benefits for the department outweigh any additional commuting costs that may have to be incurred as a result of Warden Cain residing at DCI.

"The current warden at DCI, James M. LeBlanc has a personal residence within approximately seven miles of the institution. This distance is not significantly greater than the state housing for the institution, which is approximately five miles from the prison grounds. Because of this, Warden LeBlanc's ability to respond to emergencies is not impaired and no significant additional commuting costs are incurred by his utilizing his private residence.

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Reportable Conditions in
the Internal Control Structure (Continued)

"In addition, Warden LeBlanc is currently detailed to the position at DCI while Secretary Stalder is in the Executive Loan Program. It would be unfair to force him to sell his personal residence in order to live in state housing that is not significantly closer than his personal residence while he is on detail and not permanently assigned. Issues of compensation are governed by Civil Service.

"For these reasons the department is meeting its needs in terms of onsite availability of management personnel at these two facilities. The current allocation of housing is efficiently addressing the broad spectrum of executive, security, medical, and maintenance staffing requirements." See management's response at B-152.

**PUBLIC SAFETY AND CORRECTIONS -
PUBLIC SAFETY SERVICES,
DEPARTMENT OF****Electronic Data Processing Control Weaknesses**

For the third consecutive year, the Department of Public Safety and Corrections - Public Safety Services has not established an adequate internal control structure relating to electronic data processing (EDP) controls that could affect the integrity of data. An adequate internal control structure requires that individuals be permitted access only to the data files and programs necessary to perform their duties. Duties should be segregated so that no one employee is in a position to both initiate and conceal errors and/or irregularities. The department's computer systems process several million transactions each year, accounting for \$131,409,233 in assets; \$194,695,273 in revenue; and \$1,046,166,622 in major state revenue in the 1996 fiscal year. Most of the 2,300 departmental employees use at least one of three computer systems that are largely accessed through five security sign-ons, as well as the state's new purchasing system, Advanced Governmental Purchasing System (AGPS). The following were observed:

1. The department has not followed its procedure for granting EDP access, which requires each authorization to be permanently maintained. There are no established procedures to notify the computer security staff in a timely manner when employees who were authorized access to data files are terminated or reassigned. In addition, the Liquefied Petroleum Gas Commission shares a single password. Our attempt to identify the EDP transactions available to users disclosed that the users did not have documentation readily available showing the use of the many EDP transactions. Furthermore, the documentation of the terminal registration numbers that allow for limiting access to selected locations is outdated and inaccurate.
2. The department does not have adequate segregation of duties for performing EDP functions. Computer security staff in the Office of Motor Vehicles and Office

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

of Management and Finance have incompatible functions that allow the same employee to have access to all employee sign-ons and routinely process data through the EDP systems. Many employees within the AGPS have more access than is needed. This includes certain employees who have the capabilities to initiate and/or approve payments and add new vendors. In addition, while application programmers no longer have data update capabilities in two of the three EDP systems, we could not determine the capabilities for the third system because of the lack of documentation of action codes for that system.

3. The department has not established adequate internal control procedures over its on-line time and leave entry system. Time and leave are keyed into the system by each designated timekeeper, who then prints a report that indicates all time and leave recorded into the system. Our review of internal controls disclosed that certain field offices in the Office of State Police and Office of Motor Vehicles perform incompatible functions in that the same employee who keys in the time and leave also reviews the report and verifies the data input into the system.

Without certain established procedures and adequate segregation, there is an increased risk that errors or irregularities could occur and not be detected in a timely manner.

Management should consider the following:

- Restrict access to application data files to assigned individuals on a business-need-only basis and maintain a permanent record of the authorizations by directing all supervisors to approve employees access as reported on the regular security reports
- Document all application transactions to facilitate a smooth transition in the event of employee turnover and for proper processing of data
- Ensure that owners of financial application data files periodically review all individuals having access to the files for which the owner is accountable
- Separate incompatible functions relating to security administration and the on-line time and leave entry system

Management of the department concurred with the finding and recommendations. See management's response at B-154.

Inadequate Controls Over Returned Checks

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

The Department of Public Safety and Corrections - Public Safety Services has not maintained adequate internal controls over checks received that are subsequently returned from the depository for insufficient funds (NSF). During the year ended June 30, 1996, 2,852 NSF checks were returned to the department totaling \$602,898. Of that total, replacement funds were received for 1,660 checks totaling \$345,892. The remaining 1,192 checks totaling \$257,006 remained uncollected without the department taking sufficient measures against the check writers. At June 30, 1996, department records reflect \$696,304 of accounts receivable from NSF checks. In addition, unless the NSF check exceeds \$300, the department does not put any type of hold on future transactions with those parties. This failure to adequately provide controls over NSF checks has resulted in uncollected license fees, tax revenues, and interest income to the state, as well as to local parishes and municipalities.

Management should develop adequate internal control policies and procedures relating to returned checks that address both individuals and entities that register vehicles for their customers. Individuals paying with NSF checks should have their records flagged in the department's data system and should not be able to transact other business until the returned check is cleared. Entities who register vehicles for customers should be placed on a "certified funds only" basis if any NSF debt is unpaid. An alphabetized "certified funds only" listing should be maintained, updated monthly, and sent to all offices within the department. Adequate documentation should be maintained for all checks forwarded to the Department of Revenue and Taxation for collection, and copies of the replacement checks should be placed in the related files. In a letter dated January 10, 1997, Mr. Thomas H. Normile, Undersecretary, stated that the department's NSF check programs are outdated and will be rewritten in early 1997 to address all the concerns noted (B-155).

Inadequate Payroll Controls

The Department of Public Safety and Corrections - Public Safety Services does not have adequate internal controls over its payroll function to ensure proper segregation of duties and compliance with state rules and regulations. We noted the following weaknesses during our review and tests of payroll controls:

1. In many instances, the timekeeper performs incompatible functions in that the timekeeper posts the hours to the payroll system and verifies the accuracy of the postings. In a sample of 24 employees, we noted that two timekeepers are certifying the accuracy of the official time and attendance record without further supervisory review.
2. At one State Police troop station, approximately 44 percent of the 90 employees did not certify the accuracy of the official time and attendance reports for 10 consecutive payroll periods. In addition, there was no supervisory approval for the 10 official time and attendance reports. State Civil Service Rule 15.2 and State Police Commission Rule 15.2 require the employee and supervisor to

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- certify the number of hours of attendance or absence from duty on the time and attendance records.
3. Departmental procedures are not adequate to ensure that timekeepers maintain required time entry documentation. Although the Office of State Police performs compliance reviews that address certain personnel policies, those procedures do not include verification that the timekeepers maintain required payroll documentation. In a sample of 24 employees, we noted that two timekeepers do not maintain any documentation that supports the hours posted.
 4. The department does not have adequate segregation of duties to ensure that all workers' compensation checks are deposited. One individual is responsible for processing workers' compensation cases, receiving checks, and sending the checks to the payroll department which subsequently deposits them in the Office of Statewide Uniform Payroll's payroll clearing account. There are no procedures to ensure that the checks received by the individual are ultimately deposited by the payroll department.
 5. We noted that two employees in our sample of 24 payroll transactions from the Office of State Police were paid a total of \$632 at the rate of time and one-half for 26 hours before actually working 40 total hours for civilians and 80 total hours for commissioned officers. The office pays certain overtime hours at time and one-half rate regardless of whether the employees worked the required number of hours per the employee's regularly scheduled workday or workweek, as required by Civil Service Rule 6.18 and 6.21. Failure to follow applicable rules and regulations subjects management to noncompliance with state regulations and results in excess payment of overtime hours.

An adequate system of internal control provides for the segregation of duties such that one person would not be placed in a position to both initiate and conceal errors or irregularities in the normal course of their duties. In addition, a good internal control structure should ensure that employees and supervisors certify the time and attendance reports on a timely basis and that timekeepers maintain all supporting payroll documentation. These procedures minimize the risk of time and attendance records being processed for nonexistent or former employees or that the records contain incorrect hours worked and/or leave taken. Because management has not placed sufficient emphasis on controls, the risk is increased that inaccurate, unsupported, and/or fraudulent payroll data could be entered and processed.

The Department of Public Safety and Corrections - Public Safety Services should implement procedures to ensure that incompatible duties are adequately segregated, that employees and supervisors certify the time and attendance reports on a timely basis, and that timekeepers maintain all required supporting documentation. Further, the Office of State Police should comply with state and internal regulations relating to payroll and the payment of overtime hours.

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the Internal Control Structure (Continued)

In a letter dated January 10, 1997, Mr. Thomas H. Normile, Undersecretary, stated that the department's policies are not being followed in some areas regarding time and attendance and more training of timekeepers and more reminders of supervisory personnel of the importance of certifying time sheets will eliminate this finding. He further stated that procedures will be instituted to ensure that all workers' compensation checks are received, checked, and deposited. In addition, he also stated that policies have been changed requiring all employees to work the proper number of hours before receiving paid overtime, except for commissioned officers working within the grant requirements for federal grants. See management's response at B-156.

REVENUE AND TAXATION, DEPARTMENT OF**Unreconciled Protested Taxes**

The Department of Revenue and Taxation does not have adequate internal control procedures to ensure that a periodic reconciliation of the Escrow Fund - Protested Taxes is performed. A good internal control structure should provide the department with procedures to reconcile the escrow fund so that any errors and/or irregularities can be detected and corrected timely. Several divisions within the department input transactions into the computer system that directly affect protested taxes. At June 30, 1996, the department failed to reconcile its manual ledger balances for the Escrow Fund - Protested Taxes to the transactions that were input from the other divisions. Our audit tests and subsequent reconciliation by the department disclosed that the total amount originally recorded for the escrow fund balance at June 30, 1996, contained a net overstatement of \$897,645. This caused the major state revenues balances to be understated by the same amount. Adjustments were made to the financial statements to reflect the corrections to the escrow fund balance and the major state revenues balances. The lack of adequate internal control procedures over the reconciliation of the Escrow Fund - Protested Taxes increases the risk that errors and/or irregularities relating to protested taxes and major state revenues could occur and not be detected timely. In addition, these errors increase the risk that the department's financial statements could be misleading to those individuals and organizations that rely on the statements.

The department should establish internal control procedures that require a periodic reconciliation of the escrow fund manual ledgers to the system records so that any errors and/or irregularities can be detected and corrected timely. The procedures should address the duties and responsibilities of the employees of the various divisions who must input transactions that directly affect the Escrow Fund - Protested Taxes balance in the computer system. In a letter dated October 24, 1996, Mr. Cyril Buchert, Undersecretary, agreed with our finding and recommendations. The department will strengthen internal controls to ensure that procedures adequately address the duties and responsibilities of all persons involved in the processes that affect the escrow fund. The current reconciliation procedures will be expanded to ensure that

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the periodic reconciliation of the manual escrow fund records to the computer system records is complete. See management's response at B-167.

RISK MANAGEMENT, OFFICE OF

**Internal Control Deficiencies
Related to Claim Payments**

The Office of Risk Management (ORM) has not exercised adequate controls over claims-related payments. A good internal control structure should provide for adequate segregation of duties to safeguard assets, to ensure that accounting data is both accurate and reliable, and to ensure that errors and/or irregularities are detected in a timely manner. In addition, EDP controls are necessary to preserve the system's integrity and to provide reliance on the results produced by the system. During the year ended June 30, 1996, the office processed approximately \$142 million in claims and related contractual payments. In our consideration of the internal control structure, we noted the following weaknesses:

1. For 7 of 67 claims payments tested, documentation was not on file to support how the exact amount of payment was determined for cases totaling \$6,517,692.
2. For 13 of 23 claims payments tested, it was impossible to discern who increased payment reserves for a total of \$2,700,500. Employees did not follow the ORM policy of denoting the person who adjusts reserves for future payments.
3. ORM does not require in-house approvals for payments to satisfy court judgments. Payments can be made by an adjuster without supervisory approval.
4. Persons who process printed checks have EDP access allowing them to schedule payments and unsuspend payments waiting for approval. This increases the risk of improper payments.
5. In three observations of the check-write procedures, we observed payment forecasts that were not approved by supervisors as required by ORM policies.
6. ORM did not adequately monitor EDP access granted to employees for its outside data service center (Corporate Systems). Existing documentation was outdated and ORM has not required Corporate Systems to provide accurate security reports to allow a review of each user's access, including limits on claim payments and reserves for payments.

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7. Employees in the contract section who should not have access to approve payments, sometimes use another employee's sign-on and password to approve payments suspended for review.
8. Improper data fields were used for reserve input in error. Unused fields should be restricted from input by Corporate Systems.
9. The office has not provided sufficient instructions to other agencies for using the Claims Loss Listing provided to them by ORM. In addition, agency address changes were not input timely by ORM.

After our audit period, fiscal year 1996, it was discovered that an adjuster who had been employed by ORM approximately 90 days was alleged to have misappropriated \$39,000, through the falsification of claims and supporting documentation. The employee was terminated and legal action is being pursued.

Failure to develop and implement an adequate control structure over claims and related contractual payments may result in errors and/or irregularities that are not detected in a timely manner.

ORM should implement procedures over claims and related contractual payments to ensure adequate documentation and approval of those payments. Management should provide for adequate segregation of duties to safeguard assets, to ensure that accounting data is both accurate and reliable, and to ensure that errors and/or irregularities are being detected in a timely manner, including procedures to strengthen the integrity of the EDP functions. In a letter dated January 15, 1997, Mr. Seth E. Keener, Jr., State Risk Director, stated that the office has made significant changes and improvements in the areas of internal control, beginning in February 1996. The majority of these changes were made from May through September of 1996, before and during the time that the auditors were conducting the audit. The auditors were made aware of the changes and improvements being instituted, which include (1) a complete revision of check writing procedures, including approval of forecasts; (2) segregation of check preparation and check distribution duties; (3) revision of approval documents that allow ORM to more easily record and track payment approvals; (4) a complete security review of user capabilities for computer systems; (5) a reorganization of contract personnel into the accounting unit and reassignment of duties to ensure segregation of duties and increased accountability; and (6) new instructions to agencies for use of the Claims Loss Listing. While Mr. Keener did not agree with certain components of the finding, he outlined specific steps of corrective action in response to the audit concerns. See management's response at B-169.

Lack of Original Documentation Review

For the third consecutive year, ORM is not performing, on a sample basis, a field review of the original source documentation to support billings by contract attorneys. We noted that, for fiscal

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year 1996, contract attorneys were compensated and/or reimbursed approximately \$10.5 million for expenses that included legal services and other expenses such as telephone, copying charges, postage, et cetera. In support of expenses, it is a practice of ORM to accept from attorneys copies of receipts and summaries of time worked for legal services substantiated by an affidavit. Claim adjusters then perform desk reviews of these copies of supporting documents using the contract and ORM's billing guidelines as the criteria for review.

A field review of original source documentation has not been conducted since 1990. Considering the magnitude of payments to contract attorneys each year, an adequate internal control structure would require that ORM perform a field review, on a sample basis, of original source documentation to ensure that billings are accurate and expenses are allowable.

ORM should conduct field reviews on a sample basis of original source documentation maintained by the contract attorneys to ensure that ORM is being properly billed. In a letter dated September 6, 1996, Ms. Evon L. Wise, State Risk Assistant Director, stated, "In order to conduct the recommended field audits, the Office of Risk Management will need to hire personnel for this purpose. We requested additional positions in the 96/97 budget; however, in the 96/97 budget our TO was cut by four positions. Additional positions will be requested in the 97/98 budget." See management's response at B-173.

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SOCIAL SERVICES, DEPARTMENT OF**Advanced Governmental Purchasing System
Internal Control Deficiency**

The Department of Social Services (DSS) does not have adequate segregation of duties in the Advanced Governmental Purchasing System (AGPS). Segregation of duties is necessary to safeguard assets, to ensure that accounting data is both accurate and reliable, and to ensure that errors and irregularities are detected within a timely period. Our review of 24 employees disclosed that 12 employees (50 percent) had both data entry and approval capabilities. Employees were assigned incompatible function capabilities during the training for AGPS, which occurred in May and June of 1995. The department became aware that it had failed to remove these incompatible capabilities in January 1996. However, at the time of our examination (July 1996), this condition still existed although the department had been aware of the problem for approximately six months. A good internal control structure should provide for adequate segregation of duties so that no one employee would be in a position to both initiate and conceal errors or irregularities and would require prompt action to correct any weaknesses identified in the system. Without adequate segregation, there is increased risk that errors or irregularities could occur and not be detected in a timely manner.

DSS should ensure that incompatible functions such as data entry and approval of the same transaction are not assigned to the same employee and should take prompt action to correct weaknesses in internal control when they are identified. In a letter dated September 16, 1996, Mr. Thomas Joseph, Director of the Division of Fiscal Services, concurred with the finding. Mr. Joseph included documentation to show the errors noted in the audit had been corrected and stated that the department is in the process of developing a policy that will mandate duties and access capabilities to maintain proper internal control. See management's response at B-177.

SOUTHERN UNIVERSITY SYSTEM**Failure to Collect Student Accounts Receivable**

The Southern University System is not making sufficient efforts to collect all of its student accounts receivable and is writing off large amounts of accounts receivable each year. Also, the university extended credit to students by allowing them to register without paying off prior outstanding balances. Good business practices and university policies and procedures dictate that management of the university make every effort to collect all monies due. In addition, it appears that by not collecting these accounts receivable, the university may be loaning money to students in violation of Louisiana law. Article 7, Section 14 of the Louisiana Constitution of 1974 provides, in part, that the credit of the state shall not be loaned, pledged, or donated to or

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for any person. Our review of the student accounts receivable balances and collection of tuition and fees at registration disclosed the following:

1. During the year ended June 30, 1996, the university wrote off \$1,097,293 of uncollectible student accounts established during the fiscal year ended June 30, 1993. During the prior fiscal year ended June 30, 1995, the university wrote off \$796,319 of uncollectible student accounts receivable established during the fiscal year ended June 30, 1992. None of these accounts were turned over to the Attorney General's Office or to a collection agency for collection.
2. Management of the New Orleans and Shreveport-Bossier City campuses could provide no evidence that students with outstanding balances were billed at the end of each semester as required by university policy nor was there evidence of any attempts to collect outstanding balances at any time during the year.
3. For the Shreveport-Bossier City campus, we tested 58 students with outstanding balances who registered during the Fall 1995 and Spring 1996 semesters and determined that 35 students (60 percent) continued in school without paying off prior balances of \$10,617.
4. For the New Orleans campus, we tested 25 students with outstanding balances at June 30, 1996, and determined that 5 students (20 percent) were allowed to register for the 1996 fall semester and continue in school without paying off prior balances of \$2,315.
5. The bursar on the Shreveport-Bossier City campus has incompatible duties. He receives cash, maintains the student accounts receivable subsidiary ledger, and distributes refunds to students. This increases the risk that errors or irregularities could occur and not be detected timely.

These deficiencies were caused by management's failure to enforce adherence to existing policies and procedures that prohibit students with outstanding debt to the university from registering. As a result, the university is not collecting the monies that are due. In addition, because of the current collection practice, students are less likely to pay tuition and fees timely, if at all, and the university is left with a receivable that is difficult to collect should the student leave school.

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The university should make every effort to collect the monies due from students, including referring delinquent accounts to the Attorney General's Office or to a collection agency for collection. Management of the university generally concurred with the findings and recommendations. See management's response at B-185.

**SOUTHERN UNIVERSITY AND A&M
COLLEGE (BATON ROUGE)****Inadequate Controls Over Bayou Classic Revenue**

Southern University and A&M College (Baton Rouge) did not maintain adequate internal controls over the distribution of football tickets and the receipt of revenue for the November 22, 1995, Bayou Classic football game. Good internal controls and business practices require maintenance of complete and orderly records to support the distribution of tickets and to ensure that all revenue from ticket sales is received. Annually, Southern University and Grambling State University participate in the Bayou Classic football game held at the Superdome in New Orleans, Louisiana. A management company for the Superdome handles the sale of tickets, prepares a settlement report of tickets sold and cash received, and remits payment to the university designated to distribute game proceeds. During our review of the settlement report, we noted the following exceptions:

1. There was no evidence that the university was paid for 331 tickets valued at \$5,701 that were invoiced to the Southern University's director of university relations. Also, there was no evidence that the tickets were given to individuals authorized to receive complimentary tickets. Without this evidence, this amount represents a potential loss in revenue of \$5,701.
2. The reconciliation of revenue generated from the sale of football tickets was incomplete because the university had not received payment for \$37,050 in tickets that the director of university relations obtained directly from the Superdome. In October 1996, eleven months after the football game was held, the university expensed \$1,250 for complimentary tickets and billed various organizations \$35,800 for the remaining tickets. The university received and deposited \$19,315 of this amount on October 18, 1996.

Because of the deficiencies mentioned above, it appears that the university has not received all its revenue from the November 1995 Bayou Classic football game.

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The university should maintain complete and accurate records on tickets and timely verify the accuracy of the settlement of revenue generated from the Bayou Classic football game. In a letter dated November 13, 1996, Dr. Dolores R. Spikes, President of Southern University System, stated that internal control procedures have been expanded to address these issues (B-195).

Untimely Recording and Clearing of Travel Advances

Southern University and A&M College (Baton Rouge) did not adequately monitor employee travel advance transactions to ensure the timely and accurate posting of the general ledger and the clearing of travel advances within the time period required by university policy. University policy requires employees receiving a travel advance to submit documentation to clear their advance within five days after travel expires and before receiving another advance; otherwise, the amount of the travel advance may be deducted from their pay. In our tests of travel advances for 15 employees, we noted the following deficiencies:

1. The employee responsible for processing travel advance documentation and posting entries to the general ledger did not record travel transactions when employees submitted their travel expense claims. Because these transactions were not posted to the general ledger as they occurred, the university had to make financial statement adjustments totaling \$476,215 after June 30, 1996.
2. There were 17 instances where the university did not collect or make payroll deductions for \$7,723 owed by employees whose travel advances exceeded travel expenses. In 13 of these instances, \$6,371 was owed for travel periods that ended 10 to 24 months before June 30, 1996.
3. There were 22 instances where employees submitted travel expense claims nine days to seven months after the travel period ended.
4. There were five instances where employees received another travel advance without clearing a previous travel advance.

Because of inadequate supervision and lack of emphasis on compliance with policies and procedures, travel advances remain outstanding for long periods of time resulting in increased risk that material errors or irregularities could occur and not be detected timely.

The university should ensure that travel advances are processed and recorded properly and are cleared within five days after travel ends as required by existing policies and procedures. In a letter dated November 13, 1996, Dr. Dolores R. Spikes, President of Southern University System, concurred with the finding and stated that steps have been taken to strengthen the controls to ensure policies and procedures are followed (B-193).

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the Internal Control Structure (Continued)

SOUTHERN UNIVERSITY AT NEW ORLEANS**General and Subsidiary Ledgers
Not Reconciled Timely**

Southern University at New Orleans did not reconcile its general ledger accounts relating to student accounts receivable on a monthly basis and did not have an accurate accounts receivable subsidiary ledger to support the general ledger control account. The university's policies and procedures require that general ledger accounts be reconciled monthly so that timely, accurate, and reliable financial information is reported at year-end.

During our tests of the campus' accounts receivable balance, we determined that seven general ledger suspense accounts, totaling approximately \$18,000,000 at April 1996, were not reconciled and were not closed to the accounts receivable control account until August 1996. Also, the accounts receivable subsidiary ledger was not reconciled to the general ledger control account until October 11, 1996. Employees on the New Orleans campus did not reconcile the general ledger accounts each month, and closing procedures for the year-end were not completed until approximately early September. This resulted in the late closing of the university's general ledger and caused the financial statements of the Southern University System to be filed September 9, 1996, or six days after the original due date of September 3, 1996.

Southern University at New Orleans should reconcile its general ledger control accounts to the accounts receivable subsidiary each month to ensure that timely, accurate, and reliable financial information is reported monthly and at year-end. In a letter dated November 22, 1996, Dr. Robert B. Gex, Chancellor of Southern University at New Orleans, stated that the university concurred with the finding and recommendation. The university has taken steps to ensure that proper procedures are followed to record and accurately report this information on a monthly and year-end basis. See management's response at B-204.

Lack of Controls Over Cash

Southern University at New Orleans did not adhere to established control procedures relating to depositing and recording of cash, recording of transactions, and reconciling bank accounts. A good internal control system requires adherence to policies and procedures that provide for the proper recording and reporting of cash receipts and the timely reconciliation of bank accounts. Furthermore, all cash receipts should be deposited intact and timely, preferably the same day or the first day following receipt of funds. During our examination of bank reconciliations for three of the university's cash accounts, we determined there were numerous instances where university employees did not comply with established control procedures including the following:

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the Internal Control Structure (Continued)

1. Cash was not deposited daily and was not recorded in the general ledger as collected. Of nine Pay-In-Vouchers (PIVs) tested, seven PIVs dated in February 1996, totaling \$77,285, were deposited 3 to 33 working days after the date of receipt. Two of these PIVs, totaling \$35,333, were not recorded in the general ledger until 4 to 14 business days after the deposit was made. As a result, cash in the general ledger was understated by \$35,333 at the end of February 1996. Also, in an audit report dated January 8, 1996, the university's internal auditor reported that four PIVs, totaling \$33,843, were deposited 4 to 12 business days after the cash was received.
2. For three cash accounts, bank reconciliations were either prepared untimely or improperly. For one of the cash accounts, bank reconciliations were prepared two to five months after the date of the bank statement, and the general ledger was not adjusted each month for reconciling items identified during the reconciliation process. Reconciling items ranged from \$896,930 in July 1995 to \$7,223,386 in March 1996. For the two other cash accounts, the bank balance was reconciled to bank transactions recorded in the general ledger instead of to the ending book balance. As a result, the three cash accounts in the general ledger were understated approximately \$13 million at February 29, 1996. Posting errors between the cash accounts and various general ledger accounts were not corrected until June 1996.
3. Manual checks were not recorded in the general ledger when they were written. Checks totaling \$69,399, written between July 1995 and February 1996, were not recorded in the general ledger until March 1996. Included in this amount were checks totaling \$4,095 that were voided in error in October 1995. As a result, cash in the general ledger was understated by \$64,305 at February 29, 1996.
4. Logs of prenumbered cash receipt documents maintained by the Bursar's Office were incomplete, and control over void and unused receipts was inadequate. We reviewed the logs for two days in February 1996 and noted 19 instances where receipts were not logged, and no record was kept of unused or voided receipts.
5. Cashiers in the Bursar's Office had unlimited access to the area where unused receipt documents were stored. Cashiers should not have access to the supply of unused receipt documents.

The lack of emphasis by management on enforcement of policies and procedures for controls over cash receipts, along with inadequate supervision and training of employees, resulted in inaccurate record keeping, untimely deposit of state funds, and increased risk that assets could be lost or misused.

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the Internal Control Structure (Continued)

Southern University at New Orleans should deposit cash when it is received, reconcile its bank accounts monthly, and emphasize enforcement of policies and procedures to provide for adequate internal controls over its receipts and assets. In a letter dated October 31, 1996, Dr. Robert B. Gex, Chancellor of Southern University at New Orleans, concurred with the finding and recommendations and stated that the university has taken steps to correct the matters noted in the finding (B-206).

**SOUTHERN UNIVERSITY AT
SHREVEPORT-BOSSIER CITY****Lack of Monitoring and Repayment of
Unauthorized Student Loans**

Southern University at Shreveport-Bossier City has not reimbursed state funds for loans improperly made during the prior fiscal year ending June 30, 1995, nor has the university properly monitored the repayment status of these loans. In our prior audit, we reported that Southern University at Shreveport-Bossier City overawarded Federal Perkins loans by \$131,250 and used state funds to cover the overaward amount. The use of state funds for this purpose results in a violation of Article 7, Section 14(A) of the Louisiana Constitution that states in part, that funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private. The overaward occurred because the university incorrectly calculated the amount of federal funds available for student loans that resulted in the university loaning \$131,250 more than was available under the Perkins Loan Program during the year ended June 30, 1995. To cover these loans, the university transferred state funds that were not authorized for the purpose of making loans from various restricted and auxiliary accounts of the university. The university has been unable to locate alternate funding sources to repay the various auxiliary and restricted funds for the amounts loaned to students.

The university does not have adequate internal control procedures to monitor these unauthorized student loans to ensure that the university is repaid. These unauthorized loans were issued under the same repayment terms as the Federal Perkins Loan Program that require students to begin repaying the loans six to nine months after the day the student ceases to be enrolled in an institution of higher learning at least half-time. Our review of the accounts for the 122 students identified as receiving unauthorized loans disclosed that as of June 1996, 40 students had not been enrolled at the Shreveport-Bossier City campus for at least nine months. However, none of the loans for these 40 students were in repayment status. The university has not followed up on the status of these students to determine if any amounts were due from them.

By not reimbursing the auxiliary and restricted funds for the amount used for the loans, this amount is not available for the purposes established for the auxiliary and restricted funds. Also,

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failure to monitor and bill amounts due on these loans subjects these funds to unnecessary risk should the students default on the loans.

Southern University at Shreveport-Bossier City should seek alternate funding sources for these loans and repay the various restricted and auxiliary accounts. The university should also establish procedures to monitor and bill students amounts due on these loans until these loans are repaid. In a letter dated August 23, 1996, Dr. Jerome G. Greene, Jr., Chancellor, Southern University at Shreveport-Bossier City stated that the university has been unsuccessful in seeking alternative funding for these loans, but will continue with its efforts to find a source to repay the loans. The university will forward all of the 122 loans to Eduserve, who will then contact the students and determine if their accounts should be in collection or deferment status. See management's response at B-226.

STATE EMPLOYEES GROUP BENEFITS PROGRAM

Electronic Claims Processing Control Weaknesses

The State Employees Group Benefits Program (SEGBP) has not established an adequate internal control structure over the electronic claims processing system. An adequate internal control structure requires that controls be developed and maintained to ensure the integrity of the system and the information it generates. Furthermore, no one employee should be placed in a position that could both initiate and conceal errors or irregularities. The claims processing system is used to make approximately \$232 million of payments annually.

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During our review of the system, we noted the following:

1. At the time of conversion from the prior electronic claims processing system (DataPoint) to the current system, Resource Information Management System (RIMS), plan members' claims histories were downloaded into RIMS. However, there was not a complete mapping between DataPoint claims codes and RIMS codes, causing the RIMS to be unable, in some instances, to identify a claim as a duplicate if plan members or providers resubmitted claims previously paid in DataPoint. Thus, duplicate payments resulted. Management developed a computer program that identified possible duplicate payments due to the conversion. This computer program produced a report that was separated into 12 phases. Dollar amounts of duplicate payments due to the conversion were not accumulated or estimated for phases one through six. For phases 7 through 12, the program identified conversion duplicates in the amount of \$178,921. Total duplicate payments, which included conversion duplicates, totaled \$1,636,747 for fiscal year 1996. This is the second consecutive year that we have reported this finding.
2. The program made overpayments through RIMS, totaling \$987,677, when paying Preferred Provider Organizations (PPOs). This condition occurred because SEGBP made an error in programming its computer system to compute outliers (a discount rate for PPOs).
3. Claims examiners have access to the RIMS that allows them to both input and adjudicate (pay) claims. Furthermore, the plan administration manager has incompatible access that allows her to input and adjudicate claims, set up and maintain provider information, set up and modify plan parameters, and assign security levels. False claims could be input and adjudicated through this incompatible access and not be detected in a timely manner. This condition occurred because RIMS is a packaged software program that management elected not to modify to prevent inappropriate access and because the plan administration manager's access has not been properly limited. This is the second consecutive year we have reported that claims examiners have incompatible access to RIMS.

Management emphasis was not directed toward developing and implementing the necessary controls to safeguard the system. Failure to institute the necessary controls places the integrity of the system and the information generated by it at risk. In addition, if controls are weak, unauthorized individuals may have access to and the ability to read or alter information without anyone knowing the information has been accessed or altered.

Management of SEGBP should establish procedures that will identify duplicate claims so that duplicate payments can be identified and prevented, allow for the timely review and testing of

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the Internal Control Structure (Continued)

outlier computations so that overpayments to PPOs can be prevented, and eliminate incompatible access currently granted to claims examiners and the plan administration manager. In a letter dated October 16, 1996, Mr. James R. Plaisance, Executive Director, stated that the program has identified approximately \$423,000 of overpayments due to errors relating to the conversion. This figure was obtained through October 1995 and Mr. Plaisance does not believe this finding should be repeated. Additional work was done from October 1995 through the end of the fiscal year and identified another \$260,000 of overpayments. Mr. Plaisance does not believe that the overpayments due to the programming error should be reported because it was originally detected by program personnel and subsequently corrected. Mr. Plaisance believes that it is appropriate for claims examiners to both input and adjudicate claims because the program uses packaged software that is widely accepted by the insurance industry and that software allows this access. He also does not believe that the plan administration manager has inappropriate access but, nevertheless, agreed to limit her access. See management's response at B-232.

Additional Comments: The finding relating to overpayments due to conversions is reported as a repeat finding because only four months of the 1996 fiscal year were worked by June 30, 1996. Although the remaining eight months were subsequently worked to identify potential overpayments due to this error, we do not believe that sufficient progress had been made by the end of the fiscal year to remove this reportable condition. We agree that it is laudable that program personnel discovered the programming error that resulted in \$987,677 of overpayments. However, it does not relieve our responsibility to report significant errors that occurred during the year. We continue to maintain that entering and adjudicating claims are incompatible functions that constitute a weakness in internal control. The program should take all steps possible to prevent the entering and payment of false claims.

Inadequate Controls Over Premium Revenue

The SEGBP does not have an adequate internal control structure over its premium revenues of \$424,105,231. A good system of internal control would include procedures to ensure that the program receives all monies to which it is entitled and to ensure that revenue and receivables are accurately reported. During our audit, we noted the following:

1. The program does not reconcile premium invoices sent to participating agencies with payments received. Currently, the program only compares change documents, sent in with payments, against the invoice exception reports generated by the program. However, no verification of the total revised invoice to the check amount is made.
2. The program understated revenue and receivables by \$721,830 because of poor communication between the receivables section, which determines the period in which premium revenue was earned, and the fiscal section, which prepares the

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in
the Internal Control Structure (Continued)

financial statements. An audit adjustment correcting this error was prepared and accepted by the program.

Failure to reconcile premium invoices to payments received increases the risk that the program will not collect all amounts to which it is entitled. Failure to prepare accurate financial statements can result in inaccurate financial statements for the State of Louisiana.

The SEGBP should reconcile premium revenue to amounts billed and ensure that the financial statements contain accurate information. In a letter dated December 11, 1996, Mr. James R. Plaisance, Executive Director, concurred with the finding. Mr. Plaisance stated that invoices were reconciled to eligibility information, but in the future, invoices would be reconciled to both eligibility information and payments received. Mr. Plaisance also stated that procedures have been implemented to assist in reporting revenues and receivables in the proper fiscal year. See management's response at B-234.

Inadequate Controls Over Purchasing

The SEGBP does not have sufficient controls over purchasing to ensure that supplies are ordered in reasonable quantities. A good system of internal controls would include appropriate review and approval to ensure that supplies in excess of need are not purchased. Our review of expenditures disclosed that the program purchased 600,000 internal requisition forms at a cost of \$41,273. Program personnel estimate that this quantity of forms would supply the needs of the program for the next 1,000 years. This condition occurred because of a clerical error in entering the quantity ordered that was not caught in the review process. Failure to detect errors in purchasing can result in unnecessary cost to the state.

The SEGBP should ensure that all purchases are properly reviewed to avoid purchases that are in excess of the program's need. In a letter dated January 10, 1997, Mr. James R. Plaisance, Executive Director, agreed that the error occurred. Mr. Plaisance stated that the program contacted the Office of State Purchasing to assist them with methods to ensure that this type of error does not recur. The Office of State Purchasing's response indicates that certain printing contracts are being restructured and these changes may assist in detecting unexpected cost overages. Mr. Plaisance further stated that the program would also implement its own procedures to ensure that it is aware of vendor cost estimates before orders are released. See management's response at B-236.

TREASURY, DEPARTMENT OF THE

Inadequate Monitoring of Pledged Collateral

The State Treasurer's Office (STO) does not adequately monitor pledged collateral held by banks to secure cash deposits and certificates of deposit (CDs). LSA-R.S. 49:321 requires

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

state agencies to secure pledged collateral from banks for bank balances in excess of the FDIC insurance coverage. Although the statute allows a five day grace period for banks to adjust collateral to the required balance, inadequate collateral on any one day leaves public deposits at risk if a bank fails. In our review of the internal control structure, we noted the following weaknesses:

1. The STO maintains a tracking system designed to compare CDs to pledged collateral for each bank; however, the tracking system does not consider whether collateral is also sufficient to cover cash deposits in the same bank. The STO and banks rely on the five day grace period for pledging collateral when bank balances exceed collateral because bank accounts are cleared on at least a weekly basis. Although this practice may be in compliance with state law, public deposits are at risk if bank balances consistently exceed pledged collateral balances.
2. For a sample of five banks, 17 of 30 pledged inventory bank reports could not be located by the STO personnel. The STO tracking system includes the detailed inventory by bank of pledged securities. This inventory is manually input by the STO personnel and updated as the bank substitutes or changes specific securities. The tracking system automatically updates market values for the pledged securities so that the comparison to CD balances can be performed. The tracking system is effective only if the detailed inventory of securities is accurate.

The STO management should establish a monitoring process to ensure that both CDs and cash deposits are properly collateralized at all times and that the five day grace period is needed only in unusual circumstances and not on a regular basis. The STO should compare the tracking system inventory to the bank reports of pledged inventory to ensure accuracy and completeness. Management responded that it considers the financial condition of the financial institutions in allowing the five day grace period. In the past, the STO has either reduced deposits or placed immediate collateral requirements on certain financial institutions that were in a declining or unstable condition. In addition, management stated that most depositories pledge collateral in excess of the required amounts within the five day period. Management also responded that it uses a tracking system and the Bloomberg Information System for pricing pledged securities on a regular, sometimes daily, basis. Since the tracking system inventory includes collateral for which the STO has received safekeeping receipts from the safekeeping bank and current data on collateral requirements and market values is available from other sources, pledged inventory bank reports are not as vital as in the past. See management's response at B-251.

Additional Comments: The use of the grace period is in compliance with the state statute, but it does not eliminate the risk of loss of assets during the five days that the accounts may remain

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

undercollateralized. While the central depository account is monitored daily, there are many accounts in other banks that can be monitored only on a monthly basis.

A perpetual inventory system, such as that used by the STO to track pledged securities, has two basic components: individual inventory items (pledged securities) and unit prices (market values). These two components must be compared to independent sources on a regular basis to verify that the system contains no significant undetected errors. The STO has an effective and reliable method for determining the market value (unit prices) of pledged securities that are recorded in the tracking system. However, management cannot be certain that the pledged securities (inventory items) recorded in the system are correct without a comparison or reconciliation with independent sources (pledged inventory bank reports).

Untimely Bank Reconciliations

The STO is not identifying unreconciled differences in the Central Depository Account bank reconciliation in a timely manner. In addition, there is no indication that the monthly reconciliations of the Central Depository Account, which has monthly deposits in excess of \$3.5 billion, are being reviewed by a supervisor of the employee that prepares the reconciliations. For example, the June 30, 1996, bank reconciliation contained \$9,944 in unreconciled differences. As of November 1, 1996, \$3,872 was still unidentified. The bank transactions that cause the differences between the bank and book balances are difficult to identify because the reconciliation process is performed manually and because the bank posts adjustments to the account but provides little or no support or explanation for the adjustments. As a result, errors or irregularities could occur and not be detected in a timely manner.

Management should establish procedures to ensure that the Central Depository Account is fully reconciled to book balances in a timely manner. In addition, management should establish a formal review process for the monthly reconciliation of the Central Depository Account. Management responded that it expects to develop additional computer reports to assist in more timely reconciliation of the bank account and plans to automate a portion of the bank reconciliation process by February 1, 1997. In addition, the Bank Control Section supervisor will now formally approve each monthly reconciliation. However, management felt that it was important to note that the unreconciled items represent a very small percentage of the debit and credit items over a year. See management's response at B-253.

UNIVERSITY OF NEW ORLEANS**Duties of Cash Receipts Function Not Segregated**

For the second consecutive year, the University of New Orleans Metro-Downtown Center does not have adequate segregation of duties within the cash receipts function. During the year ending June 30, 1996, the center received approximately \$938,794 in receipts. In our

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in
the Internal Control Structure (Continued)

consideration of the cash receipts function, we noted that one person in a department (1) collects cash, checks, et cetera, from students; (2) records receivables and revenue; and (3) performs accounts receivable billing functions. Adequate internal control policies and procedures require that the university design a system that discourages incompatible functions that could permit an employee to conceal the misuse of collections in the accounting records. Initially, management designed the accounting system with emphasis on departmental activity as opposed to the elimination of incompatible functions. These internal control weaknesses over the cash receipts function contribute to the risk that errors and/or irregularities could occur and not be detected within a timely period.

The University of New Orleans should establish an adequate segregation of duties within the Metro-Downtown Center's cash receipt function. Management of the university concurred with our finding and recommendation. In a letter dated September 17, 1996, Mr. Robert L. Dupont, Dean of the Metropolitan College, outlined the redesign of the cash receipts function at the University of New Orleans Metro-Downtown Center that establishes an adequate segregation of duties (B-103).

Inadequate Controls Over Receivables

For the fourth consecutive year, the University of New Orleans has not exercised adequate controls over receivables (including student receivables and nonstudent receivables other than grants and contracts) as follows:

1. Collection efforts on delinquent accounts are delayed because of the large volume of outstanding receivables. As a result, at June 30, 1996, there are \$299,908 of receivables that are between 91 days and 360 days delinquent and another \$705,034 of receivables that are more than 361 days delinquent.

**STATE OF LOUISIANA
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Reportable Conditions in
the Internal Control Structure (Concluded)

2. The accounts receivable listings and files contain incomplete and unsupported information on certain debtors. Our examination of 61 student and nonstudent accounts revealed that the addresses on file are incorrect for four debtors and support for the receivables is incomplete or could not be provided for another four accounts.

Management is responsible for maintaining a system that adequately safeguards assets and results in the reporting of accurate financial data. Failure to provide such a system does not ensure management that errors and/or irregularities are being detected in a timely manner.

The University of New Orleans should continue to monitor the age and collectibility of all receivables on an ongoing basis and write off those it determines to be uncollectible, in accordance with university policy. Adequate procedures should be established to ensure that supporting documentation and information on all debtors are kept current. In a letter dated September 20, 1996, Mr. Leo P. LeBlanc, Director of the Office of Financial Services and Reporting, outlined a three phase plan to increase collection efforts and implemented procedures that will expedite the overall collection effort (B-106).

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Schedule B

Reportable Conditions in the
Internal Control Structure
Used in Administering Federal
Financial Assistance Programs
For the Year Ended June 30, 1996



**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs
For the Year Ended June 30, 1996

CENTRAL LOUISIANA STATE HOSPITAL

Meal Counts Not Reconciled

Central Louisiana State Hospital does not have adequate control over its meal counts for students participating in the National School Lunch Program (CFDA 10.555) and the School Breakfast Program (CFDA 10.553). Good internal controls require meal counts recorded at the point of service to be reconciled to other documentation to ensure accuracy of reporting to the Louisiana Department of Education. In addition, the agreement between Central Louisiana State Hospital and Louisiana Department of Education, Sections 20 and 21, requires the hospital to accurately count the meals served to eligible students at the point of service. Further, the NonPricing Collection Procedure and Accountability Requirements, page 2, requires accurate meal counts to be recorded each day.

We examined the reports for two months and noted that of the 124 meal counts for the two month period, there were 28 instances (22.6 percent) where the number of meals recorded at the point of service and the amount reported on the request for reimbursement were different. In addition, there were 23 instances (18.6 percent) where the number of meals served exceeded the number of students eligible for free meals. In 21 of these 23 instances where the meals served exceeded the number of eligible students, the unit meal reports indicated that more meals had been logged at the point of service than students they actually had.

The nurses on each of the units where the adolescents are housed prepare daily reports showing the name of each student fed at each meal, but this report is not reconciled to the point of service meal count. Had someone been reconciling these two reports, these discrepancies would have been detected timely. This lack of reconciliation places management in noncompliance with the agreement for the School Lunch and Breakfast programs.

Hospital management should require that reconciliations be made between counts at point of service and counts made on the units to ensure that accurate counts are made and reported. In a letter dated April 16, 1996, Mr. Gary S. Grand, Chief Executive Officer, stated that the hospital has developed a plan of corrective action (B-4).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

EDUCATION, DEPARTMENT OF

Untimely Bank Reconciliations

The Department of Education failed to reconcile four bank accounts timely. Good internal controls require reconciliation of all bank accounts timely, preferably at the time monthly bank statements are received. Bank reconciliations provide management with a basis to ensure that all transactions that affect both the bank account and books are in agreement and no errors or irregularities have occurred.

Our auditing procedures for the first ten months (July 1995 through April 1996) disclosed that the last reconciliation performed for these bank accounts were as follows: Job Training Partnership Act (CFDA 17.250), January 1996; Federal Pell Grant Program (CFDA 84.063), June 1995; Teacher Certification program, September 1995; and the travel imprest account, August 1995. During this period, the four bank accounts' receipts and disbursements totaled \$7,947,280 and \$7,991,256, respectively. Employee turnover within the Fiscal Office contributed to the bank accounts not being reconciled timely. Failure to reconcile bank accounts timely could lead to the misappropriation of state and federal funds.

The Department of Education should reconcile all bank accounts monthly. In addition, the department should implement procedures to balance the travel account to the amount advanced from the State Treasurer's Office. In a letter dated September 30, 1996, management of the department concurred with the finding and recommendations (B-17).

HEALTH AND HOSPITALS, DEPARTMENT OF

**Recovery Home Loan Program
Procedures Are Inadequate**

The Department of Health and Hospitals (DHH) has not established adequate internal control procedures to ensure collections of loans totaling \$50,245 (including penalties) made under the Recovery Home Loan Program of the Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959). This program was formerly titled Alcohol and Drug Abuse and Mental Health Services Block Grant. Federal regulations, 45 CFR 96.129, allow for loans to provide housing for individuals recovering from alcoholism or other drug abuse. These regulations require that the state establish procedures for repayment that will set forth reasonable penalties for late or missed payments and liability and recourse for default. Because the department did not establish the required procedures at the time the loans were made, collection efforts were sporadic and inconsistent and no action was taken when default occurred. Delays in the pursuit of these receivables increase the risk that the loans are uncollectible. In addition, the federal grantor may require repayment of the balance of these outstanding loans.

**STATE OF LOUISIANA
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Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

DHH should establish written procedures to ensure collections before any new loans are made. In addition, DHH should take the necessary steps to collect the outstanding loans or write off the loans in accordance with federal guidelines. In a letter dated June 28, 1996, Mr. Alton E. Hadley, Assistant Secretary of the Office of Alcohol and Drug Abuse, concurred that there were no set procedures for collecting defaulted loans but does not agree that lack of procedures led to any losses. Mr. Hadley believes that losses occur because the loans are made to high risk clients and points out that the loan program is a requirement of the block grant. Mr. Hadley further stated that future loans would be delayed until appropriate procedures have been developed and training provided for all persons associated with the program. See management's response at B-62.

Provider Overpayments

DHH may have overpaid providers in the Medical Assistance Program (CFDA 93.778, Medicaid) by an estimated \$472,606 for automated chemistry, hematology, and urinalysis laboratory procedures. Also, the department could have saved an additional \$47,639 by requiring that providers combine or bundle two chemistry tests into one panel code instead of beginning bundling at three tests.

Medicare, Medicaid, and Louisiana rules and regulations govern the provider payments for laboratory services and require that certain automated tests for chemistry, hematology, and urinalysis be "bundled" into panels for billing purposes. Specific combinations of tests, when billed as a single procedure rather than as individual tests, result in a lower cost to the program. In a financial related audit report, dated August 16, 1995, we identified potential overpayments to providers totaling \$1,079,129 for the calendar years 1993 and 1994. Our examination of provider payments for the calendar year 1995 disclosed the following:

1. Of 50 claims sampled for automated chemistry billings, which totaled \$1,233, there were 41 claims (82 percent) with potential overpayments totaling \$609. When statistically projected to the population of 31,325 claims totaling \$919,314, the potential overpayment to providers is \$453,981, or 49.38 percent of the population dollars.

Our examination also included a review of an estimated 5,967 instances in which only two automated chemistry tests were performed and billed separately. Had these tests been billed as a single procedure (a panel code), the department could have saved an additional \$47,639.

2. Of 50 claims sampled for automated hematology billings, 11 resulted in potential overpayments totaling \$53. When statistically projected to the population of

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

12,404 claims totaling \$111,691, the potential overpayment to providers is \$13,176, or 11.8 percent of the population dollars.

During our review, we noted that two specific hematology procedure codes, which may be billed together under certain circumstances, but generally would not be, were billed a total of 1,285 times, comprising 10.36 percent of the total population of 12,404 claims. Our review disclosed that 1,018 of these instances, 8.21 percent of the total population, were billed by one provider.

3. Of 50 claims sampled for automated urinalysis billings, all items resulted in potential overpayments totaling \$177. When statistically projected to the population of 1,541 claims paid totaling \$12,582, the potential overpayment to providers is \$5,449, or 43.31 percent of the population dollars.

We estimate that total overpayments to providers for 1995 paid claims total \$472,606, and we estimate the amount due to the Health Care Financing Administration for the federal share of these overpayments is \$357,089.

While the Medicaid Management Information System (MMIS), which is operated by the fiscal intermediary, Unisys, includes edits to ensure that automated chemistry tests are properly bundled, these edits do not appear to be sufficient to detect and prevent payment for tests that are not properly bundled and/or are duplicated. In addition, there are no edits to ensure hematology and urinalysis tests are properly bundled. As a result, overpayments that are significant either in dollars or as a percentage of total claims for a specific category, as described previously, may occur. This condition indicates that additional provider overpayments in other areas could have occurred and not been detected timely.

DHH and its program integrity section should review the potential overpayments and refer them to the Surveillance Utilization Review System (SURS), DHH internal legal counsel, and/or the Louisiana Attorney General's Medicaid Fraud Control Unit for investigation and recoupment of any amounts due from providers for overpayments. In addition, the department should review the MMIS computer edits to determine why they are not operating as defined and should consider adding edits for hematology and urinalysis tests. Finally, DHH should determine what impact the previous conditions may have on other categories of provider payments. In a letter dated November 15, 1996, Mr. Thomas D. Collins, Director of the Bureau of Health Services Financing, concurred with the finding. Mr. Collins stated that edits to prevent most of these problems were placed in operation in November 1995. The system will be further investigated to determine what is causing the problems with urinalysis codes and corrective action will be taken once the problem is identified. The providers involved in these findings will be reviewed for feasibility of recovery and/or to determine if a SURS case needs to be opened. See management's response at B-58.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

**LOUISIANA STATE UNIVERSITY AND
A&M COLLEGE (BATON ROUGE)**

Inadequate Payroll Controls - Job Training Partnership Act

Louisiana State University and A&M College (Baton Rouge) (LSU) did not ensure that time and attendance records were signed by student employees working on the Job Training Partnership Act grant (CFDA 17.250, JTPA). In addition, LSU did not require transient (seasonal) employees working on the JTPA grant to sign time and attendance records. LSU's Policy Statement (PS) 33 requires time sheets to be signed by the student and be maintained in the employing unit for at least three years, but the policy is silent with respect to transient employees. An adequate internal control structure would require transient employees to sign time and attendance documents, and supervisors to approve those documents, to provide a record of hours worked and an indication of supervisory approval.

Of the eight employees tested for certification, six (75 percent) did not certify their hours worked. Five of the six employees were student workers, and the other employee was a transient employee.

Because the department has not placed sufficient emphasis on compliance with university policy and because the policy is silent with respect to transient employees, payroll related errors and irregularities could occur and not be detected in a timely manner.

LSU should reemphasize the need for all student employees to follow PS-33 regarding the certification and verification of time and attendance records. Also, LSU should institute payroll certification policies regarding transient employees. In a letter dated December 17, 1996, Dr. Jerry J. Baudin, Vice Chancellor for Business Affairs and Comptroller, stated that the university is currently implementing specific procedures for corrective action (B-85).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

NORTHWESTERN STATE UNIVERSITY**Control Weaknesses Over Environmental
Laws and Regulations**

Northwestern State University has not established formal written policies and procedures for identifying, reporting, responding, and closing environmental issues at the university in a timely manner. An adequate internal control system would ensure the university's compliance with environmental laws and regulations, thus reducing the university's financial exposure to a minimum. We noted the following instances that appear to be violations of various environmental laws and regulations contained in the Clean Water Act:

1. The City of Natchitoches dumped sludge material from Chaplin Lake in an area on the university campus that may be a wetland. The university's environmental safety officer recommended the university consult the Corps of Engineers before allowing the dumping; however, management refused.
2. There appears to be a conflict of interest since the Vice President of University Affairs is a councilman for the City of Natchitoches and serves on the Chaplin Lake Commission.
3. Asbestos had been removed from the university for eight months before the employees responsible for the Asbestos Management Plan were notified of the removal.

Management's lack of emphasis for developing and adhering to the control process could result in the university being assessed fines, penalties, and cleanup costs. Furthermore, the university could be vulnerable to costly litigation.

Northwestern State University should develop and implement formal written policies and procedures to ensure compliance with environmental laws and regulations. These procedures should ensure that personnel charged with the responsibility for compliance are notified in a timely manner. In addition, the university should request the Corps of Engineers to perform an on-site inspection to determine if the dumping area is a wetland. Furthermore, the university should disclose all related party or conflict of interest transactions. In a letter dated September 30, 1996, Dr. Randall J. Webb, President, stated that the university was made aware of the control weaknesses in November 1993, and immediately initiated corrective procedures as funds were available. The university has developed a comprehensive Environmental Health and Safety Policy and Procedures Manual, which will be disseminated in late September 1996. This manual clearly designates responsibility and mandates lines of communication be open to prevent violations. Furthermore, to avoid any future questions of

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

conflict of interest, the Vice President of University Affairs has resigned from the Chaplin Lake Commission. See management's response at B-128.

Student Payroll Control Weaknesses

Northwestern State University does not have adequate internal accounting controls over its student payroll to ensure proper segregation of duties. An adequate system of internal accounting controls provides for the segregation of duties such that one person would not be placed in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties. In our review of the controls over payroll and personnel, we noted that the student employment coordinator sets up student payroll records for all student workers, receives the time reports, reviews and submits these reports to the computer center for scanning, and receives and distributes all payroll checks to the students, except for off-site campuses and students working directly under the coordinator. This employee also receives all returned W-2 forms to perform follow-up work. Student payroll for the period from July 1, 1995, through March 31, 1996, amounted to \$1,181,100. Of this amount, approximately \$165,000 was for Federal Work-Study Program (CFDA 84.033) wages.

This employee has been allowed to perform these incompatible duties as a result of management's lack of emphasis over the controls affecting student payrolls. Failure to provide adequate internal accounting control over the student payroll increases the risk that errors and/or irregularities could occur and not be detected in a timely manner.

Northwestern State University should implement procedures to ensure that responsibilities for student payroll functions are segregated. Specifically, the person who sets up student payroll records and reviews and submits the approved time reports for processing should not have access to the payroll checks. In a letter dated June 14, 1996, Dr. Randall J. Webb, President, stated that controls will be implemented to segregate the time report processing function from the disbursement of student payroll checks (B-136).

PUBLIC HEALTH, OFFICE OF**Food Vendor Controls Not Developed**

For the second consecutive year, the Office of Public Health (OPH) has not developed policies and procedures to ensure that food vendors for the Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA 10.557, WIC) are charging for food packages in accordance with the WIC Grocer's Price Report Sheet. A good internal control structure should include control procedures that include review of amounts being charged by food vendors to detect possible violations and errors and/or irregularities in a timely manner.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

In our test of 77 food instruments, we noted that there is a wide difference in amounts that food vendors charge for the same food packages. For the BL02 food package, vendors' total charges ranged from \$72.93 to \$137.31, a difference of 89 percent; for the PK01 food package, vendors' total charges ranged from \$16.50 to \$30.15, an 87 percent difference; and for the GR01 food package, vendors' total charges ranged from \$14.75 to \$22.93, a 56 percent difference. Because OPH has not developed internal control policies and procedures to review amounts being charged by food vendors and to take appropriate action against food price violators, the office cannot be assured that WIC is being charged for food packages in accordance with the WIC Grocer's Price Report Sheet and that errors and/or irregularities are detected in a timely manner. The value of WIC food instruments for the fiscal year ended June 30, 1996, was \$84,163,689.

OPH should develop policies and procedures to identify food vendors charging in excess of the Grocer's Price Report Sheet for food packages. In addition, these policies and procedures should address food price violations. In a memorandum dated September 16, 1996, Dr. Eric T. Baumgartner, Assistant Secretary, Office of Public Health, concurred with our finding and recommendation (B-147).

**REGIONAL MANAGEMENT CENTER 1,
NEW ORLEANS****Inadequate Support for Tuition
Revenue and Receivables**

The Louisiana Technical College System, New Orleans Regional Office has not maintained adequate internal accounting controls over its third party billings for student tuition. A good system of internal controls should include identification and reconciliation of payments received to billings sent. Tuition costs for qualified students are reimbursed to the Sidney N. Collier campus (SNC) through the Job Training Partnership Act (CFDA 17.250, JTPA) and Project Independence programs by invoices that are submitted to the New Orleans Regional Office. These invoices are paid by means of interagency transfer documents (FACS 160s); however, the New Orleans Regional Office is not providing, with the FACS 160 document, a detail of each student's tuition that is being reimbursed. As a result, SNC has not been able to reconcile amounts received to invoices submitted. Without a detailed listing supporting the tuition reimbursement amount, SNC cannot be sure it has collected all tuition costs that it is due.

The SNC and the New Orleans Regional Office should take the necessary measures to ensure that adequate internal accounting controls are maintained over their third party billings and that tuition revenue and receivables are accurately recorded and reported. In a letter dated April 19, 1996, management concurred with the finding and recommendations (B-157).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

Unreconciled Advanced Funds

The Louisiana Technical College System, New Orleans Regional Office does not have adequate internal controls over student training funds received in advance from the Orleans Private Industry Council, Incorporated for the JTPA Program (CFDA 17.250). The regional office has the responsibility to establish adequate internal accounting controls over the advance funds to include a reconciliation of the individual student file advance balances to the balance of the cash advance recorded in the accounting system.

The regional office maintains individual student files that list for each student the amount of each advance; the actual expenditures for tuition, books, and supplies; and the remaining balance left on the advance. The regional office is not reconciling the balances of advance funds per the student files (advance less actual cost for tuition, books, and supplies) to the balance of the cash advance recorded in its accounting system. As a result, the regional office has no assurance of the accuracy of the cash advance balance or that errors or irregularities will be detected within a timely manner.

The New Orleans Regional Office should perform monthly reconciliations of the advance deposits of individual student balances to the balance of JTPA program cash advances in its accounting system. In a letter dated April 19, 1996, management concurred with the finding and recommendation (B-161).

Weak Controls Over Requests for Reimbursement

The Louisiana Technical College System, New Orleans Regional Office does not have adequate internal controls over the cost reimbursement process for certain federal programs. A good internal control structure should provide the regional office with procedures to record, process, summarize, and prepare accurate cost reimbursement request documents.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

During our review of requests for reimbursements, we noted the following:

1. The West Jefferson campus does not have procedures to ensure that reimbursements of expenditures made on behalf of the JTPA Program (CFDA 17.250) and received from the Jefferson Parish Office of Manpower were requested timely. As of February 27, 1996, the West Jefferson campus had not billed for reimbursement of costs totaling \$10,222, covering the periods from September 11, 1995.
2. The New Orleans Regional Office did not ensure that reimbursement requests for the JTPA Program (CFDA 17.250) included all salaries and related benefits costs. The regional office did not request \$507 for reimbursement of federal and state unemployment taxes for the period from June 19, 1995, to September 24, 1995, from the Orleans Private Industry Council, Incorporated.
3. The New Orleans Regional Office did not properly prepare the request for reimbursement for the month of December 1995 for the Employment and Training Assistance - Dislocated Workers Program (CFDA 17.246). The New Orleans Regional Office requested reimbursement of \$21,086, of which \$15,721 represented outstanding purchase orders. The inclusion of amounts for outstanding purchase orders in the request for reimbursement resulted in \$15,721 of program funds in excess of expenditures incurred for the month.

The lack of adequate internal control procedures over the preparation of requests for reimbursements for federal program expenditures results in the use of state funds instead of federal funds for excessive periods of time and the possible loss of interest earnings.

The New Orleans Regional Office should review and strengthen control procedures relating to recording, processing, summarizing, and preparing cost reimbursement request documents. In a letter dated April 19, 1996, management concurred with the finding and recommendation (B-163).

SOCIAL SERVICES, DEPARTMENT OF

Inadequate Controls Over Child Support Collections

For the second consecutive year, the Department of Social Services - Office of Family Support, Child Support Enforcement Program (CFDA 93.563, Title IV-D) does not have adequate internal controls over collections of child support. The Code of Federal Regulations (45 CFR 302.20) requires the department to maintain methods of administration designed to ensure that persons responsible for handling cash receipts do not participate in accounting or operating functions that would permit them to conceal the misuse of collections in the accounting records. An

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
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adequate control structure also requires that cash and cash equivalents be safeguarded at all times.

We conducted reviews of the cash function in 3 of 12 regional offices and noted the following conditions at the New Orleans Regional Office:

1. Data entry operators who post client subsidiary records also received cash during the year.
2. Receipts were not always issued in numerical order.
3. Originals of voided or unused receipts were not always retained in the receipt book.
4. Carbon copies of receipts were altered.
5. Receipts were not always completely filled out.
6. There were no receipt books for the period July 18, 1995, through July 24, 1995, because the office exhausted its supply of receipt books and issued temporary receipts.

In addition to the conditions noted in the New Orleans Regional Office, there were 50 debit/credit memoranda issued to the Child Support Enforcement state office and various regional offices. These memoranda have an absolute value of \$15,583 and represent errors in the deposits of child support collections. The types of errors noted included the following:

1. Checks totaling \$1,567 were properly posted to client accounts but were missing from the deposits (6 memos for a total of 8 missing checks).
2. A non-negotiable item was included in a deposit (one memo).
3. Items deposited were not included in the listing of deposit items or in the total deposit (one memo).
4. There were errors in addition (9 memos).
5. There were listing errors (12 memos).
6. Total deposit amounts were transferred incorrectly to the deposit slip (10 memos).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

7. Errors were made by employees inputting the deposit information into the computer (one memo).
8. There were errors for which the bank was unable to determine the cause because the department did not include a list of the deposit items with the deposit (6 memos).
9. There were miscellaneous errors (4 memos).

These debit and credit memoranda resulted from deficiencies in procedures for processing and depositing collections or from employees not following the proper procedures. An adequate internal control system should ensure that errors will be detected within a timely period by employees in the normal course of performing their assigned duties.

As a result of investigating the debit and credit memos, six errors in posting payments to client accounts were found for a total of \$519. When child support payments are not posted correctly, the custodial parents, the federal government, and the state government may not receive all monies that they are due.

The Department of Social Services should immediately segregate the duties of cash receipt and posting of client accounts and establish and enforce procedures that will correct the noted deficiencies and ensure that there are adequate internal controls over cash as required by 45 CFR 302.20. When debit and credit memoranda are received, the department should immediately initiate procedures to determine the cause of the error and make all required corrections. Furthermore, the department should conduct a review sufficient to determine if all child support funds collected were deposited, to determine whether all absent parents were credited for their payments, and to establish whether irregularities have occurred. In a letter dated October 17, 1996, Mr. Thomas Joseph, Director of the Division of Fiscal Services, concurred that the errors occurred. Mr. Joseph stated that a corrective action plan has been in place in New Orleans for approximately six months, which, along with strict monitoring, should eliminate those errors. New procedures concerning debit/credit advices, while not preventing the errors, will ensure that appropriate action is taken when an error occurs. See management's response at B-182.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Continued)

**SOUTHERN UNIVERSITY AT
SHREVEPORT-BOSSIER CITY****Inadequate Internal Controls Over
Perkins Loans Notes Receivable**

For the fourth consecutive year, Southern University at Shreveport-Bossier City did not maintain adequate internal controls over recording Perkins Loans (CFDA 84.038, NDSL) notes receivable transactions. Good internal controls require that adequate procedures be in place to ensure that loans, loan payments, and loan cancellations are posted timely and accurately to the subsidiary ledger. These procedures should include periodic reviews of account balances to ensure entries are properly recorded, authorized, and agree to supporting loan records. Management has taken little action to identify the approximately \$130,000 difference between the subsidiary ledger and supporting loan records that existed at April 30, 1995, and which was brought to its attention in our prior audit.

Failure to maintain an adequate system of controls over notes receivable results in management's inability to ensure that all notes receivable are properly recorded, completed, and accurately reported on the university's financial statements. Failure to maintain accurate account balances could result in the under or over collection of student notes receivable.

The university should identify the transactions making up the difference in Perkins Loans notes receivable, correct the subsidiary ledger, and periodically review student account balances to ensure that all entries are properly recorded. In a letter dated August 23, 1996, Dr. Jerome G. Greene, Jr., Chancellor, Southern University at Shreveport-Bossier City, stated that because of numerous obstacles, the university was unable to correct the subsidiary ledger, identify the difference in notes receivable, and completely review student account balances. He further stated that the university has developed a plan to address these problems and did not issue any new Perkins loans during the 1996 fiscal year. See management's response at B-226.

TRANSPORTATION AND DEVELOPMENT, DEPARTMENT OF**Underbilling of Incidental Charges**

The Department of Transportation and Development underbilled the Federal Highway Administration for September 1995 incidental charges relating to the Highway Planning and Construction Program (CFDA 20.205). Incidental charges are administrative overhead costs that are determined by applying percentages (additive rates) to the various costs of particular

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Reportable Conditions in the
Internal Control Structure Used in Administering
Federal Financial Assistance Programs (Concluded)

federal projects. The procedures employed to monitor the input of the additive rates into the computer did not allow for the timely discovery and correction of an input error. Good internal controls would allow for the timely discovery and correction of errors.

Those projects that had incidental construction engineering costs, material and testing construction costs, and design material testing costs were affected by the error in the additive rates applied. The rates for these additives are recalculated monthly by the department's General Accounting and given to Data Processing for input into the computer system so that a federal billing can be generated. For the month of September 1995, the additive rates were furnished by General Accounting; however, Data Processing input the wrong rates, resulting in a billing of \$25,990. The correct billing amount could not be determined because the backup tapes for the September 1995 transactions were erased and reused; however, based on information that was available, the amount calculated as additives for September 1995 could have been as much as \$153,554. This results in an underbilling of as much as \$127,564.

The department should establish and implement procedures that ensure Data Processing uses the correct additive rates when entering them into the computer. In addition, database backup tapes should be retained for longer periods of time so that information is available to correct errors if necessary. In a letter dated September 5, 1996, Mr. Frank M. Denton, Secretary, concurred with our finding and recommendation and outlined procedures the department is implementing to improve controls (B-246).

Schedule C

Noncompliance With
Laws and Regulations
For the Year Ended June 30, 1996



**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
For the Year Ended June 30, 1996

EDUCATION, DEPARTMENT OF**Unauthorized Long-Distance Telephone Calls**

The Department of Education has not ensured that all telephone charges within the Bureau of Veterans Education are authorized and accurate before payment. These charges were funded by a fixed price contract with the U.S. Department of Veterans Affairs. During our examination, we detected what appeared to be questionable out-of-state long-distance telephone charges. This information was forwarded to the Bureau of Internal Audit, which conducted a review of the bureau's telephone bills for the period July 1993 through May 1996 and determined that Mr. Fred Z. Shirley, Bureau Administrator, had incurred out-of-state long-distance telephone charges of \$607.21 for 5,934 minutes of calls charged to his telephone. The department was reimbursed the \$607.21 with a cashier's check dated August 28, 1996.

This employee's use of the telephone for personal long-distance calls may have violated Louisiana Revised Statute 42:1461, which relates to breach of obligation by an employee of any public entity. These undetected calls resulted because the department failed to enforce compliance with its policy that requires out-of-state long-distance calls be logged and reviewed before payment.

The Department of Education should adhere to and revise its system of review and approval for all long-distance telephone expenditures to ensure that the telephone charges are proper and any errors or irregularities can be detected in a timely manner. The department concurred with the finding. The employee has reimbursed the department and the department is revising its policy for long-distance telephone calls. See management's response at B-15.

Unreported Bank Accounts

The Department of Education did not report certain funds held in the custody of its employees on its June 30, 1996, financial statements. In addition, these accounts were not approved by the Cash Management Review Board. Louisiana Revised Statute (LSA-R.S.) 39:79 provides that all state agencies and component reporting units shall furnish to the Commissioner of Administration, within 45 days of the fiscal year-end close, a sworn statement of all monies received and from what sources, all monies expended and for what purposes, all revenues due and not collected, and all obligations incurred and not paid. In addition, LSA-R.S. 39:371(A)(1) requires that all banking and checking accounts opened or to be opened by state agencies must have the written approval of the Cash Management Review Board.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

Based on our inquiry, the offices of Academic Programs, Special Education, and Vocational Education disclosed the existence of 11 demand deposits and 3 savings accounts with balances totaling \$516,709 at June 30, 1996. In addition, the department is aware of one other bank account handled by an employee of the department but has not been able to obtain the necessary information to report an amount. These accounts are for statewide student organizations and nonprofit organizations that the department employees maintain as the custodian or fiscal agent. Although the department's Office of Management and Finance knew of the existence of these accounts, it failed to ensure the accounts were disclosed in the department's annual fiscal report, which indicates a weakness in the department's internal control structure. By not reporting these amounts and by not having these accounts properly approved, the risk exists that the accounts will not be properly monitored by the department and that the state will be required to assume liability for errors and/or irregularities occurring in these accounts.

The Department of Education should account for, monitor, and report all bank accounts that any of its employees maintain in accordance with state laws and regulations and generally accepted accounting principles. The department concurred with the finding and will develop procedures to ensure all bank accounts are properly reported in the future (B-16).

EXECUTIVE DEPARTMENT**Carry-Over of Funds in Excess
of Bona Fide Obligations**

The Division of Administration (DOA) carried over funds in excess of bona fide obligations existing as of June 30, 1996. LSA-R.S. 39:82(B) authorizes the Commissioner of Administration, with the approval of the Joint Legislative Committee on the Budget, to incorporate into the new fiscal year's appropriation any appropriations from the subsequent fiscal year against which bona fide obligations existed on the last day of the fiscal year. The DOA obtained approval on a budget amendment form (BA-7) dated July 10, 1996, to carry over \$1,422,678 of general fund means of financing to the 1996-97 fiscal year appropriation for professional services contracts. The contracts had a remaining balance of only \$1,244,146; therefore, funds carried over into the 1996-97 fiscal year exceeded bona fide obligations by \$178,532 at June 30, 1996.

The DOA, Office of Finance and Support Services prepared the BA-7 before paying some additional invoices in the 45-day period after the end of the fiscal year and did not consider these payments in computing the carry-over amount. As a result, the DOA is not in compliance with Louisiana law relating to carry-over of funds.

The DOA should submit a BA-7 to adjust the funds carried over to the amount of bona fide obligations as of the end of the fiscal year June 30, 1996, to avoid overspending in the current fiscal year. In a letter dated November 27, 1996, Mr. Whitman J. Kling, Jr., Deputy

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

Undersecretary, Division of Administration, did not concur with the finding that the DOA was in noncompliance with Louisiana law relating to carry-over of funds. He stated that the BA-7 dated July 10, 1996, in the amount of \$1,422,678 represented the balance remaining on professional services contracts as of that date. Therefore, the DOA did have bona fide obligations totaling \$1,422,678, and did consider invoices received and/or paid through July 10, 1996, in the determination of the balances to be requested for the carry-over. However, based on the audit finding, the DOA will submit a BA-7 to reduce the funds carried over to fiscal year 1996-97 by \$178,532. This represents the amount paid between July 10, 1996, and August 13, 1996, for services provided on or before June 30, 1996, and therefore, charged to fiscal year 1995-96. See management's response at B-21.

Improper Use of Nonrecurring Revenue

The State of Louisiana did not use nonrecurring revenue to retire or defease bonds "in addition to existing amortization requirements of the state," as required by both the Louisiana Constitution and the Supplemental Appropriations Act (Act 44 of the 1995 Regular Session). Nonrecurring revenue of \$106,580,325, resulting from the General Fund unreserved - undesignated fund balance for fiscal year ended (FYE) June 30, 1994, was declared by the Revenue Estimating Conference (REC) and placed in an escrow agent bank account on June 28, 1995. During FYE June 30, 1996, this money was used to meet regular debt service payments of the state. This had the effect of reducing the state's debt service expenditures paid from current collections, thereby freeing up funds for other purposes. However, this approach did not fulfill the constitutional requirement that the funds be used "in addition to existing amortization requirements."

Approximately \$18 million of the nonrecurring revenue was used in fiscal year (FY) 1995 to defease three bond issues that were scheduled to be paid out in FY 1996. The remaining balance of approximately \$88 million was used for regularly scheduled debt service payments in FY 1996 for 16 other issues. Because the total outstanding principal balance for 6 of those 16 issues was \$81,165,000, a total of 9 issues could have been defeased in FY 1995, and regular debt service could have been paid from current collections in FY 1996.

On June 14, 1996, the REC declared nonrecurring revenue of \$145,689,000, resulting from the General Fund unreserved - undesignated fund balance for FYE June 30, 1995, and the money was placed in an escrow agent bank account on June 25, 1996. This money will be used for regularly scheduled debt service in FY 1997. In addition, the state issued 1996-A refunding bonds during FY 1996 to be used to defease certain issues. If the state had used the nonrecurring revenue in addition to regular payments for debt service amortization, it is possible that the refunding issue would have been a lesser amount.

Management should use nonrecurring revenues to retire or defease bonds "in addition to the existing amortization requirements," instead of using the funds to meet existing amortization requirements. This practice would allow the state to use available funds to retire or defease

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

debt in advance instead of issuing refunding bonds, which creates more state debt. In a letter dated December 6, 1996, Mr. Mark C. Drennen, Commissioner of Administration, stated, "Please be advised that we do not concur in the aforementioned finding for two reasons. First, this issue and process was highly publicized and widely discussed through various public forums (many of which included representatives of your office) among the participants over an extended period of time. It was also reviewed extensively by various legal entities to assure that the mandates of the constitution were followed and that no legal challenges were made in accordance with the law. It is clear that all constitutionally mandated parties involved in this decision clearly fulfilled their constitutional requirements in accordance with the law.

"Second, it should be noted that the entities that generated and approved this process were entities outside of the Executive Branch of government, and therefore, the finding is improperly cast against the Executive Office." See management's response at B-256.

In a follow-up letter dated December 18, 1996, the Commissioner further stated, "We would like the record to reflect that on December 12, 1996, the Attorney General issued his opinion number 96-519, which fully supports our position that the utilization of the undesignated fund balance was proper and legal in all respects." See management's follow-up response at B-257.

**Inadequate Fund Balance -
Patients' Compensation Fund**

For the fifth consecutive year, the Executive Department, Patients' Compensation Fund Oversight Board, did not maintain an adequate surplus in the Patients' Compensation Fund as required by Louisiana law. LSA-R.S. 40:1299.44(A)(6)(a) requires that a surplus of 50 percent of the annual surcharge premiums, reserves established for individual claims, reserves established for incurred but not reported claims, and expenses be maintained in the fund.

For the fiscal year ended June 30, 1996, the accumulated balance of surcharges, reserves, and expenses is estimated to be approximately \$504 million, which under Louisiana law would require a fund balance of approximately \$252 million. As of June 30, 1996, the actual fund balance was approximately \$66 million, resulting in a shortfall of \$186 million. This shortfall resulted from practices in effect before the Patients' Compensation Fund Oversight Board was created, when rates for medical malpractice premiums were not set based on experience ratings, including historical losses, interest payments, and future medical amounts.

The board should maintain an adequate rate level to achieve the 50 percent surplus requirement over a reasonable period of time. In a letter dated September 18, 1996, the executive director of the board concurred with the finding and recommendation and stated that the Insurance Rating Commission refused to approve a 15 percent rate increase for 1996, but that the board intends to request a rate increase effective January 1, 1997, which should increase the surplus to \$75 million next year (B-24).

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Noncompliance With Laws and Regulations
(Continued)

GRAMBLING STATE UNIVERSITY

Theft of Air Conditioners

During the fiscal year ended June 30, 1996, 23 air conditioner units worth approximately \$11,300 were discovered missing from the residence halls of Grambling State University. This discovery was made following a routine audit procedure and an unsuccessful effort to locate one of the air conditioner units in our test group of movable property. These actions indicate possible violations of LSA-R.S. 14:26(A), "Criminal Conspiracy," and LSA-R.S. 14:67, "Theft." The university police and internal audit departments conducted investigations as a result of our search. To date, four employees have been suspended for periods of time between four and eight weeks for their involvement in the theft and subsequent sale of these university assets.

Grambling State University's president has contacted the District Attorney of the Third Judicial District regarding this matter. Four of the units have been recovered thus far. Both departments are continuing their investigations and additional disciplinary action could result.

Grambling State University should continue its investigation and should assist the district attorney in whatever manner requested. In a letter dated September 19, 1996, Ms. Cynthia Lemelle, Interim Vice President for Finance, stated that the university police department will continue to try to recover the stolen units and identify persons responsible for the theft; the internal auditor will review procedures and controls and make recommendations as necessary; and the university will continue to work with the district attorney regarding this matter (B-31).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

Theft of Computers

Three computers and two color monitors, costing approximately \$40,000, were discovered missing from the Mathematics and Computer Science Department of Grambling State University on August 30, 1996, just three months after they were purchased. According to the university, these assets were tagged as movable property, delivered to the department head, and locked in a storage area. The department head was to have the only key to this area. This action indicates a possible violation of LSA-R.S. 14:67, "Theft." Investigations are being conducted by the university police and internal audit department. In addition, Grambling State University's president has notified the District Attorney of the Third Judicial District of this matter.

Grambling State University should continue its investigation and should assist the district attorney in whatever manner requested. In a letter dated October 16, 1996, Ms. Cynthia Lemelle, Interim Vice President for Finance, stated that the university will strengthen its controls over movable property, will continue its investigation, and will notify the district attorney, as appropriate (B-32).

Unauthorized Use of a Credit Card

A Grambling State University gasoline credit card was illegally used to purchase approximately \$5,290 of gasoline, alcohol, tobacco, and other products from September 26, 1995, to November 8, 1995. These actions indicate possible violations of LSA-R.S. 14:67, "Theft," and Article 7, Section 14 of the Louisiana Constitution. The credit card was issued to the university's athletic director and was stolen by his son, a university employee in the Physical Plant department. According to university personnel, this matter was discovered on October 26, 1995, when a local convenience store clerk realized that the credit card being used for these types of purchases was a "state" credit card and contacted the university. This date coincided with the close of the monthly billing cycle for the card and this activity would not have come to the university's attention until receipt of the monthly statement. Once notified, the university canceled the credit card and began an immediate review of past, and subsequent, billing statements.

In a letter dated February 6, 1996, Grambling State University's president informed the individual that his employment was being terminated effective at the close of business that day. Restitution has been provided to the university as of January 23, 1996, and the matter has been turned over to the District Attorney of the Third Judicial District.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

Grambling State University should continue to assist the district attorney in whatever manner requested. In a letter dated September 19, 1996, Ms. Cynthia Lemelle, Interim Vice President for Finance, stated that the university concurred with the finding and will cooperate with the district attorney in prosecuting this case (B-33).

Violations of Scholarship Criteria

Grambling State University does not have adequate internal control procedures to ensure compliance with specific scholarship criteria. A good internal control system requires that policies and procedures be established and implemented to prevent and/or detect violations of applicable criteria for awarding scholarships. The following matters were discovered during a judgmental test of seven scholarship programs during the fiscal year ended June 30, 1996:

1. All four of the High School Honors Scholarships awarded were not supported by a recommendation letter from the student's high school principal as required.
2. Seven of the eleven High Ability Scholarships examined did not meet all of the requirements of the program. Three were not supported by a recommendation letter from the student's high school principal, counselor, or teacher; two did not meet the required grade point average of 3.30 (on a 4.0 scale); and two did not meet either of these requirements.
3. The Director of Admissions/Recruitment acted with sole responsibility in making the High Ability Scholarship awards. One of the three students lacking the recommendation letter is the director's son.

These conditions exist because management has not placed considerable emphasis upon adherence to the stated criteria. As a result, \$10,514 of scholarships were awarded to students who did not provide the required recommendation letters and/or did not meet the required minimum grade point average.

Grambling State University should ensure that the University Scholarship Committee is aware of the stated criteria and that all awards are made accordingly. In a letter dated August 21, 1996, Mr. Howard Craig, Vice President for Finance, stated that management concurred with the finding and review procedures will be strengthened to ensure compliance with established criteria (B-34).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

HEALTH AND HOSPITALS, DEPARTMENT OF**Cash Subsidy Program Not Adequately Monitored**

The Department of Health and Hospitals (DHH) did not follow established guidelines for monitoring families receiving cash subsidy payments under the Community and Family Support System. A cash subsidy payment is a monetary payment to eligible families of children with developmental disabilities to offset the costs of caring for the child at home. Expenditures of the program totaled approximately \$1.9 million for the year ended June 30, 1996. The Louisiana Administrative Code 48:16121, as well as internal policies and procedures established by the department, requires that regional staff contact each family at least every 90 days to monitor the status of the child. Thirty-seven of 60 (62 percent) case files examined did not contain documentation to support monitoring at least every 90 days.

Management has not placed sufficient emphasis on monitoring the status of children whose families receive cash subsidy payments. As a result, the department could incur unnecessary expenditures because families who become ineligible for the program may not be discovered and removed from the program in a timely manner.

DHH should develop procedures to ensure that each case is monitored in accordance with department policy and program guidelines contained in the Louisiana Administrative Code. In a letter dated August 14, 1996, Mr. Bruce C. Blaney, Assistant Secretary of the Office for Citizens with Developmental Disabilities, concurred with the finding and stated that all regional offices will be notified of this finding and instructed to complete the quarterly contact as mandated by the Louisiana Administrative Code and the internal policies and procedures of the department (B-40). In a memorandum dated September 10, 1996, Richard C. Lippincott, M.D., Assistant Secretary of the Office of Mental Health, stated that the Office of Mental Health is in the process of implementing corrective action (B-39).

Noncompliance With Payroll Regulations

DHH did not consistently follow its internal control procedures that are designed to ensure that the department has complied with Civil Service rules and regulations and that time and attendance records supporting \$117,342,163 of expenditures for personal services are complete and accurate. We examined the controls and records of five timekeeping units for two pay periods each and noted the following conditions:

1. At four of the five offices tested, the timekeeper performs incompatible functions because the same employee who keys in the time and leave also reviews the reports generated by the Uniform Payroll System for accuracy. A good internal control system should provide adequate segregation of duties so that no one employee would be in a position to both initiate and conceal errors or

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Noncompliance With Laws and Regulations
(Continued)

- irregularities. This is the second consecutive year this condition has been reported.
2. Thirty-three employees did not certify (sign) their time and attendance records and there was no supervisor certification of 14 time and attendance records. At the one unit that uses a time clock instead of a sign-in sheet to record time and attendance, time cards were missing for two employees for the pay period ending January 28, 1996. Furthermore, on days when an employee fails to punch in and out, the timekeeper assumes that the employee worked an eight hour day. Civil Service Rule 15.2 requires the employee and supervisor to certify the number of hours of attendance or absence from duty on the time and attendance record. This is the third consecutive year the department has failed to ensure that all time records are certified and the second consecutive year that timekeepers have assumed an eight hour workday when attendance records are incomplete.
 3. There were no leave slips to support sick and/or annual leave taken by 18 employees; 12 leave slips, although present, were unsigned by the employee and/or the supervisor; and two leave slips did not agree with the hours recorded on the attendance record and entered into the On-Line Time and Attendance System. DHH Policy 1215-92, Section XVII requires that all leave be supported by a leave slip signed by both the employee and the employee's supervisor. This is the second consecutive year this condition has been reported.
 4. Thirty-six employees earned a total of 135 hours of overtime although the timekeepers did not have documentation that the overtime was authorized as required by DHH Policy 1215-92, Section XI.
 5. Periodic random audits of pay period files maintained at the timekeeping unit level were not conducted. The Office of State Uniform Payroll On-Line System User's Manual requires each agency to develop a random audit procedure to confirm that required time entry documentation is maintained within each timekeeping unit. To comply with this requirement, DHH Policy 1215-92, Section XVI requires each timekeeping unit manager to develop internal procedures for periodic audit of pay period files and further requires each timekeeping manager to submit a copy of all internal procedures to payroll headquarters. In addition, Section VII of the DHH policy requires headquarters to monitor the performance of unit timekeepers for compliance with DHH policy and procedures. No internal procedures for periodic audits have ever been submitted to headquarters by the timekeeping unit managers. Headquarters did develop a procedure which requires audits by headquarters personnel of 23 timekeeping units each quarter. However, no audits were conducted during the fiscal year under review.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

Although the department has policies and procedures that contain many elements of a good internal control system, these procedures are not followed uniformly. In addition, abandonment of the monitoring function may contribute to noncompliance because management is not sending a clear message regarding the importance of following established procedures. Because Civil Service regulations and the department's internal control procedures are not always followed, there is increased risk that inaccurate, unsupported, or fraudulent data could be entered and processed and such errors may not be detected within a reasonable time.

DHH should reemphasize the need to follow its internal control policies and procedures regarding the On-Line Time and Leave Entry System and the related time and attendance records. Furthermore, the department should reestablish its monitoring function or develop some alternative monitoring procedures that would ensure that employees are adhering to department policy. In a letter dated August 1, 1996, Mr. David W. Hood, Undersecretary, concurred with the finding and recommendation (B-57).

Uncollected Loans

DHH has not taken sufficient action to collect \$698,421 due from outstanding loans made under the Community Residential Development Fund (CRDF). The CRDF was established by the legislature through Act Number 770 of 1981 (LSA-R.S. 46:2390-2396). The Act authorized DHH (then DHHR) to grant loans representing start-up expenses to eligible private nonprofit organizations to provide needed community residential programs for the physically and mentally disabled. DHH, under this program, made 22 loans during 1982 and 1983 totaling \$791,943.

The legislative intent of LSA-R.S. 46:2392 was that the providers of residential services would have sufficient funds to pay back initial costs financed by the CRDF from their per diem rates for serving eligible clients. However, DHH promulgated a rate-setting manual that did not contemplate CRDF expenditures for repayments of these loans to be allowable costs for rate setting purposes. The rates that were paid to CRDF providers under these rules were not adequate to generate sufficient funds to repay the loans made to defray the CRDF start-up costs.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

On May 19, 1993, the Attorney General issued Opinion 93-210 that provided a solution to this matter. The Attorney General stated that the department should calculate the amounts that would have been due the facilities if the start-up costs had been included as allowable costs in establishment of the per diem rates and reduce the CRDF loans by the differential between the amounts calculated under the old and new rates. The department should then request repayment of the adjusted CRDF loan balances. Because the department did not place sufficient emphasis on this matter, it did not recalculate the amount owed by the facilities in accordance with the Attorney General's Opinion until September 20, 1995. At that time the amount owed on the 22 loans was reduced to \$698,421. As of June 30, 1996, the department has not requested repayments from any of the providers although it has been over three years since the Attorney General ruled on this matter.

Further delays by the department in attempting to collect amounts owed will only reduce the chances of successful collection of amounts owed to the state. Therefore, the department should immediately proceed to collect the outstanding balance of \$698,421 due on CRDF loans. In a letter dated September 19, 1996, Mr. Stan Mead, Director of the Division of Fiscal Management, concurred with the finding and recommendation. Mr. Mead stated that the former head of the institutional reimbursement unit received appropriate instructions but failed to take action on the matter for two years. Upon her replacement, the new head of the unit made the appropriate calculations and the department is now preparing to send demand letters to the facilities. See management's response at B-63.

INSURANCE, DEPARTMENT OF**Inadequate Monitoring of Statutory Deposits**

The Department of Insurance did not adequately monitor statutory deposits to ensure compliance with state law. The Commissioner of Insurance is charged with administering the provisions of the Louisiana Insurance Code and may promulgate rules and regulations that he determines are necessary for implementation of the law. LSA-R.S. 22:1021 and 1023 require insurance companies doing business in Louisiana to provide the Commissioner of Insurance with a safekeeping or trust receipt representing a security deposit from a bank doing business in Louisiana and/or a surety bond. These surety bonds must be renewed annually before the first of March. The purpose of these deposits (securities and surety bonds) is to assure faithful performance of each insurer of its obligations to policyholders. Specific internal procedures have been developed by the department to ensure that all insurance companies are complying with the law; however, these procedures have either not been followed or not been started.

In a review of surety bonds and the statutory deposit system for all active insurance companies, we found that the statutory deposit system contained the following errors and/or instances of noncompliance at June 30, 1996:

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

1. The inclusion of 58 of 62 matured surety bonds totaling \$5,050,000, in the department's notes to the financial statements at June 30, 1996, is questionable because company files do not include either a continuation certificate or a cancellation notice on these bonds. In addition, 40 of the bonds, totaling \$3,200,000, are for 40 companies that may not have sufficient deposits, ranging in amounts from \$20,000 to \$100,000, if in fact the surety bonds have been canceled. Also, one of these companies is deficient in deposits by \$50,000, even if the surety bond is active, and, therefore, policyholders are at risk for nonpayment of claims. Finally, four bonds, totaling \$400,000, were identified as canceled, resulting in an overstatement in the note.
2. Three surety bonds, totaling \$450,000, were not reported by the department, resulting in an understatement of the note.
3. Deposits for five companies that have sufficient deposits, totaling \$340,000, were not included, resulting in an additional understatement in the note.
4. One company did not have any deposits even though it was required to have \$150,000. Again, the policyholders of this company are at risk for nonpayment of claims.

We have proposed an adjustment for the known errors netting to \$390,000, which has been accepted by the department as a correction to the note.

Management should ensure that departmental procedures for surety bonds are followed so that all insurance companies will maintain deposits at the required amounts. The notes to the financial statements should reflect current amounts. Management should seek a legal opinion to resolve the apparent statutory conflict between the statute that requires the surety bonds to be renewed annually and the statute that provides that the last bond filed remains in effect until a new bond is filed. In a letter dated December 9, 1996, Ms. Brenda St. Romain, Assistant Commissioner, Office of Management and Finance, stated that the Office of Financial Solvency has established procedures for monitoring statutory deposits and the employee that failed to follow these procedures is no longer responsible for this function. Also, it is the department's opinion that there is no statutory violation where there are surety bonds on deposit with the department since the last bond remains in effect until the bond is renewed or canceled. In addition, the department is correcting the situation for the two companies that did not have the required deposits. Finally, enhancements have been made to the automated system to produce additional reports that will provide for better checks and balances to ensure that all insurers have a current statutory deposit on file with the department. See management's response at B-64.

Undersecured Bank Deposits

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

The Department of Insurance, Office of Receivership, did not ensure that adequate securities were pledged for all deposits in its bank accounts. LSA-R.S. 49:321(C) provides in part that the market value of securities held by any depositing authority together with government deposit insurance (FDIC) shall be equal to 100 percent of the amount on deposit. Although LSA-R.S. 49:321(D) provides a grace period of five days for collateralization, frequent, short periods of uncollateralized balances result in the risk of loss due to bank failure. Our examination disclosed that, at different times during the year, uncollateralized demand deposits ranging in amounts from \$18,829 to \$698,831 were held by Hancock Bank. This condition occurred because the Office of Receivership has not developed detailed monitoring procedures for securities pledged by banks to guarantee deposits.

The Office of Receivership should establish detailed procedures to monitor the adequacy of securities pledged by banks on deposit balances. In a letter dated October 14, 1996, Ms. Brenda St. Romain, Assistant Commissioner, Office of Management and Finance, stated, "Effective October 5, 1995, the Office of Receivership operated under the control and administration of the Nineteenth Judicial District Court pursuant to an order signed and issued by Judge A. Foster Sanders.

"The Office of Receivership has established procedures to monitor the adequacy of securities pledged by banks on deposit balances. The employee that failed to follow these procedures is no longer with the Department." See management's response at B-66.

**LOUISIANA STATE UNIVERSITY AND
A&M COLLEGE (BATON ROUGE)**

**Failure to Adequately Document Additional
Compensation Hours**

The Louisiana State University and A&M College (Baton Rouge) (LSU) Athletic Department could not provide support for payments of additional compensation as follows:

1. \$56,347 for the 19 Athletic Department staff members performing duties for the 1995 Independence Bowl
2. \$3,172 for the two baseball staff members performing duties for the 1996 College World Series
3. \$10,713 for the five track staff members performing duties for the 1996 Women's Outdoor Track Championship

Office of the Chancellor Policy Statement 43 (PS-43) provides that a fiscal year employee may earn additional compensation for performing work outside the scope of the employee's normal

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Noncompliance With Laws and Regulations
(Continued)

duties as reflected on his/her position description form. However, if the work to be performed falls within the employee's normal workweek, then the employee must be charged for annual leave or leave without pay for the hours spent on the activity. Finally, the personnel action forms authorizing the payment of the additional compensation for the post-season competition included the statement that annual leave or leave without pay must be taken for any time spent away from regular duties to participate in this activity. Since the employment contracts for head coaches, assistant coaches for football and baseball, and the athletic director include a provision for additional compensation for post-season participation, the provisions of PS-43 related to additional compensation are not applicable to those employees.

The 26 employees receiving additional compensation to which PS-43 applies were not required to provide documentation to LSU for the time spent away from regular duties for post-season participation, and no leave was taken by any of the 26 employees during the four weeks preceding the competition or the two weeks subsequent to the competition in connection with post-season activities. We also noted that 24 of the 26 employees received the maximum additional compensation allowable, 7 percent of base pay, totaling \$69,777, and the remaining two employees received less than 2 percent of base pay, totaling \$455. Relative to the 1995 Independence Bowl, the LSU Board of Supervisors approved amounts to be paid to employees on December 8, 1995, before the December 29 bowl game, and those specific amounts were paid, which may be an indication that the amounts paid were not directly related to the level of additional work performed.

LSU should obtain documentation for all payments of additional compensation as required by PS-43. In addition, LSU should ensure that annual leave, or leave without pay, is taken as required by PS-43 and related personnel action forms.

In a letter dated December 17, 1996, Dr. Jerry J. Baudin, Vice Chancellor for Business Affairs and Comptroller stated, "On November 13, 1987, the LSU Board of Supervisors authorized the payment of additional compensation to coaches and other Athletic Department staff for extra work performed in connection with football bowl games and certain other post-season athletic events. The Athletic Director was authorized to determine the persons to receive the additional compensation and the amounts to be paid, within certain limitations, and to submit recommendations for such payments through the Chancellor and the President for approval by the LSU Board of Supervisors.

"Relative to the 1995 Independence Bowl, the Athletic Director recommended additional compensation payments, within the limits established by the Board in 1987, to the football coaches and certain other Athletic Department staff, based on additional work duties assigned. The additional compensation so recommended was specifically approved by the Chancellor, the President, and the LSU Board of Supervisors. With respect to the 1996 College World Series and the Women's Outdoor Track Championship, extra compensation was paid to the baseball and track coaches and the team coordinators who participated in these post-season events in accordance with the Board authorization provided in 1987.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

“PS-43 does not require detailed reporting of actual hours worked by unclassified employees relative to extra compensation properly authorized for performing duties outside the scope of normal duties. Thus, the University did not require the Athletic Department to provide such documentation for the compensation properly authorized for participation in post-season activities. Moreover, the policy for authorizing compensation paid for the 1995 Independence Bowl was essentially the same as for the 1988 Hall of Fame Bowl, the last bowl in which LSU participated. However, the University recognizes that our policy for handling compensation for post-season activities needs to be clarified. We believe PS-43 was incorrectly applied, and that the employment contracts for all eligible Athletic employees should have included a provision for compensation for post-season participation, as authorized by the Board of Supervisors. The University is currently revising the contracts of the affected employees to properly reflect this provision.” See management’s response at B-76.

Additional Comment: We recognize LSU’s intention to modify employment contracts in the future to address additional compensation; however, for the audit period, we could not determine whether payments of additional compensation were supported, based on existing payroll records.

Violations of Scholarship Criteria

Louisiana State University and A&M College (Baton Rouge) distributed the Chancellor’s Incentive Awards (CIAs) in violation of the criteria established by the LSU Board of Supervisors (the board). In addition, the university has not established adequate controls over the awarding of CIAs and other scholarships that are not reviewed by the Office of Student Aid and Scholarships.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

The original board resolution passed at the August 23, 1991, meeting directed the CIAs to be given on the basis of “. . . demonstrated financial need, with emphasis on the recruitment of minority students who do not otherwise qualify for scholarships presently awarded by University. . . .” On March 2, 1995, as part of an on-going internal audit, the LSU Internal Audit Department informed Mr. V. David Devillier, Special Assistant to the Chancellor, that he was not following the board’s established guidelines in distributing the CIAs. On March 27, 1995, Mr. Devillier sent a memorandum to the Assistant Vice President of the LSU System, requesting that a resolution to change the criteria of awarding the CIAs be placed on the next board meeting agenda. The board changed the requirements to “. . . with emphasis for each based on the recruitment of exceptional students to the University, for the recognition of academic and/or other exemplary accomplishments of students enrolled in the University, and for such other cause deemed appropriate by the Chancellor. . . .” The language referring to “minority students who do not otherwise qualify for scholarships” was removed. This resolution was passed at the April 21, 1995, board meeting with no objections. The LSU Internal Audit Department issued a report dated August 23, 1996, outlining findings related to the CIAs. Mr. Devillier, in response to the LSU Internal Audit report, stated that he was not aware of the criteria established by the board. He further stated that it was his understanding that the awards could be made purely on a discretionary basis.

As a result of the internal audit findings, on October 15, 1996, the Louisiana Legislature’s House Committee on Education directed the Legislative Auditor to examine LSU’s CIA program and related financial issues. Our examination and report disclosed the following:

1. As was disclosed in the Internal Audit report, the award checks were distributed by the Special Assistant to the Chancellor and were not processed by the Bursar’s Office or the Office of Student Aid and Scholarships (OSAS). As a result, the OSAS could not assess the financial needs and eligibility of the students.
2. Of the 98 students receiving the CIAs for the fiscal years 1994, 1995, and 1996, seven (7 percent) were minorities, and 33 (34 percent) belonged to or joined Lambda Chi Alpha fraternity, to which the Special Assistant to the Chancellor was affiliated.
3. Ninety of the 98 (92 percent) CIA recipients received \$282,514 in other financial assistance, in addition to the CIAs.
4. In fiscal year 1996, 17 of the 56 recipients (30 percent) of the CIAs also received some type of Title IV assistance. Five of those 17 recipients received more student loan proceeds than they would have received if the OSAS had been notified of the CIAs before packaging the students’ awards.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Noncompliance With Laws and Regulations
(Continued)

5. Six of the CIA recipients in fiscal year 1995 and four in fiscal year 1996 also received the Louisiana Honors Scholarship. One of the criteria for this scholarship is that the student cannot receive other gratuitous financial assistance from LSU if the total cost of the student's tuition is provided by scholarship. These ten students received a total of \$3,625 in CIAs and \$13,264 in tuition exemptions under the Louisiana Honors Scholarship.
6. The award focus was changed to "exceptional students" by the April 21, 1995, meeting of the board. The overall grade point average of the CIA recipients after the focus was changed to exceptional students was 2.995. Twenty-four of the 57 students had below a 3.0 grade point average.
7. Several checks issued to students for the CIAs were voided and reissued to other students without a sufficient explanation in the file.
8. We could not determine why students were awarded the amounts they were awarded (i.e., \$250, \$375, \$500, et cetera).
9. The Tiger Athletic Foundation funded \$12,500 in CIAs in fiscal year 1994. Of the 28 students receiving these awards, 3 (11 percent) were minorities and 8 (29 percent) belonged to or joined Lambda Chi Alpha fraternity.

We were informed in a representation letter dated November 11, 1996, from the Athletic Department, of another scholarship distributed by the Special Assistant to the Chancellor. This was a one-time, privately funded scholarship program of \$22,965 to be used exclusively by the Chancellor at his discretion to recruit and assist students enrolled at LSU in the pursuit of their education. The \$22,965 of scholarships was distributed to 31 students. Of these 31 students, 14 (45 percent) were members of Lambda Chi Alpha fraternity and 12 (39 percent) also received the CIAs. This representation letter also disclosed a violation of National Collegiate Athletics Association (NCAA) regulations, which the university has reported to the Southeastern Conference and the NCAA.

LSU should consider the following recommendations:

1. We concur with the LSU Internal Audit Department's recommendation to require the OSAS to be notified of all cash awards. The CIAs should be processed through OSAS for review and approval.
2. LSU should either credit the student's fee bill for the CIAs or find another appropriate method of award distribution.
3. Guidelines should be established to document the calculation of the individual award amounts.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

4. Since the CIAs are now given to "exceptional students," there should be guidelines as to what constitutes an exceptional student.
5. Although not previously included on the system, the CIAs should now be included and monitored on the Financial Aid Database system.
6. LSU should determine and properly resolve amounts awarded to students who are subsequently determined ineligible because of their acceptance of conflicting scholarships.

In a letter dated November 25, 1996, Dr. Jerry J. Baudin, Vice Chancellor for Business Affairs and Comptroller stated, "The University concurs with this finding. New guidelines have been established for the administration of the Chancellor's Incentive Awards program, and all recommendations made by the Legislative Auditor have been implemented." See management's response at B-78.

**LOUISIANA STATE UNIVERSITY
MEDICAL CENTER (SHREVEPORT)**

Improper Procurement Practices

Louisiana State University Medical Center (Shreveport) engaged in procurement practices contrary to state purchasing laws and regulations. LSA-R.S. 39:1596 provides that any procurement not exceeding the amount established by executive order of the Governor (\$5,000) may be made in accordance with small purchase procedures prescribed by such executive order, except that procurement requirements shall not be artificially divided so as to constitute a small purchase. LSA-R.S. 39:1594(A) provides that contracts exceeding \$5,000 be awarded by competitive bidding. LSA-R.S. 39:1594(C)(1) provides that, in addition to public notice requirements, advertising is required if the amount of the purchase is \$25,000 or more. LSA-R.S. 39:1615 provides that a contract for supplies or services may be entered into for periods not more than three years. A sample of 45 nonpayroll disbursements, which included 100 invoices, and a review of disbursement documentation from three vendor folders disclosed the following:

1. One purchase order was issued for a period covering the fiscal year ending June 30, 1996, and was supported by a bid contract that legally expired on September 30, 1995. A total of \$71,574 in purchases were made after the contract's expiration and the purchasing department was unable to provide evidence that the items listed in the contract were advertised for bidding, as required by state procurement regulations.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Noncompliance With Laws and Regulations
(Continued)

2. Two separate blanket purchase orders, totaling \$16,000, were issued to the same vendor for similar items and services for which bids were not obtained. Blanket purchase orders are used to authorize purchases up to a specified dollar amount to be expended over a designated period of time. The purchase order did, however, contain a notation that individual orders were not to exceed \$500, which is the maximum amount allowed to be purchased without quotes.
3. Two confirmation purchase orders, for \$474 and \$484, were processed for identical items for the same department from the same vendor within six days. The purchase was made in two stages, reducing the amount below the level requiring quotes.
4. One department made 31 purchases of "like items" totaling approximately \$6,365 from the same vendor over a 10-month period using limited purchase orders. Limited purchase orders are a specific form of purchase order that can be issued by authorized personnel and are limited to \$250. Numerous other instances of similar type purchases were also discovered. There was no evidence of these items being quoted or bid.

Furthermore, the medical center's Internal Audit Department performed work in the Accounts Payable and Travel and Direct Pay sections of the Accounting Services Department and issued a report dated January 3, 1996. The following exceptions relating to controls over purchases were addressed in that report:

1. Inadequate Control Over Limited Purchase Orders - User departments sometimes neglect to send the limited purchase order and invoice to Accounts Payable timely. Accounts Payable personnel are not provided a listing of authorized users of limited purchase orders. The Accounting Services Department is not being provided a log of limited purchase orders used by June 30 of each year.
2. Ineffective Procedures Related to Confirmation Purchase Orders - User departments sometimes neglect to complete a purchase requisition, in support of the confirmation purchase order, and submit it to Accounts Payable timely.
3. Unauthorized Disbursements Relating to Blanket Purchase Orders - Five of 24 blanket purchase orders reviewed were in excess of the applicable authorized limits by a total of \$132,614.

These conditions exist because management has not placed considerable emphasis upon accountability and adherence to the stated regulations. Failure to comply with the procurement code increases the risk that the best prices will not be obtained and that public funds may be misspent.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Noncompliance With Laws and Regulations
(Continued)

Louisiana State University Medical Center (Shreveport) should ensure that all departments, which have been authorized to obligate the medical center through use of confirming and limited purchase orders, are aware of the procurement code requirements. In addition, all departments should be reminded of the prohibition against artificially dividing purchases so as to constitute a small purchase. In a letter dated September 17, 1996, Mr. Richard H. Chandler, Director of Purchasing and Materials Management, provided the following responses to the conditions identified previously by point:

1. This was acknowledged as human error which caused no fiscal harm or misuse of public funds. The commodity purchased is deemed to be noncompetitive and sole source, and the errors have been dealt with to assure nonreoccurrence.
2. Management has initiated measures to identify reoccurring miscellaneous supply needs in order to establish a competitive price contract to support the use of blanket purchase orders.
3. Management does not concur with this matter as the specific department head has denied artificially dividing the needs of his department. The exact need was unknown at the time of the first purchase order and the second order was placed when it became imminent that the first order was insufficient to cover the needs of the department.
4. Management takes the position that this pattern of use was discovered internally and that corrective measures were implemented to include identification of supply requirements in order to establish competitive price contracts. Also, the majority of these purchases were exempt from bidding by virtue of being devices for physical restoration.
5. Management further stated that the matters relating to the Internal Audit report dealt with internal procedural matters that have been corrected as a result of the Internal Audit report. These matters were neither procurement code nor regulation violations.

See management's response at B-99.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

Additional Comments: While we agree with management in some respects, we must point out the following matters in relation to the responses by point:

1. We acknowledge that errors can occur; however, adequate controls would detect these errors in a timely manner. In addition, management draws attention to the fact that the commodity in question is deemed to be noncompetitive and sole source, yet its records do not indicate that this was considered when the initial contract was bid. If sole source procurement was to govern this purchase, LSA-R.S. 1597 would apply, and we were not provided evidence of such compliance.
2. We concur with management in its efforts to establish a competitive price contract to support the use of blanket purchase orders.
3. Management has taken the position that “need” was the governing factor in these two purchases. Our discussions with the department head indicated that the first purchase was based on the quantity which could be purchased without requiring bids. The second purchase, made six days later, also could not be supported as to need.
4. We do not take exception to the fact that the medical center may have initially discovered this pattern of use nor that corrective action may have been initiated before our discovery. We applaud the efforts to identify supply requirements to establish competitive price contracts. However, the observation that the majority of these purchases were exempt from bidding by virtue of being devices for physical restoration was not supported. We requested documentation to support the exemption provided by executive order of the Governor, specifically that the items in question qualify as devices for physical restoration. Management did not provide such documentation nor was such consideration noted on the purchase orders or invoices.
5. We acknowledge management’s efforts to address the recommendations of the Internal Audit report. However, exceeding authorized limits for using blanket purchase orders is a violation of purchasing regulations.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

**LOUISIANA STATE UNIVERSITY
IN SHREVEPORT****Field Trip to Africa Violates State Law**

Louisiana State University in Shreveport does not have adequate internal controls in place to ensure compliance with portions of LSA-R.S. 42:1111; Louisiana State University (LSU) System Permanent Memoranda (PM) 4, 11, and 13; and the university's Policy Statement Number 2 05.02, relating to outside business activity and/or international travel. At the request of the chancellor, the LSU System Internal Audit Department conducted an audit of the university's Summer 1995 Biological Science Field Trip in Africa (African Trip). The report, dated May 13, 1996, revealed weaknesses as follows:

1. The African Trip was not administered by the Division of Continuing Education and Public Service. The university's Policy Statement Number 2 05.02 defines the responsibility of the Division of Continuing Education and Public Service for all continuing education and public service programs offered by and/or cosponsored by the university. It defines Continuing Education and Public Service programs as educational programs, off-campus classes, foreign travel and study, telecourses, teleconferences and other special activities, credit or noncredit. The African Trip qualifies under this definition.
2. To the extent this was a public activity, the withdrawal of \$7,000 from a university agency account by a professor of biology may have violated the Code of Governmental Ethics (Code). The Code, LSA-R.S. 42:1111(A)(1), prohibits a public servant from receiving anything of economic value from the governmental entity to which he is duly entitled for the performance of the duties and responsibilities of his office or position.
3. To the extent that this was a private activity, by not getting PM-11 approval to engage in outside business activity, the professor may have violated state law. PM 11, Section I, requires employees to disclose and submit outside employment for administrative review and approval. LSA-R.S. 42:1111(C)(1)(a) prohibits a public servant from receiving anything of economic value for any service, the subject matter of which is devoted substantially to the responsibilities, programs, or operations of the agency of the public servant and in which the public servant has participated. LSA-R.S. 42:1111(C)(2)(d) prohibits a public servant or legal entity in which the public servant exercises control or owns an interest in excess of 25 percent, from receiving anything of economic value for or in consideration of services rendered, or to be rendered, to or for any person during his public service unless such services are neither performed for nor compensated by any person from whom such public servant would be prohibited by LSA-R.S. 42:1115(A)(1) or (B) from receiving a gift.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

4. Students participating in the African Trip were not covered by student travel accident insurance. PM 4 identifies travel which must be covered by the trip travel accident insurance policy to include travel by class group. This is identified as travel in which the university controls the time, route, and mode of travel. The professor controlled each of these.
5. International travel approval was not obtained in writing from the campus head or a single designee before departure for the African Trip. PM 13 states all international travel must be approved in writing by the campus head or a single designee before departure. The campus head will report all international travel authorizations to the Commissioner of Administration on a monthly basis. This trip was not reported.

LSU in Shreveport should review each of the conditions identified previously and take appropriate action to correct each deficiency. In addition, management should review applicable state laws, LSU System Permanent Memoranda, and the university's Policy Statements and ensure that each employee is reminded of these requirements. In a letter dated August 20, 1996, Mr. Michael T. Ferrell, Vice Chancellor for Business Affairs, stated that management concurred with the finding and that university policies and regulations, in addition to any state laws and regulations, will be adhered to in offering similar programs in the future (B-90).

Improper Procurement Practices

LSU in Shreveport engaged in procurement practices contrary to state purchasing laws and regulations. LSA-R.S. 39:1596 provides that any procurement not exceeding the amount established by executive order of the Governor may be made in accordance with small purchase procedures prescribed by such executive order, except that procurement requirements shall not be artificially divided so as to constitute a small purchase under this Section. LSA-R.S. 39:1594(A) provides that contracts exceeding the amount provided by LSA-R.S. 39:1596 be awarded by competitive bidding. LSA-R.S. 39:1594(C)(1) provides that, in addition to public notice requirements, advertising is required if the amount of the purchase is \$25,000 or more. A sample of 31 nonpayroll disbursements disclosed the following conditions:

1. One requisition, totaling \$598, was artificially split and the purchase made in two stages, dividing the purchase below the \$500 limit, which would have required telephone or fax quotes from three bona fide, prospective bidders.
2. Two purchase orders, totaling \$568, were processed for similar items for the same department from the same vendor within eight days. The purchase was made in two stages, reducing the amount below the level requiring quotes.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

3. Two purchase orders, totaling \$2,250, were processed for identical items on the same day. One purchase order was for five items totaling \$1,875, and the other was for one item at a cost of \$375. Purchases exceeding \$2,000 require written invitations for bid to be sent to at least eight bona fide, qualified bidders. Written invitations were not sent out.
4. Based on information from the preceding test, all purchase orders to one vendor were reviewed. That review revealed computer equipment for networking the university was purchased on a periodic basis, throughout the year, following the bid requirements for each individual purchase. Since this was one project, it should have been handled as a single purchase. Purchase orders exceeding \$28,000 have been processed for this project, which should have been awarded by competitive bidding, since it exceeded the \$5,000 limit. Also, the project should have been advertised since it exceeded the \$25,000 limit.

These conditions exist because management has not placed considerable emphasis upon accountability and adherence to the stated regulations. Since the university did not comply with purchasing laws, the university cannot be assured that the best prices were obtained.

LSU in Shreveport should ensure that all departments are aware of the procurement code, and the purchasing department reviews all purchases for compliance. In a letter dated August 20, 1996, Mr. Michael T. Ferrell, Vice Chancellor for Business Affairs, stated that management concurred with the finding and that corrective action has been taken to ensure that the Purchasing Office staff closely reviews purchase requisitions so that no violations of any state purchasing laws or regulations occur again (B-91).

Noncompliance With System Regulations

LSU in Shreveport does not have adequate internal control procedures to determine if university personnel are complying with LSU System Permanent Memorandum 11 (PM 11), dealing with outside employment of university employees. A good internal control system requires that policies and procedures be established and implemented to prevent and/or detect violations of applicable regulations. Through discussions with various university and LSU System personnel and review of various documents, the following matters were discovered:

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

1. PM 11, Section I, requires employees to disclose and submit outside employment for administrative review and approval. The university did not obtain and, therefore, could not approve PM 11 forms for outside employment from two academic employees.
2. PM 11, Section VIII, requires the chancellor to prepare an information report annually listing all outside employment approved by him. Copies of this report shall be sent to the LSU System President and the LSU Board of Supervisors. These reports have not been submitted by the chancellor's office.

The university's current policy is to ask employees, when hired, to identify outside employment and related party relationships, and it is the employees' responsibility to inform the university of any changes during their employment. Because of the lack of periodic positive certification (at least annually) regarding outside employment and related party relationships, undetected violations of PM 11 could occur.

LSU in Shreveport should require positive annual certification by all employees of their outside employment and related party relationships and should prepare and submit to the LSU System President and LSU Board of Supervisors the annual information report. In a letter dated August 20, 1996, Mr. Michael T. Ferrell, Vice Chancellor for Business Affairs, stated that management concurred with the finding, that the university is attempting to ensure that all employees are in compliance with all university policies and regulations, and that the annual information report will be compiled from this information (B-94).

Time and Attendance Policies Not Enforced

LSU in Shreveport does not have adequate internal control procedures to ensure compliance with LSU System PM 20 and the LSU in Shreveport Faculty Handbook requirements relating to certain leave policies. An adequate system of internal controls and PM 20 require proper authorization for employee absences from duty, and further, require department heads or other designated officials to (1) receive and review requests for leave; (2) approve or disapprove such requests; and (3) ascertain that accurate leave records are maintained on leave accrued and leave taken, using appropriate leave forms. The LSU in Shreveport Faculty Handbook requires faculty member's absences because of illness to be reported to the department head as soon as possible, and that an approved leave slip should be submitted to the Human Resource Management Office via the dean on the day the faculty member reports back for duty. Enforcement of these requirements would minimize the risk of authorized leaves of absence not being reported, unauthorized absences going undetected, and payment to academic employees for work not performed.

Certain instances were brought to our attention which, when investigated, revealed the following:

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Noncompliance With Laws and Regulations
(Continued)

1. Three members of the academic staff took trips outside the state without specific written approval. We were informed by the dean or department head, as appropriate, that verbal approval had been given in violation of university policy. We have been unable to determine the specific benefit to the university that could justify the absence with pay, such as research or university promotion.
2. During our discussions with university personnel, it was noted by many department heads that the emphasis is on the university's responsibility to the students. Therefore, if a member of the academic staff is unable to teach a class or cover office hours for personal reasons, each of which is a requirement of the minimum load, the class or office hours are covered by another with no decrease in pay. It was also noted that if a member of the academic staff is unable to teach or cover office hours because of illness, for which sick leave is provided, the class or office hours are covered without the diminishment of leave. In light of the fact that accumulated leave is payable upon termination or retirement, the ability to not have leave deducted when absent from work for illnesses results in financial gain in future years.

These conditions exist because management has not placed considerable emphasis upon accountability and adherence to the stated regulations. Failure to enforce the specified policies increases the risk of unauthorized absences by members of the academic staff and subjects the university to noncompliance with LSU System and LSU in Shreveport regulations. In addition, intentional violations of the sick leave policies could result in payroll fraud.

LSU in Shreveport should enhance its internal controls by issuing specific written guidelines to all its academic employees regarding enforcement of leave rules and work hours and by emphasizing attendance expectations. In a letter dated August 20, 1996, Mr. Michael T. Ferrell, Vice Chancellor for Business Affairs, stated that management concurred with the finding and that the university is attempting to ensure that all employees are in compliance with laws and policies regarding work attendance of all employees (B-96).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS**Untimely Remittance of Unexpended Appropriation**

The West Campus (University Hospital) of Medical Center of Louisiana at New Orleans did not return timely to the state treasury, unexpended appropriations of \$3,655,152 from fiscal year 1995. In addition, these funds were held in a noninterest-bearing checking account, resulting in a loss of interest earnings. LSA-R.S. 39:82(A) requires that all cash balances for which no bona fide liability exists on June 30 be remitted to the state treasurer by July 15.

During August 1995, excess amounts were drawn from the state treasury and placed in the hospital's operating account to pay liabilities of the year ended June 30, 1995. The excess amounts were not returned to the state treasury until April 19, 1996, when checks totaling \$3,655,152 were remitted to the state treasury. The custodian of these funds, a former employee of Hotel Dieu Hospital, was not aware of the legal requirements pertaining to the return of unexpended appropriations. Failure to return appropriations timely resulted in funds not being available to the state government for investment or other uses during the period the funds were held by the hospital.

The Medical Center of Louisiana at New Orleans should ensure that any unexpended appropriations are returned to the state treasury in a timely manner. Management of the hospital concurred with the finding and recommendation. See management's response at B-119.

NICHOLLS STATE UNIVERSITY**Student Payroll and Bookstore Irregularities**

The Nicholls State University internal auditor issued reports on student payroll and bookstore cash receipts irregularities dated February 6, 1996, and February 22, 1996, respectively. Those reports cite irregularities that were caused by deficiencies in internal control procedures including a lack of segregation of duties, resulting in opportunities for fraud to occur as follows:

1. The former secretary of the Office of Student Publications and Printing (student newspaper department) was assigned incompatible functions. She received time sheets from students, submitted them to the department's director, and reacquired them from the director to deliver to the personnel department for processing. She would also go to the payroll department to pick up the payroll checks. This unlimited access gave her the opportunity to obtain and forge student workers' payroll checks, totaling \$532, and alter the payroll records to conceal the theft. In addition, the secretary was responsible for billing, accounting, and depositing proceeds from advertisements in the *Nicholls Worth*

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

Newspaper (student newspaper). The internal auditor's examination disclosed altered receipts and untimely deposits for at least \$7,705.

2. The former bookstore director committed fraudulent acts, totaling \$7,983. After bookstore business hours, the director had access to undeposited cash and checks, deposit documents, and cash registers. He was able to substitute fictitious cash refunds, commission checks, and vendor refund checks for cash.

These fraudulent acts appear to be in violation of LSA-R.S. 14:67, which prohibits any person from taking anything of value that belongs to another (theft); LSA-R.S. 14:72, which prohibits forgery; and LSA-R.S. 14:132, which prohibits the injuring of public records. Both matters were turned over to the District Attorney of the Seventeenth Judicial District and criminal charges were filed.

The lack of adequate internal control procedures provided these opportunities for theft and the reduction of interest earnings caused by delayed deposits. Nicholls State University should establish an adequate internal control structure to include segregation of duties so that the university can be assured that assets are safeguarded and errors and/or irregularities are identified timely. In a letter dated September 9, 1996, Mr. Mike Naquin, Controller, stated that the internal control structures in the Office of Student Publications and Printing and the Nicholls State University Bookstore have been changed and improved to include additional segregation of duties and timeliness of deposits. These changes should ensure that assets are safeguarded and errors and/or irregularities are identified in a timely manner. See management's response at B-127.

NORTHWESTERN STATE UNIVERSITY

University Property Used for Political and Personal Activity

Northwestern State University does not have adequate controls in place to prevent the Vice President of University Affairs (unclassified employee), who is also a councilman for the City of Natchitoches, and his secretary (classified employee) from conducting political and personal activity, using university assets in the process. Adequate internal controls would include controls that would ensure that employees not participate in political or personal activities during their normal workday. Article 10, Section 9 of the Louisiana State Constitution of 1974 and Civil Service Rule 14.1 (e), (f), and (g) prohibit a state classified employee from participating in political activities. In addition, Chapter 3, Section 7(A)(6) of the Rules of the University of Louisiana System Board of Trustees states that institutional resources shall not be used for personal gain. A review of the computer files in the vice president's office disclosed the following items:

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Noncompliance With Laws and Regulations
(Continued)

1. Correspondence concerning his re-election campaign for District 3 city councilman
2. Correspondence to a financial supporter of his re-election campaign
3. A request to the Director of Housing for the City of Natchitoches to provide public housing for a mother of three
4. Funding projections for the City of Natchitoches recreation complex
5. A letter of resignation from the Martin Luther King Jr. Recreation Board of Directors
6. A thank you letter to the retiring senator from the thirty-first senatorial district for all the projects provided to Natchitoches Parish
7. Other files for the vice president and his secretary relating to personal business, church, and social activities

The vice president stated that he exercised poor judgment when conducting political and personal activities at the university. As a result, the vice president misused university assets for his own personal gain, which may violate state laws and regulations. In addition, the vice president's secretary violated state law and civil service regulations and may be subject to disciplinary action by the Department of State Civil Service.

Management of the university should implement policies that prohibit university employees from participating in political or personal activity that violates state laws and regulations. Management should also develop and implement procedures for the early detection of the type instances discussed above, and take the appropriate action if these type instances are detected. In a letter dated July 22, 1996, Dr. Randall J. Webb, President, stated that the university will develop a specific procedure to address the use of university equipment, materials or supplies, and will issue a policy statement to all employees specifically addressing the use of personal computer hardware and software (B-137).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

ORLEANS LEVEE DISTRICT**Improper Practices Over Professional Services Contracts**

For the second consecutive year, the Orleans Levee District does not maintain adequate internal controls over its professional services contracts. In our consideration of the internal control structure, we noted weaknesses that, in some cases, resulted in noncompliance with state laws and regulations.

1. During the year ended June 30, 1996, the levee district spent \$37,300 for professional services without a current signed contract. A legislative consultant firm who had contracts with the district in the past was paid \$30,000 over six months without a signed contract being executed. Also, an engineering firm was paid \$7,300 for professional services without a signed contract. Without written contracts, the district lacks documentation to substantiate that payments made were agreed upon by both parties and were for specific services requested by the levee district.
2. As reported in our prior year audit, the term of a professional services contract with a public relations consultant extended three years past the term of office of the majority of the commissioners of the levee district. In addition, the contract did not contain a clause for the termination of the contract without cause. LSA-R.S. 42:3 limits the term of office of all employees or officials elected by a board to the term of office of the membership of the board electing them. Attorney General Opinion 92-52 states that it was the intent of the legislature in enacting the above statute to allow each newly appointed board the opportunity to elect its own officers and employees during their term of office. Prudent business practices require that professional services contracts include a cancellation clause that will allow either party to the contract to prematurely terminate the contract, without cause, after giving a notice of intent within a specified time, such as 30, 60, or 90 days prior to termination. The levee district entered into a public relations services contract that extends from June 1, 1994, through December 30, 1998, with fees of \$90,000 for the first year and annual increases of 10 percent per year. The contract was terminated during the year fiscal year ended June 30, 1996, and is now the subject of litigation.
3. The levee district paid \$11,250 on July 7, 1995, to its public relations consultant before services were rendered, thereby constituting a loan of public funds. In addition, the levee district paid \$25,000 to an aviation services consultant for an aviation safety study before the study was delivered, and an additional \$33,000 for negotiation services before any documented services were provided. The Louisiana State Constitution of 1974, Article 7, Section 14(A) states in part that the funds, credit, property, or things of value of the state or of any political

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

subdivision shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private.

4. The levee district paid \$497,174 during the fiscal year for additional computer services based on a new contract before the contract was signed on December 7, 1995. This contract was later determined to be invalid in a district court.
5. The levee district did not have the contract with the computer consultant, noted in item 4, approved by the Department of State Civil Service. In addition, a contract for supplemental engineering services with one of its engineering consultants was not approved. Civil Service Rule 3.1(o) requires that contracts for personal services be reviewed and approved by the Department of State Civil Service in advance of their effective date to ensure that such agreements do not provide for the performance of such services that could and should be performed by classified employees.
6. The levee district did not document that all of its professional services contracts were approved by the board. The board did not approve the supplemental contract for \$100,000 with the aviation services consultant to locate an air carrier for the Lakefront Airport. The board approved a contract for public relations services for \$3,500 a month until May 19, 1994, but did not approve the extension and expansion of the contract from June 1, 1994, through December 30, 1998, with fees of \$90,000 for the first year and annual increases of 10 percent per year. Similarly, the board approved \$10,000 per month for legislative consulting services through July 31, 1994, but did not approve the extension of the contract through July 31, 1996. Finally, we noted that the levee district did not require documentation supporting payments of an additional \$5,000 per month for additional legislative consulting services involving the Wetland Project.

The Orleans Levee District should ensure that payments for professional services are only made based on contracts that are in writing and approved by the board, include termination clauses, do not extend past the term on the commissioners of the levee district, and have been reviewed and approved by Civil Service before the effective dates. In a letter dated September 12, 1996, Mr. Theodore Lange, Director, responded that:

1. Professional services rendered without a signed contract have been terminated by levee board resolution.
2. The levee board adopted a resolution requiring contracts for consulting and professional services to contain a 30 day "at will" cancellation clause.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

3. Procedures have been established to ensure that payments for professional services will not be made until services have been rendered and not by levee board resolution.
4. All professional services contracts will be approved by the levee board, approved by Civil Service before the effective date of the contract, and before payment for professional services appropriate documentation will be obtained in accordance with the terms of the contract.

See management's response at B-139.

Lack of Written Contracts for Legal Services

For the third consecutive year, the Orleans Levee District did not comply with established policies of the levee district with regard to certain legal services contracts. The levee district could not provide evidence of written contracts for \$203,826 of legal services provided by six of eight law firms included in our sample. Good business practices and levee district policies require the levee district to obtain written agreements for its legal services. Without written contracts, the levee district lacks documentation to substantiate that payments made were agreed upon by both parties and were for specific services requested by the levee district. In addition, written contracts would aid in monitoring expenditures for professional legal services for purposes of budgetary control and planning.

The Orleans Levee District should ensure that its policies for written contracts for professional legal services be followed in the future. In a letter dated September 5, 1996, Mr. Theodore Lange, Director, informed us that additional administrative controls were established by the levee district during the last quarter of fiscal year ended June 30, 1996. In an office memorandum from Mr. Gary G. Benoit, Acting General Counsel, attached to Mr. Lange's letter, administrative procedures were implemented in the engagement of legal services during the month of June 1996. Furthermore, law firms providing legal services to the levee district for the fiscal year ending June 30, 1997, are being engaged by written agreements. See management's response at B-143.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

PENNINGTON BIOMEDICAL RESEARCH CENTER**Shortage in Petty Cash Fund**

Pennington Biomedical Research Center (PBRC) does not have adequate controls over the petty cash fund maintained at Earl K. Long Medical Center (EKLMC), resulting in a shortage of \$1,695. PBRC is the recipient of a federal grant from the U.S. Department of Health and Human Services titled "Mental Health Research Grants" (CFDA 93.242). Officials of PBRC and EKLMC signed a Memorandum of Agreement establishing a \$5,000 petty cash fund with an EKLMC employee as custodian of the account. This petty cash fund is used to reimburse patients for their participation in grant research. An adequate system of internal controls would require that cash be adequately safeguarded and periodic reconciliations of petty cash funds be performed.

During our test counts of the petty cash fund on April 24 and 25, 1996, we determined that there was a \$1,695 cash shortage not detected by either officials of PBRC or EKLMC. Periodic reconciliations of the petty cash fund had not been performed. The East Baton Rouge Parish Sheriff's Office is investigating this matter.

Management of PBRC should continue to work with the East Baton Rouge Parish Sheriff's Office and officials at EKLMC in satisfactorily resolving this matter, and ensure that, in the future, all cash is adequately safeguarded and periodic unannounced reconciliations of the petty cash fund are performed. In a letter dated May 29, 1996, Mr. John J. Farrell, Jr., Director of Fiscal Operations, concurred with the finding and stated that PBRC will conduct unannounced cash counts at EKLMC (B-102).

**PUBLIC SAFETY AND CORRECTIONS -
CORRECTIONS SERVICES,
DEPARTMENT OF****Personal Use of State Vehicle**

The Department of Public Safety and Corrections - Corrections Services did not ensure that all employees who used the department's vehicles for personal (commuting) purposes had proper authorization from the Division of Administration and reported these taxable fringe benefits to the Internal Revenue Service. The personal assignment of a state vehicle to an employee is allowed only under certain conditions and must be approved in writing by the Division of Administration, as required by LSA-R.S. 39:362 (B)(3)(a). In addition, Section 61 of the Internal Revenue Service Code requires that wage and tax statements (W-2s) include all taxable fringe benefits, such as use of state vehicles for commuting purposes.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

We found that during the fiscal year ended June 30, 1996, two employees working for Prison Enterprises had almost exclusive use of the department's vehicles for the purpose of commuting to and from one state facility near their home to another facility where they worked as shown by the following:

1. One employee used a vehicle for 206 of the 218 total days that the vehicle was used, with 148 of these days used only for commuting.
2. Another employee, during a nine-month period, used a vehicle for 116 of the 128 total days that the vehicle was used, with 60 of these days used only for commuting. The department could not provide the vehicle log for three months of the fiscal year.

The almost exclusive use of these vehicles by these two employees amounts to personal assignment. However, the department did not request "personal assignment" use from the Division of Administration, and the taxable fringe benefits arising from using the vehicles for commuting purposes were not included on the employees' W-2s for the year ended December 31, 1995. In addition, Article 7, Section 14 of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. Since the department failed to obtain proper authorization from the Division of Administration for personal assignment of state vehicles, personal use of those vehicles appears to be a violation of the article. Management felt that the cars were needed to commute from Prison Enterprises' industry to industry; however, the majority of entries to the vehicle log indicate the use was to commute to work with no other stops.

The Department of Public Safety and Corrections - Corrections Services should not allow employees personal use of department vehicles unless the conditions for personal assignment are met and written approval has been obtained from the Division of Administration. In addition, the department should include all taxable fringe benefits in its employees' W-2s. In a letter dated November 8, 1996, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, stated that the two employees noted in the finding were initially reassigned from their official domicile at the Louisiana State Penitentiary (LSP) to Prison Enterprises and Prison Enterprises' management could not accurately predict the length of their assignments. The department acknowledges that through an oversight the appropriate approval from the Division of Administration concerning the storage and utilization of these vehicles was not obtained. Subsequently, one employee has been placed back at LSP, which has eliminated his use of a vehicle. Regarding the other employee, the department has requested and been given approval from the Division of Administration to store the vehicle at an alternate state facility near his home since this is a more cost effective method of providing transportation for the employee in accomplishing his statewide responsibility. See management's response at B-149.

Unallowable Premium Payments

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

The Department of Public Safety and Corrections - Corrections Services made unallowable premium payments totaling \$2,081 for two individuals. The Department of Civil Service allows the department to pay a \$100 per month premium to employees working at LSP, as an incentive to work at LSP. However, the department authorized and made premium payments to two Prison Enterprises' employees totaling \$879 and \$1,202, respectively, for the fiscal year ended June 30, 1996, even though these individuals did not work at LSP. Both of the employees' time and attendance records were also certified and maintained at LSP.

Article 7, Section 14 of the Louisiana Constitution of 1974 provides that the funds, credit, property, or things of value of the state shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. These payments appear to constitute a donation of state funds in violation of the article. Good internal controls would not allow a supervisor to certify leave taken and hours worked or authorize the data entry of these hours into the payroll system for an employee not under their supervision. This weakness increases the risk that errors or irregularities in the certification and data entry of leave taken and hours worked could occur and not be detected in a timely manner.

The Department of Public Safety and Corrections - Corrections Services should only make premium payments to eligible individuals. In addition, the department should implement procedures to ensure that the certification and data entry of leave taken and hours worked are approved by the appropriate supervisor. In a letter dated November 8, 1996, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, stated that the two employees noted in the finding were initially reassigned from their official domicile at LSP to Prison Enterprises to address manpower needs in other areas of operations on a temporary basis. Prison Enterprises' management believed that the employees were entitled to receive the premium pay because their reassignments were not of a permanent nature. Both employees have been placed back at LSP. In the future, management will ensure that premium payments are only made to eligible individuals. See management's response at B-150.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

Use of State Building Violates State Law

For the second consecutive year, the Department of Public Safety and Corrections - Corrections Services continued a cooperative endeavor agreement with a private contractor for a 4,600 square foot state owned building that is being used as a poultry processing plant without publicly advertising and bidding the building for use, in violation of state law. In addition, the department did not enter into a formal written agreement with the contractor until June 1995, even though the private contractor began renovations in June 1994. LSA-R.S. 41:1214 requires that leases of public land and buildings to private individuals must be publicly advertised and bid. In addition, prudent business practices would require that a written agreement be executed by all parties before beginning any work for renovations.

While the cooperative agreement does not use the term "lease," the language that is used in certain sections of the agreement related to compensation to the department for use of the building, repair or maintenance work, and return of assets to the department at the end of the term of the agreement would be found in virtually every lease agreement. Furthermore, the department was informed in Attorney General Opinion 84-294, which related to a very similar situation, that such agreements must be competitively bid. This instance of noncompliance results in the risk that this building may have been used in a more beneficial manner to the state had the use been offered for bidding.

The Department of Public Safety and Corrections - Corrections Services should exercise its option for termination of the cooperative endeavor agreement and seek a new one that is competitively bid as required by state law. In a letter dated September 4, 1996, Mr. Bernard E. "Trey" Boudreaux, III, Undersecretary, stated that the building in question was built at no expense to the state by a prior contractor and is being used by another contractor through a cooperative agreement with him, which is authorized under Article 7, Section 14(C) of the Louisiana Constitution. Because of this and the benefits that the program provides to the institution, as well as the contractual obligation made by the department, the department did not wish to exercise its option to terminate the agreement. Instead, the department has made a commitment to publicly advertise the building for bid upon expiration of the cooperative endeavor and will soon be taking action to accomplish this objective. See management's response at B-151.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

REVENUE AND TAXATION, DEPARTMENT OF**Educational Expenditures Questioned**

The Office of State Inspector General issued a report titled "Revenue Official's Abuse," dated November 13, 1996. The Inspector General's report concluded the following:

The former secretary of the Department of Revenue and Taxation, Mr. Ralph Slaughter, abused his position by establishing one set of rules governing college educational reimbursement and leave for all other employees, while applying a different, more liberal standard for himself.

In a letter dated January 6, 1997, Mr. John Neely Kennedy, Secretary, stated that the department has no basis to disagree with the Inspector General's report. He is discussing the Inspector General's recommendations with the Governor, and appropriate action will be taken based on the recommendations included in the report. See management's response at B-165.

The former secretary, Mr. Ralph Slaughter, provided a detailed response to the Inspector General. He did not concur with the report findings.

Theft of Cash Receipts

The Department of Revenue and Taxation, Baton Rouge Regional Office did not perform a daily reconciliation of cash received by revenue agents and cash submitted for deposit. This lack of internal controls over the collection and reconciliation of cash receipts collected by revenue agents resulted in thefts, totaling \$6,455. Good internal controls require that cash receipts be reconciled to cash deposits daily.

The Baton Rouge Regional Office detected the thefts when it began using a new on-line computer system. During the first week under the new system, it was discovered that some taxpayers had made payments on their accounts but had not received credit for the payments. Further investigation by the department revealed that the thefts began in March 1994, continued through September 1995, and were not detected until October 1995 when the agency began using the new on-line system. Following the discovery of the thefts, the responsible employee reimbursed all missing funds and was dismissed on December 21, 1995. At that time the Baton Rouge Regional Office implemented additional control procedures.

The Department of Revenue and Taxation, Baton Rouge Regional Office should ensure that the implemented control procedures require that cash receipts are reconciled to cash deposits daily. Also, the department should consult with the East Baton Rouge Parish District Attorney for possible legal action. The department concurred with our finding and recommendations. See management's response at B-166.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

SOUTHERN UNIVERSITY SYSTEM**Inadequate Monitoring of Food and
Vending Service Contracts**

Southern University does not have support for the receipt of commission revenue on food and vending service operations on the Baton Rouge and Shreveport-Bossier City campuses and may not have received all commissions due for the Baton Rouge campus food court. Also, the university did not comply with state laws and regulations when obtaining a food service contract and when purchasing food supplies for its Baton Rouge campus. Good internal controls and business practices require that the university and the company providing the food and vending services agree to terms and conditions and that the university ensure that amounts stated in the contract are received, computed accurately, recorded, and deposited on a timely basis. Our review of the university's procurement practices and system for collecting commission revenue disclosed the following:

1. **Baton Rouge Campus Food Court** - For the period July 1, 1995, through January 3, 1996, the university did not receive daily cash reports on sales from the company that managed the food court in the student union as required by the contract. The company paid \$38,739 in commissions to the university on November 28, 1995, without providing support for the amount of sales and without specifying the period covered by the payment. As of July 1996, the university had not received any additional commission payments from this company for the contract that ended on January 3, 1996.

For the period January 4 through June 30, 1996, the university did not have signed contracts with either a company to manage food court operations or with the vendors that operated food outlets in the food court. The company responsible for managing the food court discontinued operations; however, some of the vendors that operated food outlets in the food court continued operations. One of the vendors reported sales of \$124,547 for the period January through April 1996; however, we could not determine if the university received any commissions on these sales. Another vendor reported \$50,829 of sales for the period January through June 1996; however, the university received \$5,375 in commissions on sales of only \$35,488. The university should have received an additional \$2,301 in commissions on the remaining sales of \$15,341.

2. **Vending Machine Contracts** - During the 1996 fiscal year, the Southern University Shreveport-Bossier City campus received \$5,717 in commissions from two companies providing vending services; however, the companies did not provide documentation to support these commissions. The contracts between the university and the two companies required the companies to account for total sales and the commission paid on each machine.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Noncompliance With Laws and Regulations
(Continued)

3. **Food Services Contract** - The university did not have a food services contract for the period May 11, 1996, through June 10, 1996. On June 11, 1996, the university awarded a food services contract for the period June 17, 1996, through June 30, 1998. The university incurred \$22,994 in expenses for food management services during June 1996 without having a signed contract. As of September 30, 1996, the university still has not provided us with a signed copy of the contract. Also, the university did not obtain approval of the contract from the Division of Administration, Office of Contractual Review, within 60 days of the effective date of the agreement of June 11, 1996, as required by the Louisiana Procurement Code V:121(A).
4. **Emergency Purchases** - The university purchased food supplies totaling \$59,813 from one vendor during June 1996 under an emergency condition without obtaining price quotations from other vendors as required by Louisiana law. LSA-R.S. 39:1598, Section B, states that every effort must be made to obtain quotations from three or more vendors when supplies, services, or major repairs are to be purchased under emergency conditions.

Without approved signed contracts and gross sales reports, the university cannot adequately monitor food services and vending contracts to ensure that all commission revenue due to the university is received, accurately computed, recorded, and deposited timely. Also, the university does not have adequate assurance that the terms and conditions of the contract comply with state requirements. Without the benefit of price quotations from other vendors, the university may not have received the best price for food supplies.

Southern University should ensure that contracts are approved and signed prior to services being rendered by contractors. The university should obtain documentation to verify the accuracy of commissions paid by the companies and should comply with state laws and regulations regarding the emergency procurement of contracts and supplies. Management of the university generally concurred with the findings and recommendations; however, management stated that the university did receive daily cash reports on sales from the Food Court contractor. Because of an oversight by the university, the reports were not provided to the auditor at the time of review. See management's responses at B-187 and B-224.

Additional Comments: Subsequent to the completion of our work on the Food Court revenues, the university provided us with additional information pertaining to the daily cash reports. However, our review of this documentation revealed that the file of daily cash reports and weekly sales reports for the period July 1, 1995, through January 3, 1996, was incomplete.

Unsecured Bank Accounts

For the second consecutive year, Southern University did not obtain collateral to secure deposits in two bank accounts in the country of Zambia. Also, the university's procedures for

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

monitoring collateral pledged to guarantee bank accounts were not adequate to ensure that deposits in a local bank were secured in a timely manner during the year ended June 30, 1996. LSA-R.S. 49:321 requires, in part, that federal deposit insurance and the market value of pledged securities equal the amount on deposit at all times. University procedures require management to obtain additional pledged collateral from banks when bank deposits are undersecured. Our tests of collateral pledged to secure the university's bank deposits during the 1996 fiscal year disclosed the following:

1. During the 1996 fiscal year, the two bank accounts in the country of Zambia had cash balances ranging from \$21,000 to \$276,000. University officials have been informed that collateral is not available for these accounts. The cooperative agreement with the United States Agency for International Development requires that a banking account be established in Zambia so that funds are accessible for the day-to-day operations of the International Development/Zambia project field office. The lack of pledged collateral increases the risk that the deposits could be lost if the bank fails.
2. Deposits in a local bank were undersecured for 11 days between January 5, 1996, and March 18, 1996, in amounts ranging from \$201,330 to \$226,430. Procedures employed by the university required the monitoring of collateral pledged on a monthly basis rather than on a daily basis, and the university failed to follow its established procedures to take appropriate action when deposit balances were identified as undersecured.

Failure to secure deposits could subject state funds to unnecessary risks or loss of funds in the event of bank failure.

Southern University should obtain collateral for cash deposits, obtain insurance for the cash deposits, or obtain a guarantee from the grantor to replace deposits should the bank fail for the two accounts in Zambia. If cash deposits cannot be secured in accordance with state law, the university should close the accounts. The university should ensure that collateral pledged for all bank accounts is equal to the amount on deposit at all times. In a letter dated October 11, 1996, Dr. Dolores R. Spikes, President, Southern University System, stated that the university will attempt to secure insurance for the cash deposits and/or obtain a guarantee from the grantor to replace deposits should the bank fail. Management concurred that deposits were unsecured but did not concur with the amount unsecured. The university has revised its procedures for monitoring account balances and they are currently in compliance with the law. See management's response at B-190.

STATE EMPLOYEES GROUP BENEFITS PROGRAM**Untimely Claim Payments**

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FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

The State Employees Group Benefits Program has not complied with the provisions of state law relating to the timely payment of health and death claims. LSA-R.S. 22:657(A) requires the program to pay all health claims within 30 days from the date of receipt unless just and reasonable cause exists for the delay in processing. LSA-R.S. 22:656 requires the program to pay death claims within 60 days from the date of receipt of proof of death. Our test of paid claims disclosed the following:

1. Thirty-three of 86 health claims tested totaling \$18,126 were paid from 31 to 249 days after receipt. Management attributes these delays to problems experienced during the conversion to a new claims processing system and to understaffing in the claims processing section. This is the fourth consecutive year that we have reported this finding.
2. Seven of 25 death claims tested totaling \$83,000 were paid 68 to 95 days after receipt of proof of death. The program did not pay interest of \$1,471 that was due on these claims. These delays in processing death claims are due in part to a lack of procedures requiring the timely mailing of a required Internal Revenue Service letter to the beneficiary. This is the second consecutive year that we have reported this finding.

Failure to pay claims timely can result in the assessment of penalties against the program. Management of the program should ensure that all health and death claims are processed within the time limitations imposed by state law unless the program can demonstrate just and reasonable cause for delay. The interest due on the late death claims should be remitted to the appropriate beneficiaries. In a letter dated September 24, 1996, Mr. James R. Plaisance, Executive Director, stated that a sample of 86 from a population of 1.6 million claims paid is not sufficient to conclude that 38 percent of claims were not paid within the 30-day window allowed by law. Mr. Plaisance stated that statistics for the entire year indicate that 70 percent of total claims were paid timely and that the program's performance improved during the latter part of the fiscal year. Furthermore, Mr. Plaisance stated that the claims processing system used by the program is used throughout the insurance industry and does not allow the program to capture data which would prove that the delay in processing the claim was due to the claimant or the program. Mr. Plaisance concurred with the finding regarding death claims. See management's response at B-238.

Additional Comments: LSA-R.S. 22.657(A) does not indicate that any error in timely payment is acceptable. While we do concur with Mr. Plaisance's statement that the program made significant progress in reducing the error rate in the latter months of the fiscal year, this improvement did not reduce the average noncompliance rate for the year to an insignificant level which would not require reporting by the auditor. Although the computer used by the department may be widely used in the insurance industry, private insurance companies are not subject to the laws and regulations specific to State Employees Group Benefits. The program

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

must be able to satisfy all legal requirements as well as running an efficient and effective program. The program was given the opportunity to prove that all sampled items that were not paid within 30 days were due to defects in the claims. For the 33 claims cited, the program was not able to do so.

TRANSPORTATION AND DEVELOPMENT, DEPARTMENT OF**Improper Use of Transportation
Trust Fund Monies**

The Department of Transportation and Development (DOTD) violated Louisiana law by using Transportation Trust Fund (TTF) monies to pay for the administrative costs of non-state entity projects. Furthermore, DOTD does not track the administrative time and cost of these non-state entity projects. Non-state entity projects include projects such as drainage improvement, pumps, sewers, water towers, airport hangers, et cetera, for governmental agencies that are not a part of the executive branch of government, such as drainage districts, municipalities, airport authorities, et cetera. The Louisiana State Constitution [Article 7, Section 27, Part IV (B)] specifies that TTF monies are to be used exclusively for the costs associated with the construction and maintenance of roads and bridges of the state and federal highway systems. In addition, it states that the monies in the trust fund allocated to ports, airports, flood control, parish transportation, and state highway construction are to be appropriated annually by the legislature only pursuant to programs established by law which establish a system of priorities.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

The non-state entity projects do not go through any evaluation of need as required for those projects funded with TTF monies and initiated by DOTD. The projects are appropriated in a legislative act, acquire the funding from the State Bond Commission through general obligation bonds, and receive the funding through a letter of credit or the actual sale of bonds. The administrative costs, such as researching the project and preparing all the necessary documents to submit to the State Bond Commission, are paid through DOTD's regular payroll, which is funded with TTF monies. In Opinion 95-300, the Attorney General opined that TTF monies may not be used to fund the salaries of DOTD employees who administer non-state entity projects.

Currently, the department does not have a method to track the administrative costs of these non-state entity projects nor does it have a plan to recover administrative costs incurred before the 1997 fiscal year. At June 30, 1996, the department has approximately 95 active non-state entity projects with an appropriated amount of \$91,234,310. Because of the large number of projects involved, a considerable amount of time is spent administering these projects.

DOTD should develop a method for tracking administrative costs associated with non-state entity projects, cease using TTF monies to fund these administrative costs, and seek other means of financing these costs. In a written response, management of the department stated that the department did not voluntarily use TTF monies to finance administrative costs of non-state entity projects and that tracking the administrative costs for these projects would not be feasible because of the large number of projects (approximately 4,000). In addition, legislation was passed (Act 1096 of 1995), at the recommendation of the department, which allows 6 percent of each line item to be used for costs of administering such projects. The department has also recommended that the Division of Administration resume administration of non-state projects. See management's response at B-241.

Additional Comments: The department states that a review of the facts makes it obvious that the department did not voluntarily use TTF monies to fund the administrative costs of non-state entity construction projects. However, the department did violate the Louisiana Constitution by using TTF monies in this manner. Attorney General Opinion 95-300, dated November 21, 1995, was written to General Jude Patin, former secretary of the department. There have been at least four non-state entity projects begun since November of 1995.

Management also states that it is not feasible to track and recover these costs. Our review indicates that the department performs engineering and legal services on non-state entity proposed projects before their acceptance by the Bond Commission and the establishing of a project number. Therefore, the hours for these services are not properly charged, tracked, and recovered. Since the department already has a system to track and bill project costs, tracking the costs associated with these non-state entity projects would not significantly increase costs to the department. The department estimates that it would collect less than \$90,000 this year; however, Act 1096 of 1995 allows the department to recover up to 6 percent of bond proceeds on these projects. At this rate, the department could recover up to \$1.55 million for projects

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

appropriated this year. As of November 7, 1996, the department collected \$44,478 on these projects.

The contention by management that there are some 4,000 of these non-state entity projects is not correct. As previously stated, there are approximately 95 of these projects at June 30, 1996.

**Improper Use of Transportation Trust
Fund Monies for Government Lobbyist**

DOTD used TTF monies to pay a government consultant for services as a lobbyist. Some of the services rendered by the consultant are costs that cannot be paid with TTF monies. The Louisiana Constitution of 1974, Article 7, Section 27 (B) states that the monies in the TTF must be used exclusively for the costs associated with the construction and maintenance of roads and bridges of the state and federal highway systems. Costs billed to the department by the consultant included services related to meetings on welfare reform, intergovernmental affairs--Housing and Urban Development, and Medicaid/Medicare programs. In addition, all of the services provided by the consultant are a duplication of services that should be provided by the congressional delegations of the state.

DOTD entered into a professional services contract with Richard "Dick" Egle for a 5-month period (June 1, 1996, through October 31, 1996). The contract states that the consultant would provide professional services for the administrative interface and liaison with the U.S. Department of Transportation and its several constituents and other federal agencies. In addition, the contract states that the consultant shall perform other matters of official business for the Secretary of DOTD and the Office of the Governor of Louisiana including the Commissioner of Administration, as he may be directed. Through October 29, 1996, the department paid \$39,053 to the consultant under this contract. The use of TTF monies for these unallowable costs results in a violation of Louisiana law and prevents the use of these monies for the purposes intended by law.

Management of DOTD should restrict the expenditure of TTF monies to only those purposes intended by state law. Management of the department concurred with our finding and stated that the contract has been terminated, and the TTF will be reimbursed. See management's response at B-244.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

**Failure to Obtain Approval for
Professional Services Contract**

DOTD engaged and paid for a professional services contract in the amount of \$49,500 although the contract was disapproved by the Office of Contractual Review (OCR). In addition, the contract was not included in the original budget request for the fiscal year ended June 30, 1996, nor did the department obtain specific approval of the legislature for the contract. LSA-R.S. 39:1502 states that no contract is valid unless the OCR gives written approval. LSA-R.S. 39:32 (C)2 states that no contract for professional, personal, or consulting services can be entered into unless the contract was submitted in the department's budget request, but does provide that a contract can be engaged after the time of the budget request by obtaining specific approval of the legislature.

The purpose of the contract previously cited was to review old projects and prepare final vouchers. By closing old, completed projects, the state was able to bill and be reimbursed for costs it had absorbed and was able to allow the reallocation of previously committed funds for new projects. The work performed under the contract would make this an administrative professional services contract, which requires approval from the OCR. DOTD submitted the contract for OCR's approval; however, OCR disapproved the contract because DOTD did not include the contract in the budget request nor did DOTD obtain approval by the legislature for the contract. In addition, OCR stated that DOTD has a section, the Federal Aid Unit, which is responsible for the tasks covered by the contract.

Management of DOTD should not engage in contracts that are disapproved by OCR. DOTD should include in its budget request, all professional services that are contemplated and should obtain OCR's approval for administrative contracts before engaging in these contracts. In addition, management should ensure that services requested by a professional services contract are not a duty of an existing section of the department. Management for the department concurred with our recommendation and has obtained budget approval for the contract which is currently in effect. See management's response at B-240.

No Plan for Repayment of Loan

For the second consecutive year, DOTD does not have a plan to repay \$160 million borrowed by the TTF from the Transportation Infrastructure Model for Economic Development (TIMED) program. LSA-R.S. 47:820.2 states that appropriations made for TTF projects and for purposes other than the TIMED projects shall be considered interfund borrowing and shall be returned to the credit of the account not later than June 30, 2010. LSA-R.S. 47:820.4 sets the duration for the TIMED program to the year 2005; therefore, there is an inconsistency between the term for repayment of the loan and the life of the TIMED program. However, Attorney General Opinion 92-136 indicates that it is the responsibility of the department to plan the repayment of the loan, and the opinion indicates that the department should consider pursuing legislation that would allow the repayment of the borrowed funds so that the projects in the TIMED program can be

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

funded. Failure of the department to plan repayment of funds borrowed from the TIMED program jeopardizes the funding of the projects associated with the program.

Management of DOTD should pursue a plan to pay back the borrowed funds and should seek legislative action to allow for the completion of the projects listed in the TIMED program. Management of the department stated in writing that the department has previously recommended legislation to increase project amounts to match current estimates, extend the program until such time as all projects are completed, and forgive remaining debt. In addition, management considers the matching of federal funds for \$100.3 million as repayment on a portion of the loan. The department plans to work with the Division of Administration to submit legislation in the 1997 regular session to address the issues related to the TIMED program. See management's response at B-245.

Additional Comments: Although management of DOTD considers federal matching expenditures on the TIMED projects as partial reimbursement of the loan, officials of the Treasurer of the State of Louisiana have represented to us that nothing has been paid on the loan, and DOTD has not advised the Treasurer of the State of Louisiana to credit the TIMED fund with federal funds.

**TREASURY - TRANSPORTATION TRUST FUND AND
ASSOCIATED ACCOUNTS AND FUNDS,
DEPARTMENT OF THE**

Inadequate Bond Reserve Deposits

The State Treasurer's Office did not deposit sufficient funds into the Transportation Trust Fund debt service reserve account to meet the reserve requirement. Provisions of the bond resolution for the Gasoline and Fuels Tax Revenue Bonds (1990 Series A) require that an amount equal to the greatest amount of aggregate debt service for the current or any future bond year be on deposit in the debt service reserve account. As of June 30, 1996, the calculated amount required to be on deposit was \$26,038,441; however, the actual amount on deposit was only \$25,904,424. The deficiency of \$134,017 occurred because the State Treasurer's Office, who is responsible for administering the bonds for the TTF, did not use the correct method of calculation when determining the debt service reserve requirement. Failure to maintain an adequate reserve results in noncompliance with the bond resolution.

The State Treasurer's Office should transfer sufficient funds to the debt service reserve account to meet the reserve requirement of the bond resolution and in the future should ensure that amounts in the debt service reserve account are equal to reserve requirements. Management of the State Treasurer's Office concurred with the finding and recommendation. See management's response at B-250.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

UNIVERSITY OF NEW ORLEANS

Noncompliance With Payroll Regulations

The University of New Orleans failed to maintain adequate internal control procedures over employment practices and time and attendance records to ensure compliance with Civil Service rules and regulations, university policies and procedures, and good business practices. Our audit of employment practices, time and attendance, and leave records disclosed the following:

Civil Service Rules 4.1(d)1, 6.20, and 15.2 require:

1. An employing agency to submit written justification for approval to add to the unclassified service positions involving duty assignments which are seasonal, temporary, intermittent, or part-time. The university received authority to employ intermittent temporary workers for the Lakefront Arena only. The status of these employees is unclassified temporary, unclassified intermittent, or unclassified part-time.
 - Employees under the categories stated above should not be allowed to work in a full-time capacity. Seventeen arena employees with the unclassified intermittent category are working in a classified full-time capacity.
 - The university considered the authority given to the Lakefront Arena as a blanket authority to employ intermittent workers and employed 227 intermittent workers, in areas of the university other than the Lakefront Arena. Because the authority from Civil Service only covered the Lakefront Arena, the university employed these 227 workers without Civil Service authorization.
2. Employees and supervisors to certify the number of hours of attendance or absence from duty on the employees' time and attendance records (time sheets).
 - We reviewed 20 time sheets and noted 17 to be unsigned by the employees, one temporary employee and 16 classified employees. In addition, one classified employee's time sheet was not approved by the employee's supervisor. These conditions have been a matter of concern for six consecutive years.

University's Administrative Policy and Procedure 4.1 requires:

1. Employees and timekeepers to sign the attendance-leave records no later than the close of the fifth working day following the last day of each month and

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Continued)

- We examined 26 attendance-leave records of which 17 were not signed by employees and 16 were not signed by timekeepers for a period of one to five months and 14 were not approved by supervisors for the six month period ending December 31, 1995. In addition, the attendance-leave records contained leave not correctly subtracted in 3 instances and leave balances not accumulated and posted in 12 instances for a period of one to three months. One of 16 employees original leave slips was not located. An automated leave tracking system effective July 1, 1996, was installed in the latter part of fiscal year 1996, causing a premature abandonment of the manual attendance-leave records. Except for the missing leave slip, these conditions have been a matter of concern for six consecutive years.
2. Timekeepers to have another employee approve and maintain his/her leave records.
- Our examination disclosed that four timekeepers maintained their own attendance-leave records.

Good business practices require:

1. The maintenance of supporting documentation for payroll deductions.
 - Three of five graduate assistants' payroll files tested did not contain supporting documentation for graduate school fees that were deducted from their payroll checks.
2. The maintenance of supporting documentation for compensatory leave hours earned, used, and accumulated for each employee.
 - The university did not maintain accumulated compensatory leave balances for employees. A calculation of one employee's compensatory time earned and used illustrated that the employee used 58.5 unearned compensatory leave hours.

These discrepancies occurred because of the lack of an adequate internal control monitoring system. Failure to adhere to employment, attendance, and leave rules, policies, and practices could subject the university to possible misuse or loss of funds.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Laws and Regulations
(Continued)**

The University of New Orleans should closely monitor established employment practices and attendance and leave records. In a letter dated September 26, 1996, Mr. Daryl Hankel, Manager, Internal Auditing and Systems Development, explained the corrective action taken to resolve each element of the finding (B-108).

UNIVERSITY OF SOUTHWESTERN LOUISIANA**Improper Donation of Public Property**

The University of Southwestern Louisiana (USL) credited the proceeds from the sale of university property to an account for the USL Alumni Association, which appears to violate Article 7, Section 14(A) of the Louisiana Constitution of 1974. Article 7, Section 14(A) states in part that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. We also found that the university's movable property records were overstated by \$15,000 at June 30, 1996, for property no longer in the university's possession.

On November 29, 1988, the USL Alumni Association donated a 1988 Mastercraft boat and trailer costing \$15,000 to the university. On January 15, 1993, USL purchased a 1991 Mastercraft boat and trailer valued at \$17,000 with funds from the Alumni Association and by trading in the 1988 Mastercraft boat and trailer. On August 7, 1995, the 1991 boat and trailer were sold for \$8,000 and the proceeds were credited to the USL Alumni Association account in the USL Foundation, Incorporated. Because the boats and trailers were registered in the university's name, the deposit of \$8,000 in sales proceeds to the Alumni Association appears to violate the Louisiana Constitution. In addition, because of a lack of communication between departments, the 1988 boat and trailer were not removed from USL's movable property records at June 30, 1996, causing an overstatement of \$15,000.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Laws and Regulations
(Concluded)

USL management should consider requesting that the USL Alumni Association return the \$8,000 in proceeds from the sale of the boat and trailer. In a letter dated November 1, 1996, Mr. Ovey Hargrave, Jr., Vice President for Business and Finance, responded that USL has contacted the Louisiana Property Assistance Agency for direction, and the university will request the Alumni Association to return the \$8,000 in proceeds to USL. He further responded that no state funds were involved in these transactions. USL placed the boat and trailer on its movable property inventory for the purpose of obtaining insurance coverage for its students on the ski team. See management's response at B-255.

Schedule D

Noncompliance With General
Requirements Applicable to Federal
Financial Assistance Programs
For the Year Ended June 30, 1996



**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With General Requirements
Applicable to Federal Financial Assistance Programs
For the Year Ended June 30, 1996

EDUCATION, DEPARTMENT OF**Failure to Comply With Cash Management
Improvement Act**

For the second consecutive year, the Department of Education (DOE) has not complied with the Cash Management Improvement Act (CMIA) agreement. The programs administered by the department that are included in the CMIA agreement are the School Breakfast Program (CFDA 10.553), the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Job Training Partnership Act (CFDA 17.250), Title 1 Grants to Local Educational Agencies (CFDA 84.010), Special Education - Grants to States (CFDA 84.027), Vocational Education - Basic Grants to States (CFDA 84.048), and the Child Care and Development Block Grant (CFDA 93.575). Our tests of 59 drawdowns of federal funds disclosed the following:

1. Nineteen drawdowns for U.S. Department of Education grants were made earlier than allowed by the CMIA agreement. However, 17 of these drawdowns were made in anticipation of the federal furlough that occurred from December 18, 1995, to January 5, 1996. The potential interest liability for these early drawdowns is \$6,541 for Title 1 Grants to Local Educational Agencies, \$2,692 for Special Education - Grants to States, and \$1,863 for Vocational Education - Basic Grants to States.
2. Twelve drawdowns were reported incorrectly and one drawdown was not listed on the monthly reports submitted to the Division of Administration - Office of Statewide Reporting and Accounting Policy (OSRAP). The state could incur penalties and interest as a result of incorrect reports and incomplete reporting.
3. Five of five drawdowns tested for the Child Care and Development Block Grant were made earlier than allowed by the CMIA agreement. This grant was added to the CMIA agreement by an amendment dated July 1, 1995, but OSRAP did not notify the department of this amendment until November 22, 1995. Furthermore, OSRAP did not provide guidance to the department on compliance with the CMIA agreement. As a result, the department neither established the clearance pattern on program payments nor recorded complete information on drawdowns of program funds. Therefore, the potential interest liability for early drawdowns of program funds cannot be determined.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With General Requirements
Applicable to Federal Financial Assistance Programs
(Continued)

While improvements have been made in cash management controls over the prior year, management has yet to establish adequate procedures that would ensure compliance with the CMIA agreement. Furthermore, the processing and reporting of drawdowns continues to be hampered by a complex use of cost center numbers and project numbers that account for the grants administered by the department. The department's failure to comply with the requirements of the CMIA agreement has subjected the state to the potential interest liability of \$11,096. In addition, the state could incur interest liabilities on drawdowns that are not reported correctly for the Child Care and Development Block Grant.

The DOE should establish procedures to ensure that federal funds are drawn in compliance with the CMIA agreement. Management of the department concurred with the finding and recommendation. See management's response at B-5.

Inadequate Monitoring of Professional Contract

The DOE did not establish adequate controls to ensure compliance with the department's written contract monitoring plan and did not ensure that a professional contractor complied with contract provisions. In addition, after hiring the contractor as an employee of the department, the department did not adequately monitor this employee's time and attendance during a six-month period that she was allowed to work at home. Louisiana Revised Statute 39:1497(4) requires that agencies certify to the Office of Contractual Review that they have developed and intend to implement a written plan for contract monitoring. Article 7, Section 14 of the Louisiana Constitution of 1974 prohibits state agencies from loaning, pledging, or donating public funds to any person, association, or corporation, public and private. The United States Office of Management and Budget Circular A-87, paragraph A(2)(a), provides that the state government is responsible for the efficient and effective administration of grant and contract programs through the application of sound management practices. Civil Service Rule 15.2 requires the employee and the appointing authority to certify the actual rendering of service and number of hours of attendance on duty and absence from duty.

The department signed two one-year contracts for an Executive Assistant to the State Interagency Coordinating Council, a position that helps provide early intervention services for disabled infants and toddlers and their families. These contracts ran for the periods from December 1, 1993, to November 30, 1994, and December 1, 1994, to November 30, 1995, and were funded by the Special Education - Grants for Infants and Families with Disabilities (CFDA 84.181) program. The contracts for the Executive Assistant provided for a payment of \$173.60 per day for 240 days or \$41,664 per year. While the department did develop a written plan for monitoring contracts, based on a review of progress reports submitted by the contractor to support contract billings, we noted the following instances of failure to adequately monitor these contracts:

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With General Requirements
Applicable to Federal Financial Assistance Programs
(Continued)

1. The department could not provide the contractor's progress reports to support payments of \$3,125 for 18 days billed for the period from September 15, 1994, to October 12, 1994, and \$3,472 for 20 days billed for the period from July 13, 1995, to August 9, 1995.
2. \$868 was paid to the contractor for five holidays that progress reports indicate no work was performed.
3. \$1,042 was paid for an additional six days that progress reports show the contractor took off for various reasons, but "maintained office phones through answer machine" or "manage office/phone."
4. \$347 was paid for two days that progress reports only show "manage office/phone."
5. \$521 was paid for three days on which progress reports show the contractor was "sick" or the contractor was "sick and manage office/phone."

The Executive Assistant was subsequently hired by the department beginning December 1, 1995, but was allowed to continue working at home until June 3, 1996. The \$20,857 salary paid during this period was funded one-half from the federal program and one-half from state General Fund monies. Our review of time and attendance records during this employment period disclosed the following:

1. Sixty-eight days during the period (\$11,211) were included on time and attendance sheets approved by the Vice Chairperson of the State Interagency Coordinating Council, an individual who is not employed by the department.
2. Sixty days during the period were included on time and attendance sheets approved by the former Superintendent of Education. However, no prior written approval to work at home was provided, which would include documentation that the employee would be effective in performing her required duties at home.

The department's failure to adequately monitor and enforce contract provisions for the Executive Assistant, as well as the failure to obtain departmental approval of time worked at home, may result in excess payments to the individual and may result in noncompliance with federal regulations and Louisiana law. As a result, we question \$14,981 of federally funded expenditures. In addition the use of \$5,605 of state funds appears to be in violation of state laws and regulations.

The DOE should establish controls to ensure that professional contractors have complied with contractual provisions. The department also should establish written policies and procedures to

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With General Requirements
Applicable to Federal Financial Assistance Programs
(Continued)

address allowing an employee to perform job duties at home and the supervisor's approval of that work. These policies and procedures should require prior written authorization from an appropriate level of management and documentation supporting the employee's ability to fully perform the duties as required in the employee's job description. Finally, the department should also consult with the U.S. Department of Education concerning the questioned costs previously described. In a letter dated February 4, 1997, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, concurred with the finding and stated, "Due to the complexity of some issues raised in the finding, the Office of Special Educational Services and Bureau of Internal Audit are currently researching and investigating these matters. The Department will inform your representatives of the results of the investigation." See management's response at B-8.

Lease Payment Advanced Improperly

The DOE violated state law by paying the entire annual lease payment in the amount of \$122,000 prior to services being rendered under the Special Education - Grants to States (CFDA 84.027) program. Article 7, Section 14(A) of the Louisiana Constitution of 1974 states in part that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private. Further, the Code of Federal Regulations [31 CFR 205.7(d)] states that a state and a federal agency shall limit the amount of funds transferred to a state to the minimum required to meet a state's actual, immediate cash needs.

The department entered into a cooperative interagency agreement with the Louisiana School for the Deaf to provide office space for employees of the Office of Special Education Services for the period October 1, 1995, through September 30, 1996. The agreement required that payment be made upon the receipt of any annual invoice and that payment is due October 1, 1995. The Louisiana School for the Deaf prepared and submitted to the department an "Interagency Billing" dated September 27, 1995, for the \$122,000 transfer of funds. However, the actual transfer was not made until January 1996. As a result of this advance payment, the state could incur an interest liability for drawing federal funds in excess of immediate cash needs.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With General Requirements
Applicable to Federal Financial Assistance Programs
(Continued)

The DOE should strengthen its internal controls over lease payments to ensure that payments are made only for services rendered. In addition, the department should establish procedures to include the review of contractual agreements to determine compliance with applicable state and federal laws. In a letter dated November 15, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, stated that the department concurred with the finding and that the advance lease payments will no longer be made. In addition, the Office of Special Educational Services is establishing procedures related to the review of contracts to ensure compliance with applicable state and federal laws and regulations. See management's response at B-10.

Submission of Inaccurate Federal Financial Reports

The DOE did not ensure that accurate and complete information was reported on the Federal Cash Transactions Reports (Standard Form 272) submitted monthly to the U.S. Department of Education. This report is required by the Office of Management and Budget, *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (Common Rule), and is used by federal agencies to monitor cash advances to grantees and to obtain disbursement or outlay information for each grant from the grantees. Our tests disclosed the following:

1. Expenditures were understated by \$2,240 on each of the monthly reports for the period July 1995 through April 1996 for the Special Education - Grants to States (CFDA 84.027) program.
2. Expenditures were understated by \$520,076 on each of the monthly reports for the period February 1996 through April 1996 for the Title 1 Grants to Local Educational Agencies (CFDA 84.010) program.

These inaccuracies were the result of mathematical and reconciliation errors that were not detected timely.

The DOE should establish procedures to ensure that all reports required by federal grantors contain accurate and complete information. In a letter dated November 4, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, stated that the department concurred with the finding, and that the Bureau of Accounting Revenue Supervisor will verify future financial data reports prepared by unit staff members before those reports are submitted for signature (B-11).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With General Requirements
Applicable to Federal Financial Assistance Programs
(Continued)

**Time Distribution Records Not Maintained
for Federal Grant Programs**

The DOE does not require employees to maintain time distribution records to support amounts charged to federal grant programs for personal services. Our examination disclosed that during the fiscal year ended June 30, 1996, personal services for 88 employees were allocated between federal grants and state programs based on budgets or estimates. We estimated that of \$3,847,972 of personal services for these employees, \$2,484,587 was allocated to 17 federal grants and \$1,363,385 was allocated to state programs.

Office of Management and Budget Circular A-87 requires that personal services charged to grant programs be supported by time and attendance or equivalent records for individual employees. Because the department did not implement adequate procedures to determine the actual time and effort expended on individual grant programs, the amount of administrative costs charged to a federal program may not be equivalent to the time and salaries expended.

The DOE should develop appropriate time distribution records to support amounts charged to grant programs for personal services. In a letter dated December 12, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, concurred with the finding and has required the use of specific reports and certifications to properly support amounts charged to grant programs for personal services (B-12).

Unallowable Costs for Title I Sponsored Conference

The DOE did not maintain adequate controls over a departmentally sponsored conference to ensure the proper recording and accountability of transactions and to ensure that transactions were in compliance with applicable state and federal regulations. The Bureau of Improving America's Schools Act Title I hosted a conference in New Orleans on November 14-16, 1995. Conference expenses were paid with Title I Grants to Local Educational Agencies (CFDA 84.010) program income derived from registration fees. Travel expenditures for departmental employees attending the conference were reimbursed from federal programs including the Title I Grants to Local Educational Agencies (CFDA 84.010), Education for Homeless Children and Youth (CFDA 84.196), and State School Improvement Grants (CFDA 84.218). Our review of transactions for this conference disclosed the following:

1. The DOE paid \$3,227 from Title I program income (registration fees) for entertainment, an expense not allowable under federal cost principles. The department held a reception on the evening of November 15, 1995. The \$3,227 total cost for the reception included \$1,500 for room rental, \$1,227 for food, and \$500 for a three-piece band. In addition, the contract for the band, which was signed by a Title I program manager, violates the Louisiana Administrative Code,

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which requires the head of the using agency or his designee to sign all contracts for personal, professional, consulting, or social services.

2. The DOE did not maintain adequate controls for \$500 cash received from registration fees (\$50 from each of 10 department employees). Program income and expenses for the conference were both under-reported by \$500 because this cash was not deposited intact but instead was used to pay for the three-piece band, mentioned previously.
3. Because of inadequate planning, the department incurred cost for approximately 120 more meals than needed for a luncheon on November 15, 1995. The excessive meals cost approximately \$2,190. The department granted approval to schedule the conference on August 8, 1995, but did not mail final notifications for the conference until October 30, 1995, resulting in excessive meals being scheduled.
4. Eleven departmental employees, who were reimbursed for the conference registration fee, were also reimbursed a total of \$88 (\$8 each) with federal funds for the luncheon held on November 15, 1995. State Travel Regulations (PPM 49) prohibit reimbursement for any lodging and/or meals furnished by another party at no cost to the traveler. The cost of the luncheon was included in the registration fee.
5. Eleven departmental employees, who were reimbursed \$176 (\$16 each for a dinner meal) with federal funds, did not document on their travel claims the reason(s) for their late departure from the conference. The program agenda indicates the last conference session on November 16, 1995, was to be followed by a staff meeting of Title I employees from 11:00 a.m. to noon. However, nine employees reimbursed the November 16, 1995, dinner meal have travel claims that show arrival times in Baton Rouge, a one hour drive, of 8:15 p.m. or later. The travel claim of the tenth employee reimbursed for the November 16 dinner meal has no arrival time shown. The travel claim for the eleventh employee, the Title I Administrator, indicates he was also reimbursed for the dinner meal on November 17. However, his travel claim provides no justification for an additional overnight stay in New Orleans or an arrival time in Baton Rouge of 8:30 p.m. on November 17.
6. Fourteen departmental Title I employees from Baton Rouge attended the conference but did not carpool. PPM 49 requires the use of the most cost-effective method of transportation that will accomplish the purpose of the travel. These employees were reimbursed a total of \$1,237 for mileage and \$420 for parking. A portion of these mileage and parking expenses could have been

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avoided if some of these employees had been required to carpool; however, we could not determine questioned costs.

Because the DOE failed to implement adequate controls for this conference, there is incomplete documentation and limited accountability for transactions. Further, the department has disbursed federal funds not in compliance with department policy and state and federal regulations. As a result, we question \$5,681 of federally funded expenditures from the following federal programs:

• Title I Grants to Local Educational Agencies (CFDA 84.010)	\$5,649
• Education for Homeless Children and Youth (CFDA 84.196)	\$24
• State School Improvements Grants (CFDA 84.218)	\$8

The DOE should implement controls for all departmentally sponsored conferences to provide accountability and control over program income and to ensure that transactions are in compliance with applicable state and federal laws and regulations and departmental policies. The department should consult with the U.S. Department of Education concerning the resolution of questioned costs reported in this finding. In a letter dated December 23, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, concurred with the finding and outlined a plan of corrective action (B-14).

EXECUTIVE DEPARTMENT

**Noncompliance With Cash Management
Improvement Act**

The Executive Department, Division of Administration did not comply with the Cash Management Improvement Act (CMIA) when the division requested federal funds under the Community Development Block Grants/State's Program (CFDA 14.228) in excess of its immediate needs. The CMIA agreement between the State of Louisiana and the U.S. Department of the Treasury requires the state to schedule the receipt of federal funds such that the funds received and credited to a state account are in accordance with check clearance patterns. We determined that there were instances where the division drew federal funds in advance rather than using the check clearance patterns as a basis for the draws. They include the following:

1. On October 3, 1995, \$3,692,000 of federal funds were drawn in advance with the actual disbursement of funds occurring on varying dates during the period October 9, 1995, through October 30, 1995.

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2. On November 16, 1995, \$3,706,992 of federal funds were drawn in advance with the actual disbursement of funds occurring on varying dates during the period November 22, 1995, through December 18, 1995.
3. On December 20, 1995, \$1,111,560 of federal funds were drawn but were not disbursed until December 26, 1995.

The excess funds were drawn in anticipation of a furlough of federal employees, which occurred during the periods November 14 to November 17, 1995, and December 18, 1995, to January 5, 1996, and were used to fund grantees during the furlough periods. The division's failure to comply with the CMIA agreement has subjected the state to a potential interest liability of \$20,404.

The Division of Administration should ensure that federal funds are drawn in compliance with the CMIA agreement. The Commissioner of Administration responded in writing that he concurred with the finding and stated that the division drew these funds early due to the impending and resulting actual shutdown of the federal government to ensure that funds were on hand to meet grantees' needs. The Executive Department has had and continues to have established procedures to ensure compliance with the CMIA agreement. See management's response at B-27.

HEALTH AND HOSPITALS, DEPARTMENT OF**Cost Allocation Errors Noted**

The Department of Health and Hospitals (DHH) did not allocate the administrative costs of the regional offices of the Office of Alcohol and Drug Abuse to federal programs in accordance with the federally approved cost allocation plan. The Office of Management and Budget Circular A-87 and 45 CFR Part 95, Subpart E require the department to prepare, obtain approval for, and follow a plan for the allocation of indirect costs to all programs administered by the department. The approved plan contains a cost pool for regional administrative costs; however, because regional staff may also have some duties relating to treatment, the department is not using this cost pool. Instead, all regional costs were placed in pools that accumulate costs relating to the treatment of alcohol and drug abuse.

The costs in the administrative and treatment pools are used to calculate various set-aside requirements of the Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959) and failure to place costs in the approved pools may cause the department to exceed the 5 percent restriction on administrative costs and to spend less than the mandated 35 percent each on alcohol and drug treatment. Because of the manner in which regional offices are budgeted and expenditures are captured, we were unable to determine total expenditures

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for the regional offices. Because of the manner in which the duties of the regional staff overlap between administrative and clinical activities, we are also unable to determine what portion of regional office expenditures should be allocated to administration and what portion should be allocated to treatment.

The department should ensure that its cost allocation plan will properly allocate expenditures between programs and follow that plan once it has been approved by the federal oversight body. Furthermore, the department should review the allocation of regional office expenditures for both the 1994 and 1995 block grant periods to determine if costs were correctly allocated and if all set-asides were met. In a letter dated September 18, 1996, Mr. Stan Mead, Director of the Division of Fiscal Management, concurred that regional costs were placed in pools other than the one established for regional administrative costs. However, he believes the cost allocation plan has been followed because the pool was established to capture and allocate cost for planning, implementation, and evaluation of the programs in the regions. He pointed out that the regional managers also have direct oversight of treatment and prevention programs. However, he agreed to allocate regional administration staff costs in the future. See management's response at B-42.

Additional Comments: If the cost pool in question was established to capture costs for planning, implementation, and evaluation of the programs, either none of these functions were performed, since no costs were recorded in the pool, or the plan was not followed. If, as stated, the regional staff have duties relating to both treatment and administration, the department's cost allocation plan should be set up so that each cost is captured appropriately.

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Medicaid Cash Management Errors

For the third consecutive year, DHH has not complied with the Cash Management Improvement Act (CMIA) agreement. The agreement was entered into between the State of Louisiana and the U.S. Department of the Treasury to achieve greater efficiency, effectiveness, and equity in the transfer of federal funds as required by the Cash Management Improvement Act of 1990, as amended by the Cash Management Improvement Act Amendments of 1992. The Code of Federal Regulations, 31 CFR 205, applies to the agreement, which specifies the procedures to be used for the five types of draws made by the department for the Medical Assistance Program (CFDA 93.778, Medicaid). Our examination disclosed the following:

1. The department overdrew federal funds for two of the six weekly checkwrites tested and incurred interest liability estimated as follows:

<u>Date of Overdraw</u>	<u>Amount Overdrawn</u>	<u>No. of Days Overdrawn</u>	<u>Estimated Interest Liability</u>
February 6, 1996	\$7,879	100	\$110
April 9, 1996	<u>687,137</u>	<u>15</u>	<u>1,115</u>
Total	<u>\$695,016</u>	<u>115</u>	<u>\$1,225</u>

2. Section 6.1.3 of the CMIA agreement specifies the manner in which the department is to draw funds for federal and state holidays. If the holiday is federal, then the department may draw funds for receipt on the day before the holiday. If the holiday is state only, funds are to be drawn for receipt on the day after the holiday.

Of 16 holiday transactions examined, the department drew funds for receipt after a federal holiday on seven occasions. As a result, the department was underdrawn from \$2,130,436 to \$11,238,038 for periods ranging from two to four days. Interest lost by the state because these funds were unavailable for investment is estimated at \$15,500.

The department also drew \$6,575,071 for receipt the day before the Good Friday holiday, which is not a federal holiday. DHH was overdrawn for one day, resulting in a potential interest liability of \$957.

The department did not comply with the CMIA agreement because it did not establish adequate procedures or did not consistently follow procedures that would have ensured compliance with

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the agreement. Failure to properly calculate the amount of each federal draw exposes the state to interest penalties when an overdraw occurs and reduces the amount of the state's interest earnings when funds are underdrawn.

The department should establish procedures to ensure that funds are drawn timely and in compliance with the CMIA agreement. In a letter dated July 25, 1996, Mr. Stan Mead, Director of the Division of Fiscal Management, concurred with the finding and stated that the department had implemented procedures to identify errors as quickly as possible although it is very difficult to prevent all errors when funds are drawn on a daily basis. Mr. Mead further stated that the original CMIA agreement did not specify the manner in which funds were to be drawn on holidays and the department did not receive a copy of the agreement after this provision was added. The department has now made appropriate changes to its procedures regarding the draw of funds for holidays and has requested copies of all subsequent changes to the agreement. See management's response at B-46.

Medicaid Providers Not Audited Timely

DHH did not have an adequate internal control system to ensure that audits of pharmacy providers and long-term care providers are obtained timely. Although the Code of Federal Regulations, 42 CFR 447.202, requires audits of records of providers enrolled in the Medical Assistance Program (CFDA 93.778, Medicaid) if payments are based on costs of services or on a fee plus cost of materials, no time frame is specified when these audits must be performed. During the period from July 1, 1995, to June 30, 1996, DHH did not perform or obtain any audits of pharmacy providers and long-term care providers (i.e., nursing homes and intermediate care facilities for the mentally retarded [ICF/MRs]). The department expended over \$300 million for prescribed drugs, over \$554 million for nursing facilities, and over \$311 million for ICF/MRs during fiscal year 1996.

Agreements with two private contractors to perform audits became effective in June 1996 and will include audits of the span of services that would normally have been audited during the fiscal year ended June 30, 1996. However, failure to ensure that audits are obtained timely increases the risk that overpayments or underpayments to providers could remain undetected for long periods, causing unnecessary expenses for the state.

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The department should take the steps necessary to ensure that audits of Medicaid providers are conducted on a regular basis. In a letter dated October 22, 1996, Mr. Thomas D. Collins, Director of the Bureau of Health Services Financing, concurred with the finding and outlined steps to be initiated that are intended to ensure timely issuance of future contracts (B-51).

Noncompliance With Drug-Free Workplace Act

For the second consecutive year, DHH could not provide documentation that all employees who are engaged in the performance of federal grants were given a copy of the department's drug-free workplace policy. The codification of the Drug-Free Workplace Act of 1988, 41 USC 701 et seq., requires grantees of federal funds to publish a policy statement notifying employees that unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violations of these prohibitions. Section 41 USC 702(C) of the codification requires the grantee to give a copy of this statement to each employee engaged in the performance of a federal grant. To comply with the requirements relating to the Drug-Free Workplace Act, DHH established the required drug-free workplace policy (Policy #0016-89), which requires employees to sign a form certifying that they have received a copy of the policy and understand it. This form is to be maintained in the employee's personnel file.

During our test of payroll, we found that one out of 24 employees, although paid from federal funds, did not have this signed certification in his personnel file. This condition occurred because personnel files are maintained at various locations throughout the state and the department has no procedures in place to ensure compliance with department policy. Failure to obtain signed certifications from every employee increases the risk of noncompliance with provisions of the Drug-Free Workplace Act and could result in federal sanctions.

The department should ensure compliance with the Drug-Free Workplace Act by developing procedures to enforce internal Policy #0016-89. In a memorandum dated September 4, 1996, Ms. Mary Anne Manley, Human Resource Director, indicated that the one instance of noncompliance was an isolated incident that occurred because a newly hired human resource employee had not received proper instruction regarding the need for obtaining this certification. This situation has been corrected and the department does not anticipate further instances of noncompliance with this policy. See management's response at B-56.

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LABOR, DEPARTMENT OF**Noncompliance With Cash
Management Improvement Act**

For the second consecutive year, the Department of Labor, Office of Employment Security (OES), has not implemented procedures to ensure compliance with the Cash Management Improvement Act (CMIA) agreement. The agreement was entered into between the State of Louisiana and the U.S. Department of the Treasury to achieve greater efficiency, effectiveness, and equity in the transfer of federal funds as required by the CMIA of 1990. The agreement specifies the procedures to be used by OES for drawing money for payroll and administrative costs for two programs: Unemployment Insurance (CFDA 17.225) and Job Training Partnership Act (CFDA 17.250). The agreement requires actual payroll costs to be drawn using the average clearance pattern, which is based on a three-day check clearance. Administrative costs are required to be drawn using the actual and adjusted estimated clearance pattern. The administrative costs consist of the actual expenditures for the current week and an estimate of expenditures for the upcoming week. The agreement requires administrative costs for all programs to be drawn at the same time as payroll. Under these patterns, the bi-weekly payroll and the administrative costs for the two programs are to be drawn on the Friday of the payday so that funds will be received on the following Monday.

The department's actual draws were based on the balance in the department's bank account instead of the required clearance patterns. No documentation existed to show how the actual draws were calculated. Also, the department did not draw funds for payroll and administrative costs for these two programs on a consistent basis, drawing funds as many as four weeks apart (March 4 to April 9, 1996) or as often as twice per week in May 1996. Failure to draw payroll and administrative funds timely results in noncompliance with the CMIA agreement and the department using state funds to provide the funds necessary to cover program expenditures rather than federal funds that were available for that purpose.

The department should establish procedures to ensure that funds are drawn in compliance with the CMIA agreement. In a letter dated September 4, 1996, Ms. Robin M. Houston, Secretary of Labor, stated that the department agreed with the finding. She stated that procedures have been established for the fiscal year beginning July 1, 1996, to ensure that funds are drawn in compliance with the CMIA agreement. See management's response at B-68.

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**LOUISIANA STATE UNIVERSITY
MEDICAL CENTER (NEW ORLEANS)****Noncompliance With Davis-Bacon Act**

The Louisiana State University Medical Center (New Orleans) and the Division of Administration, Office of Facility Planning and Control, did not have procedures to ensure that all contracts for construction projects include all the applicable requirements. As a result, a contract involving federal funds was let without requiring the payment of prevailing wages, and prevailing wages were not paid for work performed on a construction project, as required by federal law. The Davis-Bacon Act, United States Code, Title 40, Chapter 3, Section 276(a) requires all laborers and mechanics employed by contractors or subcontractors who work on construction projects financed by federal assistance to be paid wages not less than those established by the Secretary of Labor for the locality of the project when required by federal grant program legislation.

The Louisiana State University Medical Center (New Orleans) entered into a cooperative agreement (CFDA 12.420) with the U.S. Department of the Army. This cooperative agreement included \$5,731,635 for construction costs associated with the addition of two floors to the Lions/LSU Clinic building. Although the cooperative agreement is between the medical center and the U.S. Department of the Army, the actual construction project, including the award of the contract, is being handled by the Division of Administration, Office of Facility Planning and Control, as required by the Capital Outlay Budget Appropriation (Act 45 of 1994). The medical center and the Office of Facility Planning and Control did not have adequate procedures in place to ensure that the contract let for the construction contained requirements related to the Davis-Bacon Act. Also, procedures were not established to monitor construction activities to ensure that laborers and mechanics are being paid prevailing wage rates.

The Louisiana State University Medical Center (New Orleans) and the Office of Facility Planning and Control should establish procedures to ensure that contracts include all of the applicable requirements and should take the necessary steps to ensure compliance with provisions of the Davis-Bacon Act. In a letter dated November 8, 1996, Mr. Roger Magendie, Director, Office of Facility Planning and Control, stated that the cooperative agreement between the medical center and the U.S. Department of the Army made no reference to Davis-Bacon requirements, and the medical center did not inform the Office of Facility Planning and Control that Davis-Bacon requirements were applicable. To avoid any reoccurrence of this problem, the Office of Facility Planning and Control has instituted a procedure for user agencies to provide written documentation from the granting agency as to whether the Davis-Bacon requirements are applicable. Also, in a letter dated December 5, 1996, Mr. Ronnie Smith, Vice Chancellor for Administration and Finance at the Louisiana State University Medical Center (New Orleans), stated that the medical center is working cooperatively with the LSU Systems Office and the

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Noncompliance With General Requirements
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(Continued)

Office of Facility Planning and Control and intends to comply with all terms and conditions of the cooperative agreement with the U.S. Department of the Army (B-97).

LOUISIANA TECH UNIVERSITY**Inadequate Documentation of Payroll**

Louisiana Tech University did not maintain appropriate time and attendance records for all graduate assistants and adjunct professors to support amounts charged to university programs for personal services. Also, one personnel appointment request form for a graduate assistant for a Board of Regents state grant was not signed by the Research Contracts Administrator, Office of University Research. The University of Louisiana System Board of Trustees for Colleges and Universities policies and procedures Chapter III, Section XXI C.2 requires daily attendance and leave records to be maintained for all unclassified employees. Office of Management and Budget Circular A-21 in Sections J 8a and J 8c.2(f) require personal services charged to grant programs to be supported in accordance with policies established for universities. Furthermore, an adequate system of internal accounting controls requires that a document be prepared every payroll period for each employee summarizing the actual number of hours of attendance or absence, to include certification by both the employee and supervisor.

One of thirty federal payroll transactions tested was not supported by a time and attendance report, paid under Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126). Also, in our test of non-federal payroll, 6 of the 30 employees tested did not have time and attendance records. These employees were graduate assistants or adjunct professors. The university does not have any policies requiring graduate assistants or adjunct professors to prepare time and attendance reports. These employees are paid from university personnel appointment request forms.

Because the university did not maintain time and attendance records for its graduate assistants and adjunct professors, charges totaling \$1,152 for Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126) are questioned cost. Also, failure to maintain time and attendance records and sign-off of the personnel appointment request forms for the Board of Regents grant does not provide for adequate internal accounting controls and places the university in violation of federal and state laws. Payrolls for graduate assistants and adjunct professors totaled \$1,823,732 and \$598,492, respectively, from July 1, 1995, through May 1996.

Louisiana Tech University should require time and attendance reports for its graduate assistants and adjunct professors and should ensure that properly authorized personnel appointment request forms are signed by the Office of University Research. In a letter dated August 30, 1996, Dr. Stuart Jay Deutsch, Vice President for Research and Development, stated that time and attendance records for all graduate and adjunct faculty will be centralized within the Office

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(Continued)

of the Vice President of Research and Development using attendance reporting similar to full-time faculty (B-112).

MILITARY AFFAIRS, DEPARTMENT OF**Excess Federal Funds Requested**

For several federal programs, the Department of Military Affairs requested federal funds in excess of immediate needs during the fiscal year ended June 30, 1996. The Common Rule for Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments (C.20.b.7) requires the grantee financial management system to include procedures that minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of funds by the grantee. In addition, the Code of Federal Regulations [44CFR 13.21(c)] requires the grantee to be paid in advance, provided the time elapsing between the transfer of the funds and their disbursement is minimized. Specifically, the Federal Emergency Management Agency (FEMA) manual 2700.1, titled "Advance Financing Payment Systems," Chapter 3-3(d) states that recipient organizations funded via the SMARTLINK system generally should not have more than three work days' cash on hand.

Our test of federal drawdowns disclosed that between July 29, 1995, and February 13, 1996, the department received federal funds for FEMA's Disaster Assistance program (CFDA 83.516) totaling \$29,461,527, of which \$25,427,089 (86 percent) were not disbursed to the subrecipient agency within three days as required by FEMA. Specifically, \$12,551,303 of federal funds were disbursed from 4 to 9 days after receipt; \$12,102,636 of federal funds were disbursed from 10 to 20 days after receipt; and \$773,150 of federal funds were disbursed from 20 to 36 days after receipt. Management of the department indicated that classifying and processing the FEMA funds through the state accounting system caused these delays.

In addition, the department over-requested \$6,042 of federal funds for reimbursements of December 1995 and May 1996 expenditures relating to the National Guard Military Operations and Maintenance Projects (CFDA 12.401). The over-request was due to errors in the calculation of the reimbursement. The excess funds were spent and the error was corrected before the drawdown for October 1996.

The requesting of funds in excess of immediate needs results in these funds not being available to the federal government for investment or other uses during the period held by the department and thus creates a potential interest liability due to the federal government.

The Department of Military Affairs should revise its cash management procedures to prevent the request of federal funds in excess of its immediate needs. In addition, the department should implement procedures to ensure that any errors made in the reimbursement calculations are detected and corrected in a timely manner. In a letter dated November 15, 1996, Colonel

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(Continued)

Michael C. Appe, Director, State Resources, stated that the department concurred with the finding and recommendation and indicated that the department was in the process of revising procedures under the Integrated Statewide Information System to allow for more consistency in processing expenditures and revenues. In addition, appropriate reconciliations will be performed to ensure accurate federal billings. See management's response at B-122.

Untimely Federal Financial Reports

The Department of Military Affairs did not submit timely the required quarterly progress reports or the Financial Status Reports (FEMA Form 20-10) for the FEMA Disaster Assistance Program (CFDA 83.516) and six other FEMA programs (CFDA 83.011, 83.105, 83.505, 83.520, 83.521, and 83.534). In addition, the department did not properly prepare, review, and approve the Financial Status Reports or the Federal Cash Transaction Reports (Form PMS 272) for the fiscal year ended June 30, 1996.

As required by the Code of Federal Regulations [44 CFR 206.204 (f)], the department must submit quarterly progress reports to the FEMA regional director. Furthermore, the Office of Management and Budget Circular A-102 requires the department to submit the Financial Status Reports no later than 30 days after the end of each quarter. However, from our review of the department's federal reports for the year, we determined that the department failed to submit any progress reports for a disaster that was declared on May 10, 1995. In addition, the Financial Status Report for disaster assistance for the quarter ending September 30, 1995, was submitted 63 days after the due date, and the December 31, 1995, report had not been submitted as of July 2, 1996. The Financial Status Report for other FEMA programs for the quarter ending September 30, 1995, was submitted on December 5, 1995, or 35 days late.

We also noted that the Financial Status Reports were not prepared properly. According to FEMA's instructions, the Financial Status Report should include the federal, state, and local recipient's share of disaster assistance and should be prepared on an accrual basis. The department is only reporting the federal payments for disaster assistance, and the reports are being prepared on a cash basis. In addition, the Financial Status Reports and the Federal

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(Concluded)

Cash Transaction Reports were not properly reviewed or approved before submission to FEMA. According to FEMA's instructions, these reports should be reviewed and approved by an authorized certifying official and documented with his signature. The reports we examined for the year were not reviewed, approved, and signed by an authorized official but were only signed by the preparer.

The department's failure to report the transactions and financial status of the FEMA programs timely and according to instructions results in noncompliance with the federal program requirements.

The Department of Military Affairs should adhere to the reporting requirements of the FEMA programs and properly prepare, review, approve, and submit all required federal financial reports timely. In a letter dated November 15, 1996, Colonel Michael C. Appe, Director, State Resources, stated that the department concurred with the finding and recommendation and indicated that, effective with the quarter ending September 30, 1996, all Federal Financial Status Reports will be prepared on an accrual basis. These reports will be reviewed and then submitted no later than twenty days after the end of each quarter. In addition, quarterly disaster progress reports will be prepared, reviewed, approved, and submitted timely as required by FEMA. See management's response at B-123.

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Schedule E

Noncompliance With Specific
Requirements Applicable to
Major Federal Financial
Assistance Programs
For the Year Ended June 30, 1996



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Noncompliance With Specific Requirements Applicable
to Major Federal Financial Assistance Programs
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AGRICULTURE AND FORESTRY, DEPARTMENT OF

Audits of Federal Subrecipients Not Obtained

The Department of Agriculture and Forestry failed to adhere to federal requirements mandating audits of subrecipients of federal funds. The Single Audit Act of 1984 (Public Law 98-502) requires the department to ensure that each subrecipient of federal pass-through funds totaling \$25,000 or more has an annual audit in accordance with the applicable Office of Management and Budget Circular (A-128 or A-133). The standard agreement between the department and recipients of commodities under Food Distribution (CFDA 10.550) also requires an audit if commodity assistance received is in excess of \$25,000 during a fiscal year. However, the department's tracking procedures failed to identify all the agencies required to obtain audits. Our review for subrecipient monitoring disclosed that 13 of the 147 subrecipients who received over \$25,000 in food commodities for the fiscal year ended June 30, 1995, had not submitted the required audits more than 16 months after the end of the fiscal year. This condition occurred because the department expected that school boards and Emergency Food Assistance Program agencies would be the only agencies receiving commodities in excess of \$25,000 and, therefore, did not adequately monitor the amounts received by other types of agencies. Failure to obtain and monitor required audits increases the risk that food commodities will not be used in accordance with the provisions of the Food Distribution program and increases the risk that the department could incur federal sanctions.

The Department of Agriculture and Forestry should review and revise its procedures to (1) identify all subrecipients required to obtain audits; (2) ensure that the audits are submitted timely; and (3) ensure that corrective action is taken on any findings reported in the audits. In a letter dated November 19, 1996, Mr. Richard Allen, Assistant Commissioner, concurred that audits of the 13 agencies were not obtained but states that this was due to an oversight because subrecipients of this type (charitable institutions) had never exceeded the \$25,000 threshold before. Mr. Allen also believes that reviews by Department of Agriculture personnel are more productive than independent audits. Mr. Allen further stated that audits of all subrecipients are current at this time and that the department will closely monitor its tracking program to ensure that all required audits are submitted timely. See management's response at B-3.

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FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable
to Major Federal Financial Assistance Programs
(Continued)

EDUCATION, DEPARTMENT OF**Inadequate Audit Resolution**

For the second consecutive year, the Department of Education (DOE) has not ensured that subrecipients of federal flow through funds have taken appropriate corrective action within six months after receiving audit reports, as required by Office of Management and Budget (OMB) Circular A-128. Our review of the action taken by the department to resolve findings in audit reports disclosed the following for Title 1 Grants to Local Educational Agencies (CFDA 84.010):

1. The department's program personnel closed an audit finding reported in a parish school board audit, by stating that interest mentioned in the finding was an allowable expense. However, the finding involved interest revenue earned on federal funds and not interest expense. The department's program personnel were unable to provide evidence on the resolution of the \$2,377 in interest revenue.
2. A parish school board audit report for the year ended June 30, 1994, disclosed problems with the subrecipient's computer software that determines student eligibility to participate in the federal program. The department's program personnel closed this finding based on the subrecipient's response, as contained in the audit report, which indicated that the problems with the computer software had been corrected. However, this finding was repeated in the school board's subsequent audit for the year ended June 30, 1995.
3. A parish school board audit report disclosed that the school board had not maintained the required level of fiscal effort for the prior fiscal year. The department's program personnel closed this finding based on the school board's explanation of the reasons for noncompliance. However, there is no evidence that the department either formally waived this requirement or decreased the school board's program allotment in a subsequent year as required by program regulations.

The department had not adequately addressed findings, including disallowed costs, internal control comments, and noncompliance with laws and regulations with the subrecipient agencies. In addition, the department has not ensured that qualified employees review audit reports for compliance with OMB Circular A-128. If the department does not take appropriate corrective action, it cannot ensure that the subrecipient has expended program funds in accordance with applicable laws and regulations.

The DOE should provide training to its employees for subrecipient monitoring, including audit resolution, to ensure that subrecipients of federal flow through funds have taken appropriate

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corrective action within six months after receiving audit reports. Management of the department concurred with the finding and recommendation. See management's response at B-7.

Title I Funds Improperly Distributed to Public Schools

The DOE did not maintain adequate controls over the review of subrecipient Title I Grants to Local Educational Agencies (CFDA 84.010, LEA) program applications to ensure available funds were properly distributed among local public schools. The Elementary and Secondary Education Act of 1965 as amended by the Improving America's Schools Act of 1994 (U.S. Public Law 103-382) provides that available funds be distributed to schools within a local school district based on rank ordering of schools. Our review of 20 LEA applications revealed the following:

1. One school in Claiborne Parish, approved for a schoolwide plan, did not meet the requirement that 60 percent of students enrolled must be from low income families. U.S. Public Law 103-382 Section 1114(a) requires that schools approved for a schoolwide program for the 1995-96 school year serve a student enrollment with not less than 60 percent students from low income families.
2. One school in Franklin Parish with over 75 percent students from low income families was not funded; however, four schools with under 75 percent were funded. U.S. Public Law 103-382 Section 1113(a)(3) requires the funding of schools that have above 75 percent of students from low income families before schools below 75 percent are funded.
3. Two schools funded in Lafayette Parish were not next in line in the rank order list of schools to receive funding. U.S. Public Law 103-382 Section 1113(a)(3) requires the funding of schools in rank order based on the percentage of students from low income families or based on the percentage of students from low income families for schools at or above the 75 percent low income families level and on grade span below the 75 percent level.

The Title I Administrator within the department approved these local school districts' applications because the districts provided reasons for the noted funding exceptions. However, the local school districts did not obtain waivers from the U.S. Department of Education for these exceptions as required by U.S. Public Law 103-382 Section 14401(a). As a result of these exceptions, Title I Grants to Local Educational Agencies program funds were not distributed to schools based on rank ordering.

The DOE should implement controls in its review of Title I Grants to Local Educational Agencies program applications to ensure the local school districts comply with applicable program regulations. In a letter dated December 24, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of

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the Office of Management and Finance, concurred with the finding and indicated that procedures are now in place that should preclude this kind of occurrence in the future. See management's response at B-13.

ELAINE P. NUNEZ COMMUNITY COLLEGE**Financial Aid Not Coordinated**

The Financial Aid Office of Elaine P. Nunez Community College did not consistently coordinate the awarding of funds with other departments of the college. The Code of Federal Regulations [34 CFR Subpart A Section 674.14(a)(1), Subpart A Section 675.14(a)(1), and 676.14(a)(1)] states that an institution may not award financial aid to a student if the aid, when combined with other resources, exceeds the student's financial need. Although a form titled "Financial Plan - Coordination of Benefits" exists for this purpose, the college did not complete this form for all students receiving financial aid during the fiscal year ended June 30, 1996. As a result, one of seven students tested was awarded \$1,332 in financial aid in excess of documented need of \$9,411. In addition, we did not find Financial Plans in 11 of 14 (78 percent) files of students who are receiving aid from departments other than the Financial Aid Office. Failure of the college to consider all available resources resulted in the overawarding of financial aid and questioned costs of \$1,332.

The college should adhere to established procedures to ensure that all available resources are included as part of the students' total award package. In a letter dated August 16, 1996, Dr. Carol S. Hopson, President of Elaine P. Nunez Community College, responded that the college has taken immediate steps to ensure that overawarding to students will not occur, including (1) scheduling a meeting to implement more comprehensive coordination, (2) having the financial aid counselors emphasize to students that they must disclose any and all sources of aid, (3) implementing procedures with software to accurately report other sources of aid on the student award letter, (4) reviewing all financial aid policies to ensure compliance, and (5) including award letters from other departments in the student's financial aid folder. See management's response at B-18.

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**Noncompliance With Drug-Free Schools
and Communities Act**

Elaine P. Nunez Community College failed to comply with the following federal Drug-Free Schools and Campuses regulations amending the Drug-Free Schools and Communities Act:

1. The college does not distribute written materials on the health risks associated with the use of illicit drugs and the abuse of alcohol and the rehabilitation options available to its employees and students on an annual basis. The Code of Federal Regulations 34 CFR 86.100(a) requires the annual distribution of the program in writing to each employee and to each student taking one or more classes for credit. This program should contain the college's standards of conduct, descriptions of legal and disciplinary sanctions, the hazards of drug and alcohol abuse, and treatment options available.
2. The college does not conduct biennial reviews of the program as required by the Code of Federal Regulations 34 CFR 86.100(b). Such reviews should include evaluating the program's effectiveness, suggesting changes, and ensuring consistent enforcement of the disciplinary sanctions.

Management of the college was unaware of the requirements regarding this federal program and, therefore, did not modify its drug prevention program to meet the minimum federal standards. As a result, the college is subject to sanctions that could include the repayment of past federal financial assistance and the termination of future federal financial assistance.

The college should modify its comprehensive drug prevention program to meet the minimum federal guidelines and conduct biennial reviews of the program. In a letter dated August 16, 1996, Dr. Carol S. Hopson, President of Elaine P. Nunez Community College, responded that the student handbook and the 95-96 catalog contained the required information. Beginning with the fall 1996 schedule, the semester schedule, published three times a year, will contain the information. The college has a signed copy of the drug policies and procedures on file for all employees and will require each employee to sign a yearly appointment letter that will contain the required drug policy information. In addition, the college has charged its Americans with Disabilities Act Committee with the responsibility of federal compliance that will include the appropriate annual and biennial reviews of appropriate programs. See management's response at B-19.

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HEALTH AND HOSPITALS, DEPARTMENT OF**Audits of Federal Subrecipients and
State Contractors Not Obtained**

The Department of Health and Hospitals (DHH) failed to adhere to federal requirements and departmental policies that require audits of subrecipients and social services contractors. The Single Audit Act of 1984 (Public Law 98-502) requires the department to ensure that each subrecipient of federal pass-through funds totaling \$25,000 or more has an annual audit in accordance with the applicable OMB Circular (A-128 or A-133). In addition, departmental policy requires that all state/local governments and corporations (profit/nonprofit) other than subrecipients that have a social services contract with the department and receive \$100,000 or more in funds from one or more state contracts must have a financial and compliance audit performed in accordance with *Government Auditing Standards*.

During the fiscal year ended June 30, 1996, the department developed a comprehensive monitoring system to track contracts that require audits and to monitor the receipt of audit reports and the resolution of any findings. In addition, policy numbers 3175-95 and 3105-96 were issued defining responsibility in the department for audit report monitoring and defining federal and departmental audit requirements.

Our review of the monitoring system disclosed the following:

1. Ten of the 128 contracts funded by the Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959) required audits but did not appear in the monitoring system. Total expenditures for these contracts were \$410,233.
2. Ninety-two of the 251 contracts that required audits for the fiscal year ended June 30, 1995, were not submitted by June 30, 1996, although they were due by December 31, 1995. Total expenditures for these contracts were \$10,407,967.
3. Thirty-two of the 159 audits performed for the fiscal year ended June 30, 1995, had unresolved audit findings at June 30, 1996. Total expenditures for these contracts were \$4,001,824.

These results indicate that employees are not following the established procedures for reporting audit information to the contracts management section, for ensuring that required audits are performed, and for ensuring that all findings are reviewed for subsequent resolution in a timely manner.

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Failure to ensure that federal subrecipients or state contractors are audited in accordance with *Government Auditing Standards* increases the risk that federal and/or state funds will not be expended in accordance with applicable laws and regulations.

DHH should make employees aware of the importance in following departmental policies regarding audit requirements to ensure that federal subrecipients and social services contractors are audited as required by applicable laws and regulations and that all findings are reviewed for subsequent resolution in a timely manner. In a letter dated September 23, 1996, Mr. Stan Mead, Director of the Division of Fiscal Management, concurred with the finding and stated that the undersecretary has written a letter to department staff reaffirming the department's policy regarding audits (B-38).

Improper Contract Monitoring

DHH has not properly set perimeters or monitored contracts with the Office of Alcoholic Beverage Control (OABC). This contract was intended to ensure compliance with the Synar Amendment to the Public Health Service Act that regulates the sale and distribution of tobacco products to individuals under the age of 18. The Synar Amendment requires states to adopt and enforce laws to reduce the sale and distribution of tobacco products to minors. These requirements must be met to receive funds under the Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959). For the first and second years the amendment is applicable (1994 and 1995), the Code of Federal Regulations (45 CFR 96.130) requires states, at a minimum, to conduct annually a reasonable number of random, unannounced inspections of outlets to ensure compliance with the law. In the final rule published in the *Federal Register* on January 19, 1996, an inspection is described as sending a supervised minor to attempt to purchase tobacco (a sting.) Although the rule indicates that states are not required to use the sting method for implementing the requirement of random, unannounced inspections, it also indicates that there is no other valid alternative method known.

We audited the contracts between DHH and the OABC for state fiscal years 1995 and 1996 and noted the following:

1. The department contracted with an agency that is prohibited by law from independently conducting sting operations even though a sting is the only known and acknowledged method to accomplish the goals of the Synar Amendment. In written correspondence to the department, the OABC acknowledged that it cannot conduct stings independently but cooperates with local law enforcement agencies in these efforts. It is questionable that OABC can conduct a representative number of random operations if it cannot select the number of inspections to conduct and the location of each operation.

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2. The department did not monitor the results of the sting operations to determine if the activities of the board met the federal requirements. The board reported that it performed 115 stings in 1995 with 26 percent of the stores selling tobacco to minors and 146 stings in 1996 with 66 percent of the stores selling tobacco to minors. However, the department did not have any reports on hand indicating which stores were tested, how the store was selected, et cetera. We obtained two example reports from the board, one of which was for a sting operation on a store that did not sell tobacco products. We were unable to determine if this operation was included in the statistics provided to the department. Furthermore, the results of the inspections may not represent the true failure rate of stores selling tobacco if the stores were not selected randomly.
3. Compensation to the OABC is not directly related to the services rendered for DHH. For state fiscal year 1995, DHH paid the board \$60,604 on a maximum contract of \$129,084. This was payment for three automobiles, three personal computers, and a laser printer. There is no indication that this equipment is used exclusively for the inspection operations conducted on behalf of DHH. Furthermore, it is unlikely that sting operations could be conducted without incurring personnel and travel costs. For state fiscal year 1996, DHH again contracted with the board for \$129,084 and paid \$118,411. These expenditures include personal services and related benefits for enforcement agents and clerical staff at 17 percent and 12.5 percent, respectively. The department could not provide evidence that these personnel are spending the corresponding percentage of their time on DHH related activities. Based on the number of stings reported by the board, each sting cost \$527 in 1995 and \$811 in 1996. The wide difference between these numbers may be the result of using a payment method that is not directly related to the services received and there is no assurance that either figure represents a fair compensation for the services received.
4. The department did not adequately monitor billings from the board. For fiscal year 1996, the department overpaid related benefits by \$4,376 and paid the board \$3,529 for camcorders, tapes, and radios purchased two days before the expiration of the contract. Because of the timing of the purchases, their relationship to the execution of the contract is questionable. Subsequent to our detection of these matters, the board adjusted its billings for these items.

These conditions occurred because the department did not place sufficient emphasis on letting and monitoring this contract. Failure to set compensation to contractors based on the services received and failure to monitor billings can result in unnecessary costs to the state. Furthermore, failure to monitor the performance of the contract can result in noncompliance with

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the Synar Amendment. Should this occur, up to 40 percent of the award for the Block Grants for Prevention and Treatment of Substance Abuse can be withheld.

DHH should (1) consider whether OABC's inability to conduct stings without the assistance of law enforcement officers makes it an inappropriate contractor for this service; (2) consider whether OABC's need to use law enforcement officers in sting operations precludes randomness of selection (i.e., the stores are selected by law enforcement based on tips or randomly by OABC); (3) set compensation to the contractor based on a measurable service and at a rate that is fair to both parties; (4) require reports that have sufficient detail from which to determine that the department is in compliance with the Synar Amendment; and (5) monitor payments to the contractor to ensure that those payments are in compliance with the terms of the contract. In a letter dated November 13, 1996, Mr. Alton E. Hadley, Assistant Secretary of the Office of Alcohol and Drug Abuse, concurred with the finding. Mr. Hadley presented a detailed plan to ensure that sample sizes are appropriately determined, that costs are directly related to the services rendered, and that billings are monitored. Although OABC does need approval of local law enforcement authority before conducting sting operations, Mr. Hadley believes that this is still the appropriate agency to provide these services because it has received appropriate training for this purpose. See management's response at B-43.

Inaccurate Accounting for Block Grant Expenditures

DHH does not have an adequate accounting system to track and classify expenditures for the Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959, SAPT Block Grant). SAPT block grants are awarded annually, but states are allowed to expend grant funds over a two year period provided the funds are obligated by the end of the first year in accordance with United States Code, 42 USC 300x-62. In addition, 42 USC 300x-30 requires states to maintain a level of state expenditures of no less than the average for the two year period preceding the fiscal year for which the state is applying for the grant. Failure to meet this maintenance of effort requirement results in a dollar for dollar reduction in the grant award.

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Our review of SAPT Block Grant expenditures disclosed the following:

1. State expenditures fell short of the amount needed to meet the maintenance of effort requirements by \$2,679,350 although \$3,838,315 of state General Fund money remained unexpended at June 30, 1996. This exposed the state to a potential reduction in the grant award of \$2,679,350.
2. Department records indicated that the 1995 grant expenditures were overstated by \$1,995,512 because the department had not properly separated expenditures for the state fiscal year ended June 30, 1996, between the two active grants, the 1995 and 1996 awards.

When we made management aware of the noted errors, the department attempted to correct these errors and to minimize the state's potential loss of federal funds. Additional testing revealed the department failed to meet the maintenance of effort requirement for the fiscal year ended June 30, 1994, by \$189,101. The final adjustments proposed by the department resulted in the following consequences to the state:

1. \$1,860,192 of state funds would be returned to the state treasury for the fiscal year ended June 30, 1995, requiring an adjustment to prior year fund balance of this amount in the current fiscal year.
2. \$189,101 would be returned to the federal government for failure to meet the 1994 maintenance of effort requirement.

Failure to adequately segregate, monitor, and report SAPT Block Grant expenditures increases the risk that the department will be unable to draw and use all of the federal funds available. Furthermore, because undesignated, unreserved fund balance in the state General Fund is dedicated to the early retirement of state debt, errors in amounts returned to the state treasury can cause too much or too little debt to be retired.

DHH should develop and implement procedures for tracking expenditures to ensure compliance with the requirements of the SAPT Block Grant, to maximize the use of federal funds, and to ensure accurate financial reporting. In a letter dated November 26, 1996, Mr. Stan Mead, Director of the Division of Fiscal Management, concurred with the finding and indicated that the department is initiating steps to correct the deficiencies (B-45).

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Medicaid Eligibility Determination Errors

DHH has not determined and established eligibility for recipients in the Medical Assistance Program (CFDA 93.778, Medicaid) in accordance with federal and state laws and regulations and departmental policies and procedures. The Code of Federal Regulations, 42 CFR 435, establishes the federal requirements for establishing Medicaid eligibility. The CFR contains requirements for required programs as well as guidance for allowable optional programs. DHH maintains a Medicaid Eligibility Manual (MEM) containing the policies and procedures to be used by eligibility determinations examiners (EDEs) to establish Medicaid eligibility. EDEs are furnished with forms manuals for their use in following the guidelines contained in the federal and state regulations and in the MEM. Generally, in accordance with federal regulations, eligibility redeterminations are conducted annually for recipients to ensure their continued eligibility.

The Code of Federal Regulations, 42 CFR 431.800 - 431.865, requires that states maintain a quality control function (MQC) designed to reduce erroneous expenditures by monitoring eligibility determinations. The CFR provides guidelines for the operation of the MQC function. States must submit copies of their corrective action plans to the Health Care Financing Administration (HCFA) annually. These plans describe the procedures states have established to correct errors in eligibility determinations. In 1993, HCFA suspended the requirement for annual submission of the plan for those states with error rates of less than 3 percent. DHH's MQC section has been reporting an error rate of less than 3 percent, and the department has not been required to submit a corrective action plan.

Medicaid eligibility is generally based on qualification in certain categories of assistance combined with restrictions on income and resources. Our review of the case files for 85 recipients disclosed the following:

1. Eight of 45 Medicaid recipients' case files examined disclosed errors in the determination process as follows (claims paid are based on on-line data from the computer system through which payments are processed and usually will not extend beyond 18 months):
 - (a) The recipient's case file did not contain a required medical certification and indications of existing income were present but were not pursued. Total claims paid for this recipient are \$15,922.
 - (b) There was no budget worksheet in one recipient's case file nor was the application for benefits adequately completed. Paid claims for this recipient total \$33,335.

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- (c) The income of the recipient's parents was not verified properly. Paid claims for this recipient are \$546.
 - (d) The recipient's case file did not contain a required medical certification, a reapplication was not signed and dated, and the "Rights and Responsibilities" section of the application was not given to the recipient. Paid claims for the period in question are no longer on-line.
 - (e) A redetermination of eligibility, required annually, was not made for two and one half years. Paid claims for this recipient total \$103.
 - (f) One recipient's resource worksheet was not fully documented. Paid claims for this recipient are \$191.
 - (g) The recipient, classified as a Qualified Medicare Beneficiary (QMB), had resources that were not included in the eligibility calculation. QMB premiums paid for this individual total \$532 for the fiscal year 1996.
 - (h) A math error was made in computing one recipient's countable income. This specific error did not affect the client's eligibility. Paid claims total \$2,018.
2. We conducted an audit of 40 eligibility reviews conducted by the department's MQC section. MQC reviews are based on a recipient's eligibility for a given month. Our audit disclosed the following:
- (a) One case review correctly identified a recipient's eligibility for long term care benefits and as a QMB for the month of review. However, at the time the review was completed, the recipient was not eligible for the QMB benefit. MQC and the eligibility determinations staff did not note this from the applicant's file. Premiums paid for the recipient during the period of ineligibility total \$542.
 - (b) The annual redetermination process was begun nine months late and the recipient's case remained open one month after the required termination date. However, no claims were paid during the month of ineligibility.
3. The MQC staff reexamined 20 of the 85 recipient case files that we reviewed during our audit. The staff noted additional errors in 15 of the 20 case files (75 percent). The errors included a failure to follow policies and to use standardized forms, as prescribed in the MEM and the department's procedures.

Failure to establish eligibility in accordance with federal and state laws and regulations results in potential overpayments to providers for Medicaid recipients and a potential department liability

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to HCFA for repayment of the federal share of overpayments. Failure to comply with federal and state laws and regulations and department policies and procedures may result in disallowances. HCFA may require the state to reevaluate its corrective action process and submit a plan of action on an annual basis for approval.

DHH should review the eligibility determinations process and the training process/program for EDEs. The department may consider a review of case files for the types of errors noted to ensure that if they have occurred, recipient eligibility has not been affected, which would result in a liability for overpayments to providers or in potential disallowances. In a letter dated October 22, 1996, Mr. Thomas D. Collins, Director of the Bureau of Health Services Financing, concurred that the errors in eligibility determination had occurred and outlined a plan of corrective action addressing the deficiencies noted. Mr. Collins stated that, while it is correct there was an error in the QMB's eligibility status, he does not agree that an error of \$542 occurred because the adjustment can and will be done to correct the technical error in the payment. However, Mr. Collins stated that the department would alert MQC reviewers and ask that special attention be given to this area. See management's response at B-47.

Additional Comments: Although the \$542 overpayment can be recouped, had we not discovered the error during our review, it may have remained undetected and no recovery made. We agree that Mr. Collins should take the remedial action he proposed so that MQC reviewers will be alert to changes that could affect a recipient's eligibility even though these changes occur in months other than the one under review.

Medicaid Third Party Liability Errors

DHH has not adequately identified the existence of private health insurance for all recipients of the Medical Assistance Program (CFDA 93.778, Medicaid), and DHH has not ensured that Medicaid recipients have been informed that assignment of rights to private insurance to Medicaid is automatic. The Code of Federal Regulations (42 CFR 433.135 - 433.154) requires that state agencies take reasonable measures to determine the legal liability of third parties and requires assignment of those third party liability (TPL) rights to Medicaid. The CFR establishes the procedures by which the requirement is to be met. In addition, 42 CFR 433.146(c) allows states to make the assignment of TPL rights to Medicaid automatic under state law, eliminating the need for individual assignment of these rights, provided that the recipient is informed of the terms and consequences of the state law. LSA-R.S. 46:153(E) provides automatic assignment under state law.

In a Memorandum of Understanding, dated July 1, 1988, DHH and the Department of Social Services (DSS) - Office of Family Support (OFS) established the responsibility for each agency in determining eligibility for the Medicaid program. The agreement made DSS-OFS responsible for all eligibility determinations for both Medicaid and Family Support Payments to States - Assistance Payments (CFDA 93.560, AFDC). DHH has assumed responsibility for Medicaid

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eligibility determinations for non-AFDC recipients. However, the original agreement has not been updated to reflect this change.

Our audit included a review of case files for recipients whose eligibility determinations are made by both DHH and DSS. AFDC recipients are automatically eligible for Medicaid. For the state fiscal year 1996, the total monthly average of recipients of AFDC for whom DSS-OFS made determinations was 240,664.

1. Our test of compliance with TPL regulations for 50 recipients' case files disclosed the following:
 - (a) Twenty determinations for eligibility were made by DSS-OFS. The AFDC application used by OFS does not include any statement indicating an assignment of TPL rights or that assignment of these rights is automatic in accordance with Louisiana law. In addition, there was no documentation in these 20 case files to show that recipients had been informed of the federal regulation and state statute requiring assignment of third party benefits.
 - (b) One case file examined included two recipients who had third party insurance, but the Medicaid Management Information System (MMIS) operated by the fiscal intermediary, Unisys, through which payments to providers are processed, did not include this coverage in the recipients' resource files. Paid claims for these recipients total \$274.
2. Our test of compliance with eligibility requirements for a separate population of 45 recipients' case files disclosed that one recipient's case file indicated TPL coverage for the recipient's father, but there was no documentation to support a determination by the DSS-OFS eligibility determinations examiner that this coverage did or did not extend to the recipient (a minor child). Also, the application and case file did not include any indication that the recipient had been informed of the requirement to assign TPL rights to Medicaid in compliance with the federal regulation and state law. Paid claims for this individual total \$102.

Failure to ensure that there is documentation indicating that recipients have been informed that assignment of TPL rights to Medicaid is required and automatic results in noncompliance with federal and state regulations and laws for 240,664 AFDC recipients. Furthermore, the state may incur unnecessary expenditures because of failure to adequately identify third party insurance and failure to ensure that MMIS files accurately reflect information contained in the recipient case files.

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DHH should (1) update its Memorandum of Understanding with DSS-OFS, clearly defining responsibility for eligibility determinations and ensuring that AFDC applications include assignment of TPL rights to Medicaid and (2) ensure that the existence of TPL coverage for Medicaid recipients is adequately identified and that MMIS files accurately reflect information contained in the recipient case files. In a letter dated October 16, 1996, Mr. Thomas D. Collins, Director of the Bureau of Health Services Financing, concurred with the finding and stated that DSS has been informed of the errors. Mr. Collins also stated that the department is in the process of negotiating an updated Memorandum of Understanding with DSS. See management's response at B-53.

Public Hearings Not Held

DHH did not hold public hearings to solicit public input on the state plan for the Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959) for the program years 1994, 1995, and 1996. The United States Code (42 USC 300x-51) requires the department to make the state plan public in such a manner as to facilitate comment from any person during the development of the plan and after the submission of the plan.

DHH failed to hold the required public hearings because the Office of Alcohol and Drug Abuse had no controls in place to ensure that the hearings were held. Failure to comply with federal regulations could result in a loss of federal funding.

DHH should develop and implement adequate controls to ensure that the required public hearings are held. This should begin with immediate preparations for public hearings on the 1997 plan. In a letter dated June 28, 1996, Mr. Alton E. Hadley, Assistant Secretary of the Office of Alcohol and Drug Abuse, concurred with the finding and recommendation. Instructions will be given to all regional managers to hold the hearings before submission of the 1996-97 block grant and the Deputy Assistant Secretary of the Office of Alcohol and Drug Abuse will monitor compliance with these instructions. See management's response at B-61.

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**LOUISIANA STATE UNIVERSITY
MEDICAL CENTER (SHREVEPORT)****Noncompliance With Drug-Free
Schools and Communities Act**

Louisiana State University Medical Center (Shreveport) (LSUMC-S) did not comply with all parts of the Drug-Free Schools and Campuses regulations. The Drug-Free Schools and Communities Act Amendment of 1989, Public Law 101-226, as published in the Code of Federal Regulations (34 CFR 86) requires written certification to the secretary; annual distribution to employees; and descriptions of the sanctions for possession or distribution of illicit drugs and alcohol. Through discussions with Human Resources personnel and review of the drug prevention program at the university, the following matters were discovered:

1. LSUMC-S is unable to provide evidence certifying, to the secretary of the U.S. Department of Education, that it adopted and implemented the drug prevention program, a requirement which was effective as of October 1, 1990.
2. The drug prevention program is not distributed to each employee, in writing, annually.
3. The drug prevention program does not include a description of the applicable legal sanctions under local, state, or federal law for the unlawful possession or distribution of illicit drugs and alcohol.

These conditions exist because management failed to emphasize the need to provide annually the required information to all employees and students. Noncompliance with these federal regulations could result in disciplinary action, to include elimination from participation in federal programs.

LSUMC-S should provide annually the comprehensive drug prevention program to employees and students, in writing, and ensure compliance with all provisions of the Drug-Free Schools and Campuses regulations. In a letter dated August 27, 1996, Mr. David T. Fuqua, Director of Human Resource Management, stated that management concurred with the finding and is in the process of implementing the recommendations (B-100).

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**LOUISIANA STATE UNIVERSITY
IN SHREVEPORT****Noncompliance With Drug-Free
Schools and Communities Act**

Louisiana State University in Shreveport did not comply with all parts of the Drug-Free Schools and Campuses regulations. The Drug-Free Schools and Communities Act Amendments of 1989, Public Law 101-226, as published in the Code of Federal Regulations (34 CFR 86) requires written certification to the secretary; annual distribution to employees; descriptions of the health risks associated with illicit drug use and alcohol abuse; and descriptions of counseling, treatment, and rehabilitation or re-entry programs. Through discussions with Human Resources personnel and review of the drug prevention program at the university, the following matters were discovered:

1. The university is unable to provide evidence certifying, to the secretary of the U.S. Department of Education, that it adopted and implemented the drug prevention program, a requirement that was effective as of October 1, 1990.
2. The drug prevention program is not distributed to each employee, in writing, annually.
3. The drug prevention program provided to employees does not include a description of the health risks associated with the use of illicit drugs and the abuse of alcohol.
4. The drug prevention program provided to employees does not include a description of the drug or alcohol counseling, treatment, or rehabilitation, or re-entry programs that are available to employees or students.

These conditions exist because the requirements were not communicated from the chancellor's office to the Business Affairs Office, resulting in failure to provide the required information to all employees annually. Noncompliance with these federal regulations could result in disciplinary action, to include elimination from participation in federal programs.

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Louisiana State University in Shreveport should provide the comprehensive drug prevention program to employees annually, in writing, and ensure compliance with all provisions of the Drug-Free Schools and Campuses regulations. In a letter dated August 20, 1996, Mr. Michael T. Ferrell, Vice Chancellor for Business Affairs, stated that the university will, beginning immediately, provide the drug prevention program documentation annually to all faculty and staff (B-95).

LOUISIANA TECH UNIVERSITY

Entrance and Exit Counseling Not Documented

For the second consecutive audit, Louisiana Tech University did not maintain documentation indicating that the university mailed exit counseling material or conducted exit counseling with all Federal Family Education Loans (CFDA 84.032, FFEL) borrowers on a timely basis. In addition, the university did not maintain documentation on entrance conferences. The Code of Federal Regulations (34 CFR 682.604) requires the university to conduct and document entrance and exit counseling with each FFEL program borrower. The exit counseling must be done (1) in-person shortly before the borrower ceases at least half-time study at the university, or (2) if the borrower withdraws from the university without the university's knowledge or fails to attend an exit counseling session as scheduled, by written counseling material mailed to the borrower's last known address within 30 days after learning that the borrower has withdrawn from the university or failed to attend the scheduled session. Entrance counseling should be performed in person or by videotape. A sample of student borrower files indicated that 11 students had either ceased at least half-time study or had withdrawn from the university. The university could not provide documentation that 9 of these 11 students were mailed exit counseling material within the 30 days as required by federal regulations. In a sample of 16 student borrower files, 7 of the 16 files did not contain sufficient documentation of entrance counseling.

This occurred because the financial aid office did not have reports available to provide a list of first-time borrowers to identify those who needed entrance counseling, did not have a list of students who resigned and needed exit counseling, and had a large turnover in financial aid staff in the past two years. Failure to conduct the proper exit and entrance counseling increases the risk that the loans will not be repaid because students may not be fully informed of their responsibilities under the FFEL program.

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The university should ensure that entrance and exit counseling with all FFEL borrowers is conducted, and documentation is maintained in the borrowers' files as required by federal regulations. In a letter dated August 7, 1996, Mr. Kenneth W. Rea, Vice President, stated that the university will continue to monitor entrance and exit counseling to ensure that all students are provided the appropriate information (B-110).

Notification to Lender Not Timely

Louisiana Tech University did not notify one lender of enrollment status change for three students within 60 days of the enrollment change. The Code of Federal Regulations [34 CFR Subpart F Section 682.610(c)(2)] states that the institution should promptly notify the lender when the institution discovers that a student who has received a Federal Family Education Loan (CFDA 84.032, FFEL) has ceased to be enrolled on at least a half-time basis, and it does not expect to submit, within the next 60 days, its Student Confirmation Report (SCR) to the guarantee agency. In a sample of 28 student borrower files, the university reported the change in enrollment status for 3 of 28 students between 96 to 103 days after the students resigned. Lenders are notified of student enrollment changes by the university submitting a copy of the exit counseling form between submission of SCRs, if the university does not expect to submit a SCR within 60 days. Exit counseling forms for the three students were not documented to support notification to the lender.

Failure to notify the lender does not provide the lender information about the student to determine if the student no longer qualifies for student deferment and other necessary student information (current address). Also, the lender would not be informed timely as to the billing status of the student.

The university should establish procedures for ensuring that proper notification is provided timely to lenders. In a letter dated August 7, 1996, Mr. Kenneth W. Rea, Vice President, stated that adoption of new reporting requirements as defined in the Title IV Wide Area Network documentation will provide student status changes on a 60-day cycle that will be reported to the lender (B-113).

Student Financial Aid Overaward

For the second consecutive audit, Louisiana Tech University awarded financial aid in excess of documented need. The Code of Federal Regulations [34 CFR 682.603 (d)(2)] states that a school may not certify a Stafford, Plus, or Federal Supplemental Loans for Students (SLS) loan application or combination of loan applications for a loan amount that exceeds the student's estimated cost of attendance, less the student's estimated financial assistance for that period, and in the case of a Stafford loan that is eligible for interest benefits, the borrower's expected family contribution for that period. In a sample of 30 students, one student received a Stafford loan of \$1,164 in excess of his cost of education less financial aid and family contribution. The

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Stafford loan calculation included an erroneous family contribution. Overawards of subsidized loans could cause the federal government to incur added expense for the subsidy of interest on loans.

The university should ensure that correct amounts are used in the calculations before awarding financial aid to students. In a letter dated August 7, 1996, Mr. Kenneth W. Rea, Vice President, stated that there have been several procedural changes that will substantially minimize the possibility of such an occurrence in the future (B-114).

Unallowable Costs for Indoor Plant Care

Louisiana Tech University obligated and expended program funds under the Rehabilitation Services - Vocational Rehabilitation Grants to States (CFDA 84.126) on indoor plant care for a building that houses the Rehabilitation Services operations. OMB Circular A-21, Section C(2)(b) states that costs must be allocable to sponsored agreements under the principles and methods provided. Section C(4)(a) states that a cost is allocable to a sponsored agreement if (1) it is incurred solely to advance the work under the sponsored agreement; (2) it benefits both the sponsored agreement and other work of the institution, in proportions that can be approximated through use of reasonable methods; or (3) it is necessary to the overall operation of the institution and, in light of the principles provided in this Circular, is deemed to be assignable in part to sponsored projects. The university expended \$540 for indoor plant care during fiscal year 1995-96.

Because these costs did not meet the criteria described above, they are considered questioned costs. The project manager and coordinator of services for the grant stated that the indoor plant care was provided because the grant allows tours of the facility to various outside groups and organizations.

The university should expend funds only as provided under the grant agreement and meet the criteria of OMB Circular A-21. In a letter dated August 8, 1996, Mr. Kenneth W. Rea, Vice President, stated that the university will no longer pay for indoor plant care under this grant or under other grants (B-115).

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NICHOLLS STATE UNIVERSITY

Entrance Counseling Not Documented

For the second consecutive audit, Nicholls State University did not maintain documentation of entrance counseling interviews with all first-time Federal Family Education Loans (CFDA 84.032, FFEL) borrowers. The Code of Federal Regulations [34 CFR 682.604(f)] requires the university to conduct and document entrance counseling with each first-time FFEL program borrower.

Our audit of 30 files for first-time borrowers who received FFEL program loans disclosed that the university did not conduct and document an entrance counseling for one student who was disbursed a FFEL of \$720. According to the university, the entrance counseling should have been conducted, but the forms were not completed or were misfiled. As a result, the university does not have adequate assurance that the students were made aware of and acknowledged their rights and responsibilities under the FFEL program before receiving loan funds. This could increase the risk that the loans will not be fully repaid.

Nicholls State University should ensure that entrance counseling with all first-time FFEL program borrowers is conducted and sufficient documentation is maintained in the borrower's files as required by federal regulations. In a letter dated September 5, 1996, Ms. Allison A. Kleinpeter, Financial Aid Director, concurred with the finding and stated that the student has since received an entrance interview and, beginning January 1, 1997, an automated system will be in place to support efforts in this area (B-126).

NORTHWESTERN STATE UNIVERSITY

Improper Title IV Refunds and Repayments

For the fifth consecutive year, Northwestern State University has not complied with the Code of Federal Regulations [34 CFR 668.22(a), (b), (c), (h), (i); 682.607(c); and 668.165] regarding refunds of the Federal Pell Grant Program (CFDA 84.063) and Federal Family Education Loans (CFDA 84.032) funds. Our test of seven students who officially withdrew from school disclosed that:

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1. For one student the refund was incorrectly calculated and the proper amount was not returned.
2. For two students the portion of the refund allocated to Title IV Higher Education Act Programs was not returned to the appropriate program account by the institution within 30 days.
3. For three students the proper refund was not posted to the student account within 30 days.
4. For one student the institution did not disburse the credit balance on the student's account within 21 days of the date the balance occurred.

These instances of noncompliance occurred because of management's lack of emphasis. Management has been aware of the problems for five years without taking corrective action. As a result, the university is still not in compliance with federal regulations and could be subjected to disciplinary actions by the grantor agency.

Northwestern State University should comply with the Code of Federal Regulations regarding refunds and repayments of Title IV funds. Management should review and evaluate its internal controls relating to compliance with these programs, correct the control weaknesses, and then periodically monitor the controls to ensure that they are working as intended. In a letter dated June 18, 1996, Dr. Randall J. Webb, President, stated that the university's Financial Aid Office has developed a plan to correct the refund problem. A report will be printed each Friday identifying all students who have resigned and are eligible for a refund. The timely receipt of this information will enable refund calculations to be made as required. In addition, steps have been taken to automate the refund process that will aid in the timely calculation of refunds. See management's response at B-131.

**Noncompliance With Drug-Free
Schools and Communities Act**

Northwestern State University does not distribute its drug prevention program to its employees annually. The Drug-Free Schools and Communities Act Amendments of 1989, Public Law 101-226, as published in the Code of Federal Regulations [34 CFR 86] requires, at a minimum, an institution of higher education to distribute annually, in writing, its drug prevention program to each employee. The university provides this information to its employees when they are initially employed. The need for the annual distribution was not communicated to the appropriate members of management. As a result, the university is not in compliance with these federal regulations and subject to disciplinary action.

Northwestern State University should comply with the Code of Federal Regulations and annually distribute its drug prevention program to its employees. In a letter dated May 21, 1996,

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Dr. Randall J. Webb, President, stated that in the future the university will distribute the university's drug prevention program to employees on an annual basis (B-132).

Student Financial Aid Deficiencies

The Student Financial Assistance Office of the U.S. Department of Education performed a program review of Northwestern State University for fiscal years 1992-93 and 1993-94 and issued its Program Review Report on November 30, 1995. In addition, we performed procedures in these same areas. The following findings pertaining to the university's compliance with federal regulations were presented in the report. Also, included are findings resulting from our examination and the corrective actions taken by the university, if any.

Overaward - Financial Need Exceeded

A student was awarded \$711 of Federal Family Education Loan (CFDA 84.032, FFEL) funds in excess of the student's financial need. The Code of Federal Regulations [34 CFR 668.7(a)(10)] provides that the university may only award and disburse Title IV funds to a student if those funds, combined with other resources, are not in excess of the student's financial need. The university has implemented a new process to electronically calculate the eligibility and feed the loan amount to the award screen for further processing.

Improper Student Budget/Cost of Attendance

The university incorrectly calculated and disbursed \$75 of Federal Pell Grant Program (CFDA 84.063) funds to one student in the 1992-93 award year. The university used the wrong cost of education when calculating the student's Federal Pell Grant award which resulted in the over disbursement. The university is now using an automated packaging program to award Federal Pell Grants.

**Satisfactory Academic Progress Standards
Not Adequately Monitored**

The university did not consistently or adequately apply the standards of its Satisfactory Academic Progress (SAP) policy to all students. The Code of Federal Regulations [34 CFR 668.7(c), 668.14(e), and 668.16(e)] requires the university to establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. The review revealed a student enrolled in a total of 208 semester hours and received financial aid as an undergraduate, when university policy did not allow payment beyond 180 hours for that program. Another student enrolled in a total of 133 semester hours, but had only successfully completed 52 semester hours, with a grade point average of 1.775.

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University policy requires a 2.0 grade point average for 60 or more hours pursued. The university provided additional information to the reviewer and requested that this information be considered before a final decision was made concerning these matters.

Our tests of 12 students revealed that one student participating in the Federal Pell Grant and FFEL was enrolled for 100 semester hours more than was allowed by the student's educational program. The existing SAP did not require all credit hours attempted by a student be included when determining the maximum time frame. As a result, the student received financial aid of \$11,005 in excess of what he was entitled to receive for the current fiscal year. The \$11,005 is questioned program costs that is subject to be returned to the federal programs.

The Director of Student Financial Aid stated that the SAP was revised to include all credit hours attempted effective with the 1996 summer semester. He provided a list of students that received financial aid in the current fiscal year which may be questioned costs. The list totaled \$587,184 and represented financial aid from the Federal Pell Grant Program, the FFEL Program, the Federal Supplemental Educational Opportunity Grants Program (CFDA 84.007), and the Federal Work-Study Program (CFDA 84.033).

**Application and Fiscal Operations Report (FISAP)
Income Grid Information Not Maintained**

The university could not provide supporting documentation for taxable and non-taxable income on the income grid and students dependency status for its aid applicants for the period under review. The Code of Federal Regulations [34 CFR 668.23(a), 675.19(b)(3)(5), and 676.19(b)(5)(c)(1)] requires that the university report both taxable and non-taxable income when classifying each student on the income grid. Also, for dependent students, the parent's and the student's income (taxable and non-taxable) must be included on the income grid. The computer system used to generate the data to prepare the FISAP was not programmed to provide supporting documentation. The university is in the process of re-creating the income grid data manually.

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FFEL Exit Counseling Not Documented/Performed

The university did not perform the required FFEL exit counseling. The Code of Federal Regulations [34 CFR 668.43(c) and 682.604(g)] states that the university must conduct an in-person interview with each FFEL and Federal Supplemental Loans for Students (SLS) borrower shortly before the student ceases enrollment on at least a half-time basis to emphasize the obligation and consequences of default. If a student leaves the university and did not attend an exit interview, the university must mail written counseling material to the borrower within 30 days after learning of the withdrawal or graduation. For 9 of the 16 students tested, the university did not provide exit counseling. The university responded that corrective action has been taken to ensure that exit counseling is provided all FFEL borrowers.

Our test of 10 students for the current fiscal year indicated that one did not have the required exit counseling documentation in the student's file.

FFEL Entrance Counseling Not Documented/Performed

The university did not perform the required FFEL and SLS entrance counseling. The Code of Federal Regulations [34 CFR 683.604(f)] requires an in-person or video taped initial loan counseling session for each borrower at the school before the release of a federal SLS and/or FFEL. Schools must document the entrance counseling in each student's file. No documentation that entrance loan counseling was provided to one student that was tested. The university stated that corrective action had been taken and that controls were in place to ensure that entrance conferences were held and documented to include a flag on the student's loan disbursement screen.

Our test of 10 students for the current fiscal year indicated that two did not have the required counseling documentation in the student's file. These two students received loan proceeds of \$11,927 for the current fiscal year.

Additional Comments: Our follow-up work revealed that cashiers do not have access to the student's loan disbursement screen. However, the Director of Student Financial Aid stated that his personnel verify that each student has received the required counseling before loan proceeds are issued to the cashier's office for disbursement to the student.

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FFEL Disbursed Prior to Completing Verification

The university did not accurately verify one student selected for verification in the 1993-94 award year. The Code of Federal Regulations (34 CFR 668.54 and 668.55) states that the university is responsible for verifying the information that is used to calculate an applicant's Pell Grant Index/Expected Family Contribution as part of the determination of need for student financial assistance. The regulations also require that the university verify discrepancies in information received from different sources. One student tested had discrepancies that were not verified. The student received a FFEL loan of \$2,625 when he would have actually been eligible for a loan of \$2,400. In addition, for each case where the university cannot complete the verification process, the university is liable for the actual disbursement. The university responded that it is in the process of verifying the student's information.

FFEL Proceeds Not Delivered Within 45 Days

The university failed to deliver FFEL proceeds to one student within 45 days after receiving the loan checks from the lenders. The Code of Federal Regulations [34 CFR 682.604(c)] provides that the institution may not hold FFEL loan proceeds before delivery to the student, parent, or student's account for more than 45 days after receiving them. The university has implemented a procedure requiring financial aid office personnel to mark all checks to show the date by which the checks must be disbursed by the cashier's office.

Federal Pell Underaward

The university incorrectly calculated and disbursed Federal Pell Grant funds to one student. The Code of Federal Regulations [34 CFR 690.2(c)] provides for the use of credit hours and academic terms to measure a student's progress, and the student's enrollment status to be used to calculate the Federal Pell Grant payment amount. A school may use its own standard for enrollment status, provided the standard meets the minimum requirements defined in the regulations. In response, the university has implemented a process to electronically award Federal Pell Grants.

Pro Rata Refund Policy Not Published

The university does not have a pro rata refund policy published for the Title IV programs. The Code of Federal Regulations [34 CFR 668.22 and 668.44(a)(2)(3)] states that the university must have a pro rata refund policy under which the university makes refunds and that this policy must be made known to currently enrolled students. In response, the university published its pro rata refund policy, as well as the federal refund policy for

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continuing students, in its Financial Aid Information and Data Form distributed to all students requesting Title IV funds.

In a letter dated August 21, 1996, Dr. Randall J. Webb, President, stated that the Financial Aid Office is in the process of implementing a fully automated financial aid system. The office is also developing and implementing new policies and procedures to ensure compliance with applicable federal regulations. In addition, the university has amended its academic standards policy to include repeat courses in the overall grade point average of a student. The university will respond to final determination from the U.S. Department of Education concerning the Satisfactory Academic Progress Standard finding. See management's response at B-133.

PINECREST DEVELOPMENTAL CENTER**Federal Financial Reports Not Submitted Timely**

Pinecrest Developmental Center does not have controls in place to ensure that required reports for the School Breakfast Program (CFDA 10.553), the National School Lunch Program (CFDA 10.555), and the Food Distribution Program (CFDA 10.550) are submitted timely. Chapter 3, Section 3.21-02 of the State of Louisiana Department of Education (LDOE) Bulletin Number 1196 requires a Claim for Reimbursement (Form SFS-8A) be submitted by the tenth of the month following the month of operation. The Louisiana Department of Agriculture and Forestry (LDAF) requires recipients of donated food commodities to comply with the provisions of its *Procedural Handbook for National School Lunch Program*. Chapter V(B)(2) requires the recipient of donated food commodities to submit a Commodity Inventory Report (Form 801) to the department no later than the tenth of the month following the month being reported. Sixteen of the 24 forms, or 67 percent, submitted during the year were submitted from one to five days after the tenth of the month.

Management's lack of emphasis for establishing the controls necessary to ensure the prompt gathering and distribution of information prevented the timely preparation of the reports. As a result, the center is not complying with LDOE and LDAF policies and procedures, which may cause the departments to not comply with federal requirements.

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Management of Pinecrest Developmental Center should establish and implement the controls necessary to ensure that all required reports are submitted timely. In a letter dated July 10, 1996, Mr. Edwin M. Wright, Regional Administrator, stated that by October 1, 1996, the center will have procedures in place that will ensure federal financial reports are submitted timely (B-146).

PUBLIC HEALTH, OFFICE OF**Dual Participation in Federal Programs**

For the eighth consecutive year, the Office of Public Health (OPH) has not ensured that recipients of the Commodity Supplemental Food Program (CFDA 10.565, CSFP) and recipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA 10.557, WIC) do not participate in both programs. The Code of Federal Regulations (7 CFR 247.7) states that OPH is responsible for the detection of dual participation in these programs. OPH developed a computer program to detect dual participation, and in February 1995, OPH established written policies and procedures for appropriate action against dual participants. However, because of continuing problems with the computer program, a report that identifies dual program participants was not produced until July 10, 1996. Therefore, as of June 30, 1996, OPH had not taken appropriate action against individuals identified as participating in both programs. The value of the food distribution subject to dual participation in CSFP and WIC programs for fiscal year 1996 was \$13,279,132 and \$27,991,399, respectively.

To be assured that recipients do not participate in both programs, OPH should produce the dual participation report on a monthly basis and take appropriate action against individuals identified as participating in both programs. In a memorandum dated September 16, 1996, Dr. Eric T. Baumgartner, Assistant Secretary, Office of Public Health, concurred with our finding and recommendation (B-147).

Reconciliation of Food Instruments Not Performed

For the third consecutive year, OPH has not performed a reconciliation of each food instrument issued with food instruments redeemed for the Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA 10.557, WIC). The Code of Federal Regulations [7 CFR 246.12(n)] requires that the state agency shall identify disposition of all food instruments by performing a reconciliation of each food instrument issued with food instruments redeemed within 150 days of the first valid date for participant use.

Because of a problem in the loading of data from the food instruments issue sites to the mainframe, there are 186,168 unmatched records as of May 31, 1996, totaling approximately \$5,700,000. OPH issues approximately 199,000 food instruments monthly, totaling

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approximately \$6,200,000. By not identifying the disposition of food instruments within 150 days of the instrument's validation date, lost, stolen, or expired instruments could be cashed and not be detected in a timely manner. Also, the Code of Federal Regulations [7 CFR 246.23(a)(4)] states that the Food and Nutrition Service of the U.S. Department of Agriculture could issue a claim against OPH for its unreconciled food instruments.

OPH should work diligently to reconcile food instruments timely for compliance with the Code of Federal Regulations. In a memorandum dated September 16, 1996, Dr. Eric T. Baumgartner, Assistant Secretary, Office of Public Health, concurred with our finding and outlined a corrective action plan to resolve the problem (B-147).

**REGIONAL MANAGEMENT CENTER 1,
NEW ORLEANS****Incorrect Federal Pell Grant Calculations**

The Louisiana Technical College System, New Orleans, Sidney Collier campus did not properly calculate the amount for awards under the Federal Pell Grant Program (CFDA 84.063). The Code of Federal Regulations [34 CFR Subpart F Section 690.62 and 690.63] require that a student's Pell Grant for each payment period be calculated by determining his or her enrollment status and determining his or her annual award from the payment schedule established by the Department of Education. Of ten Pell Grant awards recalculated by us during our audit, six awards did not agree to the actual Pell Grant disbursement. The awards were incorrectly calculated by the Sidney Collier campus because the wrong award table was used in the calculations. Failure to correctly calculate the Pell Grant award resulted in an under-awarding of \$935.

The technical college should make a concerted effort to ensure that the proper amounts from the Pell Grant payment schedules are used when computing Pell Grant awards. Management concurred with the finding and recommendation. See management's response at B-158.

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Lack of Coordination of Effort

Louisiana Technical College System, New Orleans Regional Office does not have established written procedures to determine if a student applied for Pell Grant in order to qualify for other financial assistance programs. In addition, the regional office has not maintained sufficient documentation of the coordination of effort among all federal and nonfederal financial assistance programs to avoid duplication of federal financial assistance.

Good internal controls should provide for procedures that establish a central determination of Pell Grant certification and the coordination of efforts among all federal and nonfederal financial assistance programs. In addition, coordination of effort for financial assistance programs are mandated in the *Audit Guide for Compliance Audits of Federal Student Financial Assistance Programs at Participating Institutions*, issued by the U.S. Department of Education, Office of Inspector General, and the Code of Federal Regulations [34 CFR 668.16(b)(1)].

Our tests of the regional office's records disclosed the following:

1. Of two students' files examined, one student participating in the Employment and Training Assistance - Dislocated Workers Program (CFDA 17.246) had not applied for a Federal Pell Grant (CFDA 84.063). There was no evidence in the Job Training Partnership Act (JTPA) files that a coordination of effort was being performed.
2. Of nine students' files examined, four students participating in the JTPA Program (CFDA 17.250), passed through from Orleans Private Industry Council, did not have evidence of the students' application or the receipt of a Pell grant. The project coordinator has a meeting with the student financial aid officer of each school to determine if the JTPA students are receiving Pell Grants; however, this procedure had not been done for all students in the JTPA Program as of February 27, 1996, for the 1995-96 fiscal year.
3. All four student files examined at the West Jefferson campus for those students participating in the JTPA Program, passed through the Jefferson Parish Office of Manpower, did not have evidence of the student's application for a Pell Grant.

The regional office should establish written procedures to determine if a student has applied for Pell Grant in order to qualify for other financial assistance programs. In addition, each campus should maintain written documentation of the coordination of effort among all federal and nonfederal financial assistance programs to avoid duplication of federal financial assistance based on a student's financial need. In a letter dated April 19, 1996, Ms. Estella F. Lain, Regional Director, responded that budgetary restraints prevent establishing financial aid offices

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at each site, but each campus has implemented procedures that allow them to know who receives federal funds (B-159).

Additional Comment: The regional office does not have written procedures, and the individual schools have not maintained written documentation of the coordination of effort among all federal and nonfederal financial assistance programs.

RISK MANAGEMENT, OFFICE OF

**Improper Retention of Disaster
Assistance Program Funds**

During the year ended June 30, 1996, the Office of Risk Management (ORM) retained Disaster Assistance program monies to which the office was not entitled. As a result of flooding in a declared disaster area, ORM received funds under the Disaster Assistance program (CFDA 83.516) through the Louisiana Office of Emergency Preparedness (OEP). The funds were for losses to property and to reimburse insurance deductibles to various state agencies. However, ORM received duplicate reimbursements totaling \$11,876, and also did not disburse insurance deductibles to 12 state agencies totaling \$2,700. In addition, ORM did not file quarterly reports timely, as required by the OEP.

ORM should forward the \$2,700 of disaster assistance funds to the state agencies for which they were intended and should refund duplicate reimbursements of \$11,876 to the OEP. In addition, ORM should ensure that all reports required by grantor agencies are filed timely. In a letter dated December 27, 1996, Ms. Evon L. Wise, State Risk Assistant Director, concurred with the finding and outlined the corrective action taken by the department (B-168).

SOCIAL SERVICES, DEPARTMENT OF

Audit Reports Not Monitored

For the third consecutive year, the Department of Social Services does not have an adequate monitoring system to ensure that all subrecipients receiving \$25,000 or more of federal funds and cost-reimbursement contractors funded with \$100,000 or more of state funds are audited in accordance with *Government Auditing Standards*. Federal laws (OMB Circulars A-128 and A-133) require the department to ensure that each subrecipient of federal pass-through funds totaling \$25,000 or more has an audit performed that will comply with the applicable circular. Louisiana Administrative Code (LAC 34:V.134) gives the department the option of requiring audits, examining source documents for each payment request, or using internal auditors to do

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frequent surprise contract compliance audits of contractors that receive \$100,000 or more in state funds. The department has elected to require audits.

The department has not developed a comprehensive monitoring system to ensure that all audit reports are received and reviewed. Failure to ensure that federal subrecipients or cost-reimbursement contractors are audited in accordance with *Government Auditing Standards* increases the risk that federal subrecipients or cost-reimbursement contractors will not expend federal financial assistance or state funds, respectively, in accordance with applicable laws and regulations.

The Department of Social Services should establish a monitoring system to ensure that federal subrecipients and cost-reimbursement contractors are audited as required by federal and state laws and regulations. In a letter dated August 14, 1996, Mr. Thomas Joseph, CPA, Director of the Division of Fiscal Services, concurred with the finding and outlined a plan of corrective action (B-179).

Food Stamp Underissuance

The Department of Social Services - Office of Family Support did not ensure that changes in federal regulations for Food Stamps (CFDA 10.551) were implemented in a timely manner. During the year, the U.S. Department of Agriculture made changes regarding eligibility for the Food Stamp program as well as changes in the amount of benefits received under the program. These changes are contained in the Code of Federal Regulations (7 CFR Subchapter C, Part 273) and were to take effect October 1, 1995. Because the department misinterpreted the standards, the department did not comply with the new regulations until March 15, 1996. Failure to implement the new federal standards timely resulted in underissuance of benefits to many active food stamp recipients as follows:

1. For the period October 1, 1995, to February 29, 1996, an additional \$10,527,658 of food stamps should have been issued. These benefits were due to 303,921 recipients. Supplemental authorization to participate (ATP) cards were issued to these recipients in May 1996.
2. Lost benefits for the period March 1, 1996, to March 15, 1996, were calculated at \$1,956,844 and affected 245,998 recipients. However, supplemental ATP cards were mailed to these recipients in April 1996.
3. A total of 457 applicants were either denied benefits or had their cases improperly closed during the period the department failed to affect the new regulations. The benefits for these recipients/applicants are calculated to be \$86,487.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable
to Major Federal Financial Assistance Programs
(Continued)

In addition to the disservice to food stamp clients, failure to issue food stamps properly causes losses because of the employee time needed to correct the error and increases the risk that further errors in issuance will occur.

The Department of Social Services - Office of Family Support should ensure that changes in Food Stamp policy are implemented in a timely manner. In a letter dated October 10, 1996, Mr. Thomas Joseph, Director of the Division of Fiscal Services, concurred with the finding. To prevent a recurrence of this type of error, Mr. Joseph stated that direct supervision of the program has been assigned to the deputy assistant secretary of the Office of Family Support. Furthermore, monitoring procedures, including time tables for implementation of mandatory changes, have been enhanced. Mr. Joseph also said that mandatory changes that were effective October 1996 have been successfully and timely implemented. See management's response at B-181.

Title IV-D Intake and Collection Activities Errors

For the third consecutive year, the Department of Social Services - Office of Family Support did not perform proper intake, enforcement, and collection distribution activities in the Child Support Enforcement Program (CFDA 93.563, Title IV-D). The Code of Federal Regulations (45 CFR 302 and 303) specifies procedures and time frames for opening cases, establishing paternity, locating absent parents, enforcing obligations, and distributing collections. However, we noted the following conditions:

1. Our review of 30 intake cases disclosed that proper intake procedures had not been performed for 13 (43 percent) of the cases. These cases had not been opened timely and/or did not have adequate paternity establishment and/or parent locate procedures. All of these 13 cases were located in the New Orleans region.
2. Our review of 40 collection cases disclosed that proper collection procedures had not been performed for two (5 percent) of the cases. Adequate enforcement had not been performed for one of the cases and proper collection distribution had not occurred for the other case.

Management attributes these conditions to a combination of overworked employees, with tremendous caseloads and an overabundance of federal regulations and time frames; a mass referral of Aid to Families with Dependent Children cases occurring in September 1995; and human error. Failure to adhere to federal regulations concerning intake and collection activities could result in federal sanctions or disallowances and lower support collections.

The Department of Social Services - Office of Family Support should ensure that all Title IV-D regional offices adhere to applicable federal regulations relating to intake and collection

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable
to Major Federal Financial Assistance Programs
(Continued)

activities. In a letter dated September 6, 1996, Mr. Thomas Joseph, Director of the Division of Fiscal Services, concurred with the finding. Mr. Joseph indicated that a corrective action plan has been in place since June 1, 1996, to alleviate the problem with working intake cases. Mr. Joseph stated that the department will continue to strive to eliminate all errors in collections but feels that the error rate is quite small and acceptable under federal standards. See management's response at B-183.

Unallowed Expenditures in Foster Care Program

The Department of Social Services - Office of Community Services (OCS) expended \$7,470 in Foster Care - Title IV-E (CFDA 93.658) funds for a child who was ineligible for the program. The United States Code [42 U.S.C. 672 (a) and 606 (a)] states that a child is not eligible for Title IV-E funding once he or she has reached the age of eighteen unless, at the option of the state, he or she is a full-time student and is expected to graduate before his or her nineteenth birthday. The department's policy (OCS Financial Assessment Manual, Section F-135.1) indicates that the department has elected to terminate a child's eligibility at age eighteen regardless of his or her graduation date. However, the department reimbursed the Department of Public Safety and Corrections (DPSC), which provides care for children adjudicated in need of supervision, for four months after one child had reached his eighteenth birthday. Although billings from DPSC are reviewed for eligibility of the children for whom care is provided, the reviews for these months failed to detect this instance of ineligibility.

The Department of Social Services - Office of Community Services should ensure that all foster children included on the bill from the DPSC are eligible for Title IV-E funding before it reimburses DPSC. In a letter dated September 30, 1996, Mr. Thomas Joseph, Director of the Division of Fiscal Services, concurred with the finding and recommendation. Mr. Joseph stated that staff have been instructed to review the billings to ensure that the child has not yet attained the age of eighteen before approving billings for payment and have requested DPSC to also verify the age of the child before billing for services. See management's response at B-184.

UNIVERSITY OF NEW ORLEANS**Improper Title IV Refunds**

For the sixth consecutive year, the University of New Orleans did not always adhere to the Code of Federal Regulations regarding refunds to the Title IV Higher Education Act of 1965, as amended, (HEA) programs. The Code of Federal Regulations [34 CFR 668.22(a)] states that if a student withdraws, drops out, is expelled from the institution, or otherwise fails to complete the program on or after the first day of class of a period of enrollment and the student received Title IV, HEA program assistance, an institution shall return a portion of a refund (unearned tuition and fees) owed to a student to the Title IV, HEA program. Federal regulations direct the

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable
to Major Federal Financial Assistance Programs
(Continued)

institution to calculate all possible refund amounts by using the pro rata, federal, and institution refund calculation methods and use the method that provides the largest refund. In our test of 20 students who officially withdrew from the university, one student (5 percent) refund, totaling \$13, was not paid to the HEA program because the university did not use the method that provided the largest refund (federal). Also, federal regulations provide specific guidance as to what may or may not be included in the refund calculations. In our test of 20 students who officially withdrew from the university, four student (20 percent) refunds, totaling \$6, were not paid to the HEA programs because the university misinterpreted the federal regulation and excluded off-campus and lab fees from the calculation.

In addition, Federal Family Education Loan (CFDA 84.032) and Federal Pell Grant (CFDA 84.063) refunds were not submitted on a timely basis. The Code of Federal Regulations [34 CFR 668.22 (h)] requires that refunds to Title IV programs be made by the university within 30 (Federal Pell Grant) or 60 (Federal Family Education Loan) days; however, refunds were made after the students' withdrawal dates as follows:

<u>Program</u>	<u>Occurrence</u>	<u>Days</u>
Federal Family Education	5	146-255
Federal Pell Grant	2	32 and 217

The University of New Orleans should comply with the Code of Federal Regulations regarding refunds of Title IV programs. To achieve this, the university personnel responsible for Title IV refunds should become more familiar with the federal regulations and the university's policies and procedures for making refunds. In a letter dated September 11, 1996, Mr. Leo P. LeBlanc, Director of the Office of Financial Services and Reporting and Ms. Jocelyn Green, Director of the Office of Student Financial Aid, concurred with the finding. They added that the automated

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable
to Major Federal Financial Assistance Programs
(Concluded)

refund program will be updated and weekly meetings will be scheduled to complete refund calculations and withdrawal work sheets. See management's response at B-105.

Schedule F

Noncompliance With Specific
Requirements Applicable to
Nonmajor Federal Financial
Assistance Program Transactions
For the Year Ended June 30, 1996



**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable to
Nonmajor Federal Financial Assistance Program Transactions
For the Year Ended June 30, 1996

EDUCATION, DEPARTMENT OF

**Inadequate Administration of the
Church-Based Tutorial Program**

For the second consecutive year, the Department of Education (DOE) did not comply with certain laws, regulations, and contract provisions that regulate the Child Care and Development Block Grant (CFDA 93.575). The DOE obtained these funds from the U.S. Department of Health and Human Services through an interagency agreement with the Louisiana Department of Social Services (DSS) covering the fiscal year ended June 30, 1996. The DOE then distributed these funds and state General Fund monies to churches and referral centers contracted to operate tutorial programs. During the year, the DOE expended \$2,205,758 and \$995,147 of state and federal monies, respectively, through the Church-Based Tutorial Program.

Our audit of program records and visits to 10 tutoring sites disclosed the following instances of noncompliance:

Alternative Schools

The DOE continued to fund four tutoring sites as church-based tutorial programs after the Board of Elementary and Secondary Education approved these sites as nonpublic alternative schools. These sites should not have received Church-Based funding after approval as alternative schools but instead should have received nonpublic school funding determined in accordance with Louisiana Revised Statute (LSA-R.S.) 17:361. The state funds expended for these four tutoring sites totaled \$425,123 for the year.

Sole Source Procurements

The DOE required three tutoring sites to each purchase an Interactive Television System from a specific vendor. These purchases were made without competitive bidding and specifications were not prepared or issued by the department's chief procurement officer as required by state law. The purchase of interactive television systems by three tutorial programs were subject to state procurement regulations because the Program Section Administrator required the participants to make these purchases. A total of \$50,535 of state funds was expended to purchase the three systems without documentation that the vendor was the sole source.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable to
Nonmajor Federal Financial Assistance Program Transactions
(Continued)

Tutorial programs were also directed by the Program Section Administrator to purchase multi-cultural libraries from one of two vendors. These purchases were made without competitive bidding as required by state law. A total of \$56,001 and \$40,001 of state and federal funds, respectively, were expended to purchase multi-cultural libraries.

LSA-R.S. 39:1597 provides that a contract may be awarded for a required supply, service, or major repair without competition only when the chief procurement officer or his designee above the level of procurement officer determines in writing that there is only one source for the required supply, service, or major repair item. In addition, LSA-R.S. 39:1652 states that the chief procurement officer shall prepare, issue, revise, and monitor the use of specifications for the required supplies, services, and major repairs.

Licensing and Registration

The DOE has not verified that federally funded tutoring sites complied with applicable licensing and regulatory requirements. The Code of Federal Regulations (45 CFR Part 98.40) requires that all providers of child care services for which assistance is provided under the Child Care and Development Block Grant must comply with any licensing or regulatory requirements under state and local laws. The regulations further state that providers that are not required to be licensed or regulated under state and local laws are required to be registered with the grantee prior to any payments being made under the Child Care and Development Block Grant. Also, the DOE has not developed licensing and regulatory requirements for the state funded tutoring sites. Based on information provided by DSS, only 20 of the 170 churches and referral centers participating in the state and/or federally funded programs were licensed and none were registered. To ensure the health, welfare, and safety of the children tutored, it is imperative that all providers of tutorial services comply with state and federal laws and regulations.

Movable Property

The DOE violated state movable property regulations and the Louisiana Constitution of 1974 when it allowed surplus movable property items to be transferred from the department to one of the churches. Our site visit disclosed that seven movable property items, with acquisition costs of approximately \$15,000, had been transferred from the department to the church. Property regulations require that no property of any agency shall be sold, transferred, assigned, or entrusted to any person, legal entity, other agency, or any officer or employee of any agency without the written consent of the Commissioner of Administration through an approved State Property Transaction Form BF-11. In addition, Article 7, Section 14 of the 1974 Louisiana Constitution states that property or things of value of the state shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable to
Nonmajor Federal Financial Assistance Program Transactions
(Continued)

Student Eligibility

The DOE has failed to verify the eligibility criteria of students participating in federally funded tutorial programs. Eligibility guidelines ensure that a program is being offered to the population of students identified in the objectives of the program. The Code of Federal Regulations (45 CFR Part 98.20) states that to be eligible for services a child must be under 13 years of age and reside with a family whose income does not exceed 75 percent of the state's median income for a family of the same size and reside with a parent or parents who are working or attending a job training or educational program. Our tests of the records of 65 students at four federally funded tutoring sites disclosed the following:

1. 65 students' family income and size was not obtained.
2. 18 students did not meet the age requirement, or age information was not obtained.
3. 57 students' parents either did not meet the work or student requirement, or this information was not obtained.

During our audit period, a total of \$84,048 of federal funds was expended by these participants; however, because of the inadequacy of the participants' records, we could not determine whether the students we tested participated during our audit period or in prior periods.

In addition to the tests performed as described previously, we tested 124 participants in the 5-Day After School Tutorial Program and determined the following:

Advances to Participants

1. Subrecipient contracts for the 5-Day After School Tutorial Program included provisions for advance payments at the start of the program in October with no repayment due until the last month of the eight-month program.
2. 91 of 93 federally funded subrecipients received a total of \$88,226 in advances with individual advances ranging from \$251 to \$994.
3. 22 of 31 state funded subrecipients received a total of \$23,126 in advances with individual advances ranging from \$331 to \$3,305.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Noncompliance With Specific Requirements Applicable to
Nonmajor Federal Financial Assistance Program Transactions
(Continued)**

4. In a subsample of 10 subrecipients, we determined that advances were for a period of three to seven months.

Article 7, Section 14 of the Louisiana Constitution of 1974 prohibits state agencies from loaning, pledging, or donating public funds to any person, association, or corporation, public and private. The Code of Federal Regulations [45 CFR 98.60(e)] requires that cash advances to subrecipients be limited to the minimum amounts needed and be timed to provide for actual, immediate cash requirements of the subrecipient in carrying out the purposes of the program. During fiscal year 1996, the Child Care and Development Block Grant was included in the Cash Management Improvement Act (CMIA) agreement with the U.S. Treasury and was subject to certain record keeping requirements. Advance payments from federal funds can result in an interest liability to the federal government; however, departmental records were not adequate to estimate the potential interest liability in accordance with the CMIA agreement. Advance payments from state funds can result in lost interest earnings for the state.

The DOE did not comply with certain federal and state laws and regulations and the interagency agreement with DSS because management failed to exercise adequate oversight of the Church-Based Tutorial Program. As a result, we question \$40,001 of federally funded expenditures, and, in addition, the use of \$569,785 of state funds appears to be in violation of state laws, regulations, and/or contract provisions. Also, the federal expenditures relating to Student Eligibility and Advances to Participants totaling \$172,274 involve questioned costs that cannot be determined because of the inadequacy of either participant or departmental records.

Management of the DOE should properly administer the Church-Based Tutorial Program and adhere to all state and federal laws and regulations. In addition, the department should create a grant administration section that will ensure the department's compliance with all laws and regulations relating to federal grants and contracts. The department should consult with the U.S. Department of Health and Human Services and DSS concerning the resolution of questioned costs determined in this finding. In a letter dated December 23, 1996, Ms. Marlyn J. Langley, Deputy Superintendent of the Office of Management and Finance, concurred with the finding and recommendations and outlined corrective action to be taken (B-6).

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable to
Nonmajor Federal Financial Assistance Program Transactions
(Continued)

ELAINE P. NUNEZ COMMUNITY COLLEGE**Required Loan Reports Not Submitted**

Elaine P. Nunez Community College did not prepare and submit the required monthly reconciliation reports associated with the Federal Direct Student Loan Program (CFDA 84.268, FDLP). The Code of Federal Regulations [34 CFR 685.308(g)] requires the institution to submit these reports for the FDLP to the Direct Loan Servicing Center for the U.S. Department of Education (FDLP Servicer) on a monthly basis. These reports include the Cash Summary Record, Cash Detail Record, and Loan Detail Record. The college began participation in the FDLP loan program during the fiscal year ended June 30, 1996, and was not aware of the new reporting requirements. As a result, accurate and timely information on the outstanding FDLP loans at the college was not available to the FDLP Servicer.

The college should begin completing and submitting the required monthly reconciliation reports to the FDLP Servicer on a monthly basis. In a letter dated August 16, 1996, Dr. Carol S. Hopson, President of Elaine P. Nunez Community College, responded that to ensure a monthly reconciliation of direct loans, the college has immediately instituted procedures that include the financial aid accountant providing the financial aid office with a monthly copy of disbursement checks for direct loans. The award year through June 30, 1996, has been reconciled and the required reports have been submitted electronically to the U.S. Department of Education. See management's response at B-20.

EXECUTIVE DEPARTMENT**Inadequate Subrecipient Monitoring and Audit Resolution**

For the fourth consecutive year, the Louisiana Federal Property Assistance Agency (LFPAA) does not have a system to ensure that subrecipients who receive \$25,000 or more of federal surplus property annually from the Donation of Federal Surplus Personal Property Program (CFDA 39.003) are audited, and that audit reports are received for resolution as required by Office of Management and Budget (OMB) Circular A-128. For the fiscal year ended June 30, 1996, we noted that six state agencies received property valued at over \$25,000 (23.3 percent of original acquisition cost), two of which received over \$100,000. We also noted that 12 local government or nonprofit subrecipients received over \$25,000 (23.3 percent of original acquisition cost), two of which received over \$100,000. The LFPAA has not obtained audit reports on the local government or nonprofit subrecipients.

A monitoring system should ensure that independent audits are performed; audit reports are reviewed; desk reviews of the independent audit reports are performed to determine compliance with OMB Circular A-128 for state and local governments and A-133 for nonprofit organizations

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable to
Nonmajor Federal Financial Assistance Program Transactions
(Continued)

and colleges and universities; and corrective action is taken in instances of noncompliance within six months after receipt of audit reports.

The LFPAA should develop a system to ensure that subrecipients who receive \$25,000 or more of federal surplus property annually from the program are audited, and reports are received for resolution in a timely manner. Management of the agency concurred with the finding and recommendation. See management's response at B-26.

**REGIONAL MANAGEMENT CENTER 1,
NEW ORLEANS****Untimely Termination of Students from Federal Programs**

The Louisiana Technical College System, New Orleans Regional Office did not terminate students participating in the Employment and Training Assistance - Dislocated Workers Program (CFDA 17.246) within one program year after becoming ineligible as instructed by the Louisiana Department of Education. In addition, the system did not always have adequate documentation of a participant's work history. The Code of Federal Regulations [20 CFR 629.1] requires participants to meet the general eligibility requirements of a dislocated worker, which includes a description of the participant's work history. Acceptable documentation includes Louisiana Department of Labor wage record files, employer's statement on letterhead, state/federal tax returns, check stubs, or a letter generated by the New Orleans Regional Office to the employer verifying employment.

Of 10 student files examined by us, one file did not have acceptable documentation of the student's work history. The work history was not supported because the student was still on the active participants' list even though the student had originally dropped out of the program on August 3, 1990. There were also five students who dropped out of school between January 28, 1994, and May 12, 1995, who were still listed as active participants as of November 30, 1995. The program coordinator did not obtain current documentation to support the student's eligibility and did not remove the students from the active participants' list at the end of the program year. As a result, students that are no longer eligible could receive financial aid. In addition, the untimely student terminations misrepresent the active participants in the Employment and Training Assistance - Dislocated Workers Program and distort the actual placement services being provided.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Noncompliance With Specific Requirements Applicable to
Nonmajor Federal Financial Assistance Program Transactions
(Concluded)

The regional office should ensure that students are terminated from the active participants' list as required by program guidelines. Management concurred with the finding and recommendation. See management's response at B-162.

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Schedule G

Summary of Findings and Recommendations From Other External Audits For the Year Ended June 30, 1996



**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Summary of Findings and Recommendations
From Other External Audits
For the Year Ended June 30, 1996

**REPORTABLE CONDITIONS IN THE
INTERNAL CONTROL STRUCTURE**

LOUISIANA STATE BOARD OF MEDICAL EXAMINERS

Independent auditors performed an audit of the Louisiana State Board of Medical Examiners' financial statements for the year ended December 31, 1995, and have issued their report thereon dated June 28, 1996. The report noted that the board failed to perform an adequate inventory of fixed assets. Louisiana Revised Statute (LSA-R.S.) 39:324 requires that a master file of movable property be maintained. It further states that the file shall contain the item description, serial number, location of identification mark, cost, and item location.

The auditors recommend that an inventory be conducted near December 31 of each year for the three major categories of assets: office equipment, office furniture, and building improvements. The inventory records should reflect the required information as described in the law.

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS

An independent auditor performed an audit of the Louisiana State Licensing Board for Contractors' financial statements for the year ended December 31, 1995, and issued his report thereon dated June 20, 1996. The management letter issued noted that there were differences between the fixed asset inventory listings and the fixed asset balances on the financial statements. LSA-R.S. 39:324 requires that a master file of movable property be maintained. It further states that the file shall contain the item description, serial number, location of identification mark, cost, and item location. The accounting department includes items costing less than \$250 in its fixed asset listing while the purchasing department does not. Because property control regulations require an inventory on items costing more than \$250, the purchasing department had these items purged from its inventory listing.

The auditor recommends conducting a current physical inventory to determine the items on hand and maintaining separate inventory schedules for each classification of equipment. He also recommends that consistent policies be adopted by both the accounting and purchasing departments with regard to classifying items as fixed assets. Management's response, contained in the management letter, states that the accounting department has discussed its differences in policies with the purchasing department and consistent policies will be adopted, which should minimize future differences between departmental records on fixed assets.

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

**REPORTABLE CONDITIONS IN THE
INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

GRAMBLING STATE UNIVERSITY

Independent auditors performed an audit of Grambling State University's federal financial assistance programs for the year ended June 30, 1996, and have issued their report thereon dated October 31, 1996. In conjunction with their audit, the independent auditors reviewed the audit report of the outside service center contracted by the university. The outside service center is used for processing transactions for the Federal Perkins Loan Program - Federal Capital Contributions (CFDA 84.038). The independent auditors stated that the audit report of the outside service center contained several immaterial instances of noncompliance with regard to deficiencies in certain controls at the outside service center which are not specifically applicable to the university. There were no findings related to the outside service center presented in the audit report of the independent auditors.

The following finding relating to the university's internal control structure used in administering federal financial assistance programs was presented in the audit report of the independent auditors:

**Internal Control Structure Over the
Nursing Student Loan Program**

During their audit of the university, the auditors noted that the present internal control structure for the Nursing Student Loan Program (CFDA 93.364, NSL) should be strengthened as follows:

- The responsibility for receiving and depositing checks from students should be performed by a person independent of the billing and posting of NSL activities.
- The monthly financial reports that reflect the student's aged account balance payment history and status (current/default) should be periodically reviewed by the department's supervisor.

The auditors recommend that the university take immediate steps to develop policies and procedures for the noted matters.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Summary of Findings and Recommendations
From Other External Audits (Continued)

LOUISIANA EDUCATIONAL TELEVISION AUTHORITY

Independent auditors performed an audit of the Louisiana Educational Television Authority's financial statements for the year ended June 30, 1996, and have issued their report thereon dated September 16, 1996. Their report on the internal control structure used in administering federal financial assistance programs stated that while testing indirect cost reimbursements received, the auditors noted that the amount reimbursed for the Special Education - Preschool Grants Program (CFDA 84.173) was \$424 more than what should have been reimbursed based on the auditors' calculations. This is the fourth consecutive year that a finding of this nature has been reported.

The auditors recommend that actual direct costs be used when calculating the indirect cost reimbursements due on federal grants instead of requesting the budgeted indirect cost amount. See management's response at B-72.

LOUISIANA HOUSING FINANCE AGENCY

Independent auditors performed an audit of the Louisiana Housing Finance Agency's financial statements for the year ended June 30, 1996, and have issued their report thereon dated September 12, 1996. Their report on the internal control structure used in administering federal financial assistance programs noted that the agency did not reconcile, on a timely basis, its HOME Investment Partnerships Program (CFDA 14.239) loan portfolio subsidiary ledger to the general ledger. Because the ledgers are not reconciled timely, a posting error could occur in the general ledger and would not be detected on a timely basis.

The auditors recommend that the agency reconcile the mortgage loan subsidiary ledger to the general ledger on a monthly basis or change the source document that is used to prepare the information to post to the general ledger. According to the auditors' schedule of reportable conditions, management of the agency will take action to implement the recommendations of the auditors.

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

**NONCOMPLIANCE WITH
GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

GRAMBLING STATE UNIVERSITY

Independent auditors performed an audit of Grambling State University's federal financial assistance programs for the year ended June 30, 1996, and have issued their report thereon dated October 31, 1996. The following finding relating to the university's compliance with general requirements applicable to federal financial assistance programs was presented in their report:

**Timely Submission of Nursing Student
Loan Financial Status Report**

During their audit of the university, the auditors noted that the June 30, 1996, Annual Operating Report for the Nursing Student Loan Program (CFDA 93.364) had not been completed and issued by the required due date.

The auditors recommend that the university take immediate steps to prepare and issue the report and that the university adhere to established procedures in the preparation and issuance of federal financial reports.

**SOUTHERN UNIVERSITY AT
SHREVEPORT-BOSSIER CITY**

Independent auditors performed an audit of Southern University at Shreveport-Bossier City's federal financial assistance programs for the year ended June 30, 1996, and have issued their report thereon dated November 22, 1996.

The following finding relating to the university's compliance with general requirements applicable to federal financial assistance programs was presented in their report:

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
 Summary of Findings and Recommendations
 From Other External Audits (Continued)

**Federal Financial Reports - Fiscal
 Operations Report and Application**

During their audit of the university, the auditors noted that the Fiscal Operations Report and Application (FISAP) for the Shreveport campus contained errors with regard to the following:

	<u>Per FISAP</u>	<u>Per Accounting Records</u>	<u>Differences</u>
Part III, Section A, Line 20 Institutional Capital Contribution, Federal Perkins Loan Program - Federal Capital Contributions, CFDA 84.038	\$124,300	\$104,656	\$19,644
Part IV, Section D, Line 7 Federal Share of Funds - Federal Supplemental Educational Opportunity Grants (SEOG), CFDA 84.007	\$45,213	\$60,284	(\$15,071)

Title 34 of the Code of Federal Regulations Part 674.19(d)(3) requires the institution to submit a FISAP each year and to ensure that the information reported is accurate.

The auditors recommend that the university adhere to established procedures with regard to the reporting of financial aid amounts per the FISAP. Also, the auditors recommend that the noted errors be corrected during the edit process. See management's response at B-231.

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT

Independent auditors performed an audit of the St. Bernard Port, Harbor and Terminal District's financial statements for the year ended June 30, 1996, and have issued their report thereon dated August 2, 1996. Their schedule of findings and questioned costs indicated that the St. Bernard Port, Harbor and Terminal District did not have an announced and formal policy of nondiscrimination. Federal regulations require that recipients of federal funds have an announced and formal policy of nondiscrimination.

The auditors recommend that a policy of nondiscrimination be developed and announced. See management's response at B-174.

NONCOMPLIANCE WITH SPECIFIC

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

**REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

GRAMBLING STATE UNIVERSITY

Independent auditors performed an audit of Grambling State University's federal financial assistance programs for the year ended June 30, 1996, and have issued their report thereon dated October 31, 1996. The following findings pertaining to the university's compliance with specific requirements applicable to major federal financial assistance programs were presented in their report:

**Drug-Free Schools and Communities
Act Amendments of 1989**

During their audit of the university, auditors noted that there was no annual distribution of information concerning alcohol and drug abuse to all students and employees. The Act stipulates that written information concerning alcohol and drug abuse must be distributed annually to each employee and student.

The auditors recommend that the university take immediate steps to develop procedures to ensure compliance with the Act. See management's response at B-37.

**Federal Family Education Loan and
Perkins Loan Program Exit Interviews**

During their audit of the Federal Family Education Loans Program (CFDA 84.032, FFEL) and the Federal Perkins Loan Program - Federal Capital Contributions (CFDA 84.038), the auditors noted that there was no documentation on file indicating that FFEL and Perkins exit interviews were held for 11 out of 31 students tested prior to the time the students withdrew, graduated, or ceased to re-enroll in the university. Titles 34 CFR Part 682.604(g) and 34 CFR Subpart C Part 674.42(a) require an institution to conduct an exit interview with each borrower before the borrower ceases at least half-time study at the institution.

The auditors recommend that the university adhere to established policies and procedures for providing exit interview material to borrowers who graduate, withdraw, or cease to re-enroll in the university. See management's response at B-36.

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

Federal Family Education Loans
Program Applications

During their audit of the FFEL Program, the auditors noted that the expected family contribution reported on the FFEL application was incorrect for one out of 67 students tested. However, the incorrect reporting of the expected family contribution did not result in an over-award. Title 34 CFR Part 682.603 requires an institution to provide complete and accurate information in connection with a loan application.

The auditors recommend that the university adhere to established procedures in the processing of FFEL loan applications. See management's response at B-35.

Federal Family Education Loans
Program Confirmation Reports

During their audit of the FFEL Program (CFDA 84.032), the auditors noted that a Student Loan Confirmation Report (SCR) was not returned to one guarantee agency in a timely manner. Title 34 CFR Subpart F Part 682.610(c)(1) requires that upon receipt of an SCR from any guarantee agency, a school shall complete and return the SCR within 30 days of its receipt to the guarantee agency.

The auditors recommend that the university adhere to established policies and procedures and ensure that SCRs are returned to the guarantee agency on a timely basis. See management's response at B-36.

Monitoring Students' Enrollment
Status - Perkins Loans

During their audit of the Federal Perkins Loan Program - Federal Capital Contributions (CFDA 84.038), the auditors noted that the university did not properly monitor the enrollment status of 6 out of 26 students tested who had previously received Perkins Loans. The students noted had either graduated or had withdrawn from school, but were still being reported as in school. Title 34 CFR Part 674.41(b)(1)(2)(3) requires an institution to provide timely information about the enrollment status, graduation date, and the date a borrower withdraws or is expelled from the university to the office responsible for billing and collecting.

The auditors recommend that the university take immediate steps to determine the students' correct status and ensure appropriate Perkins documentation is processed for the students. See management's response at B-36.

Notification to Lenders Between Submission
of Student Confirmation Reports

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Summary of Findings and Recommendations
From Other External Audits (Continued)

The auditors noted that the university failed to notify lenders of changes in students' enrollment status that occurred between the dates of submission of the SCR for 5 out of 26 students tested. Title 34 CFR Subpart F Part 682.610(c)(2) requires the institution to promptly notify the lender when a student who has received a FFEL has ceased to be enrolled on at least a half-time basis and when the institution does not expect to submit, within the next 60 days, its SCR to the guarantee agency.

The auditors recommend that the university adhere to established procedures for ensuring that proper notification is provided to lenders between submission of SCRs. See management's response at B-36.

SOUTHERN UNIVERSITY SYSTEM

Independent auditors performed an audit of Southern University's federal financial assistance programs for the year ended June 30, 1996, and have issued their report thereon dated November 22, 1996. In conjunction with their audit, the independent auditors reviewed the audit report of the outside service center contracted by the university. The outside service center is used for processing transactions for the Federal Perkins Loan Program - Federal Capital Contributions (CFDA 84.038). The independent auditors stated that the audit report of the outside service center contained several immaterial instances of noncompliance with regard to deficiencies in certain controls at the outside service center which are not specifically applicable to the university. There were no findings related to the outside service center presented in the audit report of the independent auditors.

The following findings relating to the university's compliance with specific requirements applicable to major federal financial assistance programs were presented in their report:

**Drug-Free Schools and Communities
Act Amendments of 1989**

During their audit of the Southern University System, the auditors noted the following conditions with regard to the requirements to annually distribute information concerning alcohol and drug abuse to all students and employees:

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Summary of Findings and Recommendations
From Other External Audits (Continued)

- The Baton Rouge campus did not distribute the information to its employees.
- The New Orleans campus did not distribute the information to its students.
- The Shreveport-Bossier City campus did not distribute the information to either its employees or its students.

The Act stipulates that written information concerning alcohol and drug abuse must be distributed annually to each employee and student.

The auditors recommend that each campus take immediate steps to develop appropriate procedures to ensure compliance with the Act. See management's responses at B-201, B-221, and B-231.

**SOUTHERN UNIVERSITY AND A&M
COLLEGE (BATON ROUGE)**

Crediting of Financial Aid to the Students' Accounts

During their audit of student financial aid programs, the auditors noted that for 67 of 80 students tested, student accounts were credited prior to ten days before the first day of enrollment. Title 34 CFR Parts 668.165(c)(2)(i), 690.78(a), and 676.16(3)(c) specify that an institution may not make a payment or credit the account of a student for a payment period or period of enrollment earlier than 10 days before the first day of a payment period or period of enrollment.

The auditors recommend that the university adhere to established procedures with regard to the crediting of student accounts. See management's response at B-198.

Federal Family Education Loan Program

During their audit of the FFEL Program (CFDA 84.032), the auditors noted that 35 of 56 student loan applications tested were incorrectly certified. Also, there were four instances out of nine tested where the university requested loan proceeds for first-year, first-time FFEL borrowers prior to 24 days after the first day of class. In addition, documentation was not on file indicating that FFEL exit interviews were held with 16 out of 90 students tested. Title 34 CFR Part 682.603 requires an institution to provide complete and accurate information in connection with a loan application. Title 34 CFR Part 682.603(h)(1)(2) stipulates that a school may not request the disbursement of loan proceeds earlier than the twenty-fourth day of the student's period of enrollment for a first-year, first-time FFEL borrower. Finally, Title 34 CFR Part 682.604(g) states that an

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Summary of Findings and Recommendations
From Other External Audits (Continued)**

institution must conduct an exit interview with each borrower shortly before the borrower ceases at least half-time study at the institution. This is the second consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established procedures in certifying loan applications, loan disbursements, and exit counseling. See management's response at B-199.

**Notification to Lenders Between Submission
of Student Confirmation Reports**

During their audit of the FFEL Program (CFDA 84.032) SCRs, the auditors noted that for 9 of 10 students tested the university did not properly notify the lenders of changes in the students' enrollment status that occurred between the dates of submission of the SCRs. The auditors also noted during their test of eligibility that for 4 of 18 students tested that were not enrolled or were enrolled at less than half-time, this status was not reported to the related loan guarantee agency. Title 34 CFR Subpart F Part 682.610(c)(2) states that the institution should promptly notify the lender when the institution discovers that a student who has received a FFEL loan has ceased to be enrolled on at least a half-time basis, and it does not expect to submit, within the next 60 days, its SCR to the guarantee agency. This is the eighth consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established procedures for ensuring that proper notification is provided to lenders between submission of SCRs. See management's response at B-198.

Pell Grant Calculations

During their audit of the Federal Pell Grant Program (CFDA 84.063), the auditors noted that the Pell Grant amount, when recalculated for 4 of 80 students sampled, did not agree to the actual Pell disbursement. Title 34 CFR Subpart F Part 690.62 requires that a student's Pell Grant for each payment period be calculated from the payment schedule established by the Department of Education. Failure of the university to correctly calculate the Pell Grant award resulted in over-awarding \$1,172. Accordingly, the auditors questioned costs of \$1,172. This is the fourth consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established procedures and ensure that the proper amounts from the Pell Grant payment schedules are used when computing Pell Grant awards. See management's response at B-198.

Refunds and Repayments to the Title IV Programs

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**Summary of Findings and Recommendations
From Other External Audits (Continued)

During their audit of Title IV refunds and repayments, the auditors noted the following instances of noncompliance:

- Twenty-four of 50 refunds tested were not refunded to the appropriate Title IV program on a timely basis.
- The university did not submit two refunds that were calculated to the Title IV programs.
- The students' accounts did not properly reflect the refund amount according to the university's calculation for 6 of 50 tested.
- The university did not properly calculate 5 of 50 refunds tested.
- The university had not performed a repayment calculation for 10 students.

Title 34 CFR Subpart C Part 668.22 states that the institution shall return a portion of a refund owed to a student and the repayment received by the student to the Title IV program within a specified period if the student officially withdraws, drops out, or is expelled from the institution on or after the first day of class of a payment period. This is the eighth consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established procedures with regard to the refunding of amounts due to the Title IV programs. See management's response at B-199.

Satisfactory Academic Progress

During their audit of the federal financial aid programs, the auditors noted that 4 of 80 students tested were awarded and received financial aid, although the students did not meet the university's standards for achieving satisfactory academic progress. As a result of disbursing financial aid to students who were not eligible, the auditors questioned costs of \$20,023. Title 34 CFR Part 668.7(c) requires that a student participating in the Title IV federal financial aid programs must maintain satisfactory progress in the course of study he or she is pursuing according to the standards and practices of that institution in order to receive student financial aid.

The auditors recommend that the university adhere to established policies and procedures and monitor the academic standing of all students prior to awarding student financial aid. See management's response at B-200.

SOUTHERN UNIVERSITY AT NEW ORLEANS

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

Cost of Attendance Calculations

During their audit of the FFEL Program (CFDA 84.032), the auditors noted that the cost of attendance for 40 of 46 students tested was incorrectly reported on the FFEL applications. Office of Management and Budget Circular A-110 Subpart C Section 21(b)(1) states that recipients' financial management systems shall provide for accurate, current, and complete disclosure of the results of each federally sponsored project or program. Title 34 CFR Subpart F Part 682.603 requires an institution to provide complete and accurate information in connection with a loan application. This is the second consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to its established procedures in the calculation and reporting of the student's cost of attendance. See management's response at B-213.

Federal Family Education Loan Exit Counseling

During their audit of the FFEL Program (CFDA 84.032), the auditors noted that there was no documentation on file indicating that FFEL exit interviews were held for five of six students tested prior to the time the students withdrew or graduated from the university, were enrolled in the university less than half-time, or ceased to re-enroll in the university. Titles 34 CFR Part 682.604(g) and 34 CFR Subpart C Part 674.42(a) state that an institution must conduct an exit interview with each borrower shortly before the borrower ceases at least half-time study at the institution. If the borrower withdraws from school without the school's prior knowledge or fails to attend an exit counseling session as scheduled, the school shall mail written counseling material to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from school or failed to attend the scheduled session. This is the third consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established policies and procedures for providing exit conference material to borrowers who graduate, withdraw, or cease to re-enroll in the university. See management's response at B-210.

**Federal Family Education Loan
Student Confirmation Reports**

During their audit of the FFEL Program (CFDA 84.032) SCRs, the auditors noted that the enrollment status was incorrectly reported for 4 of 10 students tested. The lender is not being informed of the accurate enrollment status of certain students. Title 34 CFR Subpart F Part 682.610(c)(1) states that upon receipt of an SCR from any guarantee agency, a school shall accurately complete and return that report to the guarantee agency. This is the second consecutive year a finding of this nature has been reported.

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Summary of Findings and Recommendations
From Other External Audits (Continued)**

The auditors recommend that the university adhere to established policies and procedures and ensure that the enrollment status is accurately reported. See management's response at B-217.

Federal Pell Grant Program Eligibility

During their audit of the Federal Pell Grant Program (CFDA 84.063), the auditors noted that one of 80 students sampled received a Federal Pell Grant but was not eligible. This resulted in an over-awarding of \$1,170 that the auditors questioned. Title 34 CFR Part 690.63(a)(1) and (2) require that a student's Pell Grant for each payment period be calculated by determining his or her enrollment status and determining his or her annual award from the payment schedule established by the U.S. Department of Education.

The auditors recommend that the university adhere to established procedures with respect to determining Pell Grant eligibility. See management's response at B-216.

Financial Aid Transcripts

During their audit of the student financial aid programs, the auditors noted that one transfer student out of a sample size of 36 did not have a financial aid transcript (FAT) on file. This resulted in questioned costs of \$1,990. Title 34 CFR Subpart B Part 668.19(a)(2) states that before a student, who previously attended another eligible institution, may receive any Title IV Higher Education Act Program funds, the institution or the student shall request each institution that the student previously attended to provide a financial aid transcript to the institution that the student is or will be attending. This is the third consecutive year a finding of this nature has been reported.

The auditors recommend that the university revise its current procedures to include certain checks and balances to ensure that the Financial Aid Office is notified of all transfer students. Also, the auditors recommend that the Financial Aid Office revise its procedures to include routinely questioning students to determine if they have previously attended another institution from which a FAT would be required. See management's response at B-212.

**Notification to Lenders Between Submission
of Student Confirmation Reports**

During their audit of the FFEL Program (CFDA 84.032) SCRs, the auditors noted that the university failed to notify lenders of changes in students' enrollment status that occurred between the dates of submission of the SCR for 7 of 10 students tested. Also, the auditors noted during the testing of eligibility that 5 students' enrollment status was not reported to the related loan guarantee agency. Title 34 CFR Subpart F Part 682.610(c)(2) states that the institution should promptly notify the lender when the institution discovers that a student who has received a FFEL loan has ceased to be

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS**

Summary of Findings and Recommendations
From Other External Audits (Continued)

enrolled on at least a half-time basis, and the university does not expect to submit, within the next 60 days, its SCR to the guarantee agency. This is the seventh consecutive year a finding of this nature has been reported.

The auditors recommend that the university establish procedures for ensuring that proper notification is provided to lenders between submission of SCRs. See management's response at B-211.

Pell Grant Calculations

During their audit of the Federal Pell Grant Program (CFDA 84.063), the Pell Grant amount, when recalculated for 4 of 80 students sampled, did not agree to the actual Pell disbursement. Failure to correctly calculate the Pell Grant award resulted in over-awarding \$2,065 and under-awarding \$1,185. Accordingly, this condition resulted in questioned costs of \$880. Title 34 CFR Part 690.62 requires that a student's Pell Grant for each payment period be calculated from the Pell Grant payment schedule established by the U.S. Department of Education each award year.

The auditors recommend that the university adhere to established procedures and ensure that the proper amounts from the Pell Grant payment schedules are used when computing Pell Grant awards. See management's response at B-215.

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

Refunds and Repayments to the Title IV Programs

During the audit of Title IV program refunds and repayments, the auditors noted the following instances of noncompliance:

- Three of 31 refund calculations tested were not properly calculated and the refunds were not remitted to the Title IV programs.
- Eleven repayments were not properly calculated.
- Twenty-four of 31 refund calculations tested were properly calculated; however, the refunds were not remitted to the Title IV programs. This condition resulted in questioned costs of \$9,635.

Title 34 CFR Subpart C Part 668.22 states that the institution shall return a portion of a refund owed to a student and the repayment received by the student to the Title IV program within a specified period if the student officially withdraws, drops out, or is expelled from the institution on or after the first day of class of a payment period. The regulations also provide specific guidance on the calculation of such refunds and repayments. This is the seventh consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established procedures with regard to the calculation and refunding of amounts due to the Title IV programs. See management's response at B-214.

Satisfactory Academic Progress

During their audit of the student financial aid programs, the auditors noted that 3 of 80 students tested were awarded and received financial aid, although the student did not meet the university's standards for achieving satisfactory academic progress. This resulted in questioned costs of \$6,486. Title 34 CFR Subpart A Part 668.7(c) requires that a student participating in the Title IV federal financial aid programs maintain satisfactory progress in the course of study he or she is pursuing in accordance with the standards and practices of that institution in order to receive student financial aid. This is the second consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established policies and procedures and monitor the academic standing of all students prior to awarding student financial aid. See management's response at B-218.

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

Student Aid Reports Selected for Verification

During their audit of the student financial aid programs, the auditors noted that the university failed to obtain adequate financial information to support Student Aid Reports (SARs) that were selected for verification by the U.S. Department of Education for 7 students out of a sample size of 32. Title 34 CFR Subpart E Part 668.58(a) states that an institution may not disburse any Pell Grant or campus-based program funds to an applicant if an institution has documentation that indicates that the information included on an application is inaccurate. This is the second consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established procedures and not process any SAR selected for verification that has inaccurate information. See management's response at B-209.

**SOUTHERN UNIVERSITY AT
SHREVEPORT-BOSSIER CITY**

**Federal Family Education Loan
Student Confirmation Reports**

During their audit of the FFEL Program (CFDA 84.032), auditors noted that the enrollment status was incorrectly reported on the SCR for 3 of 12 students tested. Title 34 CFR Subpart F Part 682.610(c)(1) states that upon receipt of a student confirmation report from any guarantee agency, a school shall complete and return the report to the guarantee agency within 30 days of its receipt.

The auditors recommend that the university adhere to established policies and procedures and ensure that SCRs are returned to the guarantee agency on a timely basis. The university should also ensure that the enrollment status of students is presented accurately on the reports. See management's response at B-230.

Federal Family Education Loans

During their audit of the FFEL Program (CFDA 84.032), the auditors noted that there was no documentation on file indicating that FFEL exit interviews were held for 2 of 7 students tested prior to the time the students withdrew, graduated, or ceased to re-enroll in the university. Title 34 CFR Part 682.604(g) and Subpart C Part 674.42(a) state that an institution must conduct an exit interview with each borrower shortly before the borrower ceases at least half-time study at the institution. If the borrower withdraws from the school without the school's prior knowledge or fails to attend an exit counseling session as scheduled, the school shall mail written counseling material to the borrower at the borrower's last known address within 30 days after learning that the borrower has

**STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS****Summary of Findings and Recommendations
From Other External Audits (Continued)**

withdrawn from school or failed to attend the scheduled session. This is the second consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established policies and procedures for providing exit conference material to borrowers who graduate, withdraw, or cease to re-enroll in the university. See management's response at B-230.

**Matching of Federal Capital Contribution -
Perkins Loan Program**

During their audit of the Federal Perkins Loan Program - Federal Capital Contributions (CFDA 84.038), the auditors noted that the university requested and received a federal capital contribution (FCC) totaling \$11,137, which was used as a transfer to the Federal Work-Study program (CFDA 84.033). However, the university failed to provide an institutional match for the FCC. Title 34 CFR Part 674.8 stipulates that an Institutional Capital Contribution equal to at least one-third of the FCC shall be deposited into the loan fund.

The auditors recommend that the university take immediate steps to provide the institutional match for the FCC. See management's response at B-231.

**Notification to Lenders Between Submission
of Student Confirmation Reports**

During their audit of the FFEL Program (CFDA 84.032) SCRs, the auditors noted eight instances out of eight instances tested in which the university did not notify the lender of a change in a student's enrollment status that occurred between submission of the SCRs. Title 34 CFR Subpart F Part 682.610(c)(2) states that the institution should promptly notify the lender when the institution discovers that a student who has received a FFEL loan has ceased to be enrolled on at least a half-time basis, and it does not expect to submit, within the next 60 days, its SCR to the guarantee agency. This is the second consecutive year a finding of this nature has been reported.

The auditors recommend that the university establish policies and procedures to ensure that lenders are notified in a timely manner of all changes in a student's enrollment status. See management's response at B-230.

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

Pell Grant Calculations

During their audit of the Federal Pell Grant Program (CFDA 84.063), auditors noted that, when recalculated, the Pell Grant amounts for 7 of 80 students sampled did not agree to the actual Pell disbursement. Failure of the university to correctly calculate the Pell Grant awards resulted in under-awarding \$2,090. Title 34 CFR Part 690.62 requires that a student's Pell Grant for each payment period be calculated from the Pell Grant payment schedule established by the U.S. Department of Education each award year.

The auditors recommend that the university adhere to established procedures and ensure that the proper amounts from the Pell Grant payment schedules are used when computing Pell Grant awards. Also, the auditors recommend that the university take the necessary steps to credit the students' accounts for the under-awards. See management's response at B-230.

Refunds and Repayments to the Title IV Programs

During their audit of the Title IV program refunds and repayments, the auditors noted the following instances of noncompliance:

- Ten of 11 refunds were not refunded to the appropriate Title IV program on a timely basis.
- Nine of 11 refund calculations were not properly calculated, resulting in questioned costs of \$2,782. The university subsequently disbursed the funds, as required, to the U.S. Department of Education after June 30, 1996.

Title 34 CFR Subpart B Part 668.22 states that the institution shall return a portion of a refund owed to a student and the repayment received by the student to the Title IV program within a specified period if the student officially withdraws, drops out, or is expelled from the institution on or after the first day of class of a payment period. The regulations also provide specific guidance on the calculation of such refunds and repayments. This is the third consecutive year a finding of this nature has been reported.

The auditors recommend that the university adhere to established procedures with regard to the calculating and refunding amounts due to Title IV programs. See management's response at B-230.

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

NONCOMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO NONMAJOR FEDERAL
FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

GRAMBLING STATE UNIVERSITY

Independent auditors performed an audit of Grambling State University's federal financial assistance programs for the year ended June 30, 1996, and have issued their report thereon dated October 31, 1996. The following findings relating to the university's compliance with specific requirements applicable to nonmajor federal financial assistance program transactions were presented in their report:

College Work-Study Conflicts

During their audit of the Federal Work-Study Program (CFDA 84.033), the auditors noted that 2 of 14 students tested appeared to have worked instead of attending classes. In addition, the auditors noted that one out of 14 students tested appeared to have worked in excess of 20 hours per week. As such, the auditors have identified questioned costs of \$27. Office of Management and Budget Circular A-110 Subpart C, Section 21(b)(1) stipulates that recipients' financial management systems shall provide for accurate, current, and complete disclosure of the financial results of each federally sponsored project or program. This is the second consecutive year a finding of this nature has been reported.

The auditors recommend that management adhere to established procedures, document the reasons for any class schedule conflicts, and ensure students do not work in excess of prescribed hours. See management's response at B-35.

Nursing Student Loan Program

During their audit of the Nursing Student Loan Program (CFDA 93.364, NSL), the auditors noted that the U.S. Department of Health and Human Services (DHHS) has terminated the university's participation in the NSL Program because of the high default rate.

The auditors recommend that the university contact appropriate representatives from DHHS to obtain technical assistance in an attempt to return the NSL program to an active status. See management's response at B-37.

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Continued)

SOUTHERN UNIVERSITY SYSTEM

Independent auditors performed an audit of Southern University's federal financial assistance programs for the year ended June 30, 1996, and have issued their report thereon dated November 22, 1996. The following findings pertaining to the university's compliance with specific requirements applicable to nonmajor federal financial assistance program transactions were presented in their report:

**SOUTHERN UNIVERSITY AND A&M
COLLEGE (BATON ROUGE)**

Federal Work-Study Program

During their audit of the Federal Work-Study Program (CFDA 84.033), the auditors noted the following instances of noncompliance:

- The work hours for 2 of 15 students tested per their time sheets did not agree with the hours per the payroll register. This condition resulted in questioned costs of \$52.
- The work hours for 3 of 15 students tested per their time sheets did not agree with the hours per the payroll voucher. This condition resulted in questioned costs of \$30.
- Five students out of 15 tested appeared to have worked when they were scheduled to be in class. This condition resulted in questioned costs of \$276.

Office of Management and Budget Circular A-110 Subpart C Section 21(b)(1) states that recipients' financial management systems shall provide for accurate, current, and complete disclosure of the financial results of each federally sponsored project or program. This is the second consecutive year a finding of this nature has been reported.

The auditors recommend that management adhere to the established procedures and ensure that actual hours per time sheets are calculated properly, that students do not work hours in excess of actual awards, and that students do not work when they are scheduled to be in class. See management's response at B-199.

STATE OF LOUISIANA
FINDINGS AND RECOMMENDATIONS
Summary of Findings and Recommendations
From Other External Audits (Concluded)

SOUTHERN UNIVERSITY AT NEW ORLEANS

Ineligible Program Costs

During their audit of the TRIO - Upward Bound Program (CFDA 84.047), the auditors noted that the summer food service coordinator's salary was erroneously charged to the Upward Bound Program instead of the Child and Adult Care Food Program (CFDA 10.558). This error resulted in questioned costs of \$1,500. The grant agreement, related proposal, and program budget specified the personnel that were eligible to be paid from the Upward Bound Program.

The auditors recommend that the university take the necessary steps to adjust the accounting records and financial reports for the noted condition. See management's response at B-219.

Federal Work-Study Program

During their audit of the Federal Work-Study Program (CFDA 84.033), the auditors noted that 2 of 10 students tested appeared to have worked when they were scheduled to be in class. This condition resulted in questioned costs of \$21. Office of Management and Budget Circular A-110 Subpart C Section 21(b)(1) states that recipients' financial management systems shall provide for accurate, current, and complete disclosure of the financial results of each federally sponsored project or program.

The auditors recommend that the university adhere to established procedures and ensure that students do not work hours in excess of actual awards or when they are scheduled to be in class. Also, the auditors recommend that the university ensure that time sheets are properly retained. See management's response at B-220.

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Schedule H

Schedule of Unresolved Prior Audit Findings For the Year Ended June 30, 1996



LEGISLATIVE AUDITOR

Schedule H

STATE OF LOUISIANA

Schedule of Unresolved Prior Audit Findings
For the Year Ended June 30, 1996

	Current Report Page	Prior Report Page
EDUCATION, DEPARTMENT OF		
The department has not ensured that subrecipients of federal flow through funds have taken appropriate corrective action within six months after receiving audit reports, as required by Office of Management and Budget (OMB) Circular A-128.	160	114
The department has not complied with the Cash Management Improvement Act agreement, which includes several major federal financial assistance programs administered by the department.	139	101
The department has not complied with certain laws, regulations, and contract provisions that regulate the Child Care and Development Block Grant.	195	115
EXECUTIVE DEPARTMENT		
The state has not established an effective internal audit function for state government to examine, evaluate, and report on its internal control structure, including data processing, and to evaluate its compliance with the policies and procedures of the control system.	29	22
The state did not ensure that all state agencies, hospitals, universities, and component units maintain adequate internal accounting controls over movable property as prescribed by the Commissioner of Administration and Louisiana law.	23	23
The department's Patients' Compensation Fund Oversight Board did not maintain an adequate surplus in the Patients' Compensation Fund as required by Louisiana law.	92	75
The Louisiana Federal Property Assistance Agency does not have a system to ensure that subrecipients who receive \$25,000 or more of federal surplus property annually from the Donation of Federal Surplus Personal Property Program are audited, and audit reports are received as required by OMB Circular A-128.	199	136

STATE OF LOUISIANA
 Schedule of Unresolved Prior Audit Findings
 (Continued)

	Current Report Page	Prior Report Page
GRAMBLING STATE UNIVERSITY		
Some of the students participating in the Federal Work-Study Program worked when they were scheduled to be in class, which violates requirements of OMB Circular A-110.	221	174
HEALTH AND HOSPITALS, DEPARTMENT OF		
The department did not comply with the statutory formula for disbursing Substance Abuse Prevention and Treatment Block Grant funds.	***	136
The department could not provide documentation that all employees who are engaged in the performance of federal grants were given a copy of the department's drug-free workplace policy.	151	104
The department has not maintained adequate controls over fees due from providers to the Medical Assistance Trust Fund to ensure that amounts reported by providers are accurate.	35	42
The department has not complied with the Cash Management Improvement Act agreement, which specifies the procedures to be used for the five types of draws made by the department for the Medical Assistance Program (Medicaid).	149	105
The department did not consistently follow its internal control procedures that are designed to ensure that the department has complied with Civil Service rules and regulations and that time and attendance records are complete and accurate.	96	77

***The status of this finding could not be determined during fiscal year ended June 30, 1996; therefore, it was not presented in this report. Audit follow-up will be performed in fiscal year 1997.

LABOR, DEPARTMENT OF

STATE OF LOUISIANA

Schedule of Unresolved Prior Audit Findings

(Continued)

	Current Report Page	Prior Report Page
The department has not implemented procedures to ensure compliance with the Cash Management Improvement Act agreement, which includes two major federal financial assistance programs administered by the department.	152	107
 LOUISIANA EDUCATIONAL TELEVISION AUTHORITY		
Indirect cost reimbursements were calculated using the budgeted indirect cost amounts instead of the actual direct cost amounts for the Special Education - Preschool Grants Program.	205	146
 LOUISIANA STATE UNIVERSITY MEDICAL CENTER (NEW ORLEANS)		
The medical center has not instituted internal control policies and procedures to ensure that outstanding patient credit balances, which result from overpayments by patients and insurance companies, are reviewed and liquidated on a timely basis.	39	45
 LOUISIANA TECH UNIVERSITY		
The university did not maintain documentation indicating that the university mailed exit counseling material or conducted exit counseling with all FFEL Program borrowers on a timely basis.	176	*163
The university awarded student financial aid in excess of the student's documented need.	177	*163
 MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS		
The medical center has not completed the development and implementation of effective procedures to provide management with assurance that all charges incurred by patients are accurate and billed timely.	43	31

*These findings were presented in the Single Audit Report for the year ended June 30, 1994.

NICHOLLS STATE UNIVERSITY

The university did not maintain documentation of entrance counseling interviews with all first-time FFEL Program

STATE OF LOUISIANA

Schedule of Unresolved Prior Audit Findings

(Continued)

	Current Report Page	Prior Report Page
borrowers.	179	124

NORTHWESTERN STATE UNIVERSITY

The university’s computer center has deficiencies relating to general electronic data processing controls that could affect the integrity of programming, processing, and data.	47	49
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The university has not complied with the Code of Federal Regulations regarding refunds to some Title IV programs administered by the university.	179	126
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ORLEANS LEVEE DISTRICT

The district did not obtain written legal services contracts for all legal services as required by its established policies.	120	83
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The district did not maintain adequate internal controls over its professional services contracts, which, in some cases, resulted in noncompliance with state laws and regulations.	118	84
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PUBLIC HEALTH, OFFICE OF

The office has not ensured that recipients of the Commodity Supplemental Food Program and the recipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) do not participate in both programs.	186	127
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The office has not developed policies and procedures to ensure that food vendors for the WIC Program are charging for food packages in accordance with the WIC Grocer’s Price Report Sheet.	81	68
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PUBLIC HEALTH, OFFICE OF (CONT.)

The office has not performed a reconciliation of each food instrument issued with food instruments redeemed for the WIC Program.	186	128
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STATE OF LOUISIANA
 Schedule of Unresolved Prior Audit Findings
 (Continued)

	Current Report Page	Prior Report Page
PUBLIC SAFETY AND CORRECTIONS - CORRECTIONS SERVICES, DEPARTMENT OF		
The department continued a cooperative endeavor agreement with a private contractor for a state owned building without publicly advertising and bidding the building for use.....	124	87
PUBLIC SAFETY AND CORRECTIONS - PUBLIC SAFETY SERVICES, DEPARTMENT OF		
The department has not established an adequate internal control structure relating to electronic data processing controls that could affect the integrity of data.	51	52
RISK MANAGEMENT, OFFICE OF		
The office is not performing, on a sample basis, a field review of the original source documentation to support billings by contract attorneys.	58	56
SOCIAL SERVICES, DEPARTMENT OF		
The department does not have an adequate monitoring system to ensure that all of its applicable subrecipients and cost-reimbursement contractors are audited in accordance with <i>Government Auditing Standards</i>	189	130
The department does not have adequate internal controls over collections of child support as required by federal regulations.	84	69
SOCIAL SERVICES, DEPARTMENT OF (CONT.)		
The department did not perform proper intake, enforcement, and distribution activities in the Child Support Enforcement Program.	191	133
SOUTHERN UNIVERSITY SYSTEM		

STATE OF LOUISIANA

Schedule of Unresolved Prior Audit Findings

(Continued)

	Current Report Page	Prior Report Page
The university did not obtain collateral to secure the deposits in two bank accounts in the country of Zambia.	128	91
 SOUTHERN UNIVERSITY AND A&M COLLEGE (BATON ROUGE)		
The university incorrectly certified student loan applications for the FFEL Program.	211	166
The university did not comply with federal regulations and ensure that actual hours per student time sheets agreed to the payroll voucher and payroll register in the administration of the Federal Work-Study Program.	222	175
The university did not properly notify lenders of changes in students' enrollment status that occurred between the dates of submission of the Student Confirmation Reports. Some students were also enrolled at less than half-time, and this status was not reported to the loan guarantee agency.	212	164
In some instances, the Pell Grant amount to be awarded, when recalculated, did not agree to the actual Pell Grant disbursement.	212	163
The university did not comply with federal regulations and prescribed policies and procedures with regard to remitting Title IV refunds on a timely basis and ensuring that refunds and repayments were properly calculated.	213	165
 SOUTHERN UNIVERSITY AT NEW ORLEANS		
In some instances, the cost of attendance for students was incorrectly reported on the FFEL applications.	214	168
There was no documentation on file that exit interviews were held for some students as required by the regulations of the FFEL Program.	214	170
In some instances, the university incorrectly reported the enrollment status of students to the lender for the FFEL		

STATE OF LOUISIANA

Schedule of Unresolved Prior Audit Findings

(Continued)

	Current Report Page	Prior Report Page
Program.	215	167
One transfer student's file maintained by the Financial Aid Office did not contain a financial aid transcript.	215	168
The university did not notify lenders of changes in students' enrollment status that occurred between the dates of submission of the Student Confirmation Reports of the FFEL Program.	216	167
The university did not comply with federal regulations with regard to remitting refunds to the Title IV programs and ensuring that refunds and repayments were properly calculated.	217	169
The university awarded financial aid to students that did not meet the university's standards for achieving satisfactory academic progress.	217	170
In some instances, the university failed to obtain adequate financial information to support Student Aid Reports that were selected for verification by the U.S. Department of Education.	218	167

**SOUTHERN UNIVERSITY AT
SHREVEPORT-BOSSIER CITY**

The university does not maintain adequate internal controls over recording Federal Perkins Loans notes receivable transactions.	87	72
The university has not reimbursed state funds for loans improperly made during the prior fiscal year, nor has the university properly monitored the repayment status of these loans.	65	73
The university did not maintain documentation indicating that FFEL Program exit interviews were held for		

STATE OF LOUISIANA

Schedule of Unresolved Prior Audit Findings

(Continued)

	Current Report Page	Prior Report Page
some students.	218	171
The university did not notify lenders of changes in students' enrollment status that occurred between the dates of submission of the Student Confirmation Reports of the FFEL Program.	219	171
The university did not comply with federal regulations with regard to remitting refunds to the Title IV programs and ensuring that refunds and repayments were properly calculated.	220	172
 STATE EMPLOYEES GROUP BENEFITS PROGRAM		
The program has not established an adequate internal control structure that will reduce the risk of duplicate payments and ensure segregation of duties in the electronic claims processing system.	66	59
The program has not complied with the provisions of state law relating to the timely payment of health and death claims.	129	94

STATE OF LOUISIANA
 Schedule of Unresolved Prior Audit Findings
 (Concluded)

	Current Report Page	Prior Report Page
TRANSPORTATION AND DEVELOPMENT, DEPARTMENT OF		
The department does not have a plan to repay \$160 million borrowed by the Transportation Trust Fund from the Transportation Infrastructure Model for Economic Development Program.	133	96
UNIVERSITY OF NEW ORLEANS		
The university did not ensure that all employees and their supervisors certified the accuracy of attendance-leave records.	135	98
The university did not exercise adequate controls over student receivables and nonstudent receivables other than grants and contracts.	72	62
The university failed to adhere to prescribed policies and procedures with regard to remitting Title IV refunds on a timely basis and ensuring that refunds and repayments were properly calculated.	193	134
The university's Metro-Downtown Center does not have an adequate segregation of duties within the cash receipts function.	72	63

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Appendix A

Schedule of Federal Financial Assistance and Notes to the Schedule of Federal Financial Assistance For the Year Ended June 30, 1996



STATE OF LOUISIANA

Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
AGRICULTURE AND FORESTRY, DEPARTMENT OF		
U.S. DEPARTMENT OF AGRICULTURE		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$392,533
Agricultural Conservation Program	10.063	18,622
Forestry Incentives Program	10.064	49,000
Federal-State Cooperation in Warehouse Examination Agreement	10.071	47,642
Market News	10.153	2,000
Inspection Grading and Standardization	10.162	42,477
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	1,775,954
Food Distribution	10.550	18,491,273
State Administrative Expenses for Child Nutrition	10.560	266,749
Emergency Food Assistance Program (Administrative Costs)	10.568	999,343
Emergency Food Assistance Program (Food Commodities)	10.569	1,810,549
Cooperative Forestry Assistance	10.664	1,446,870
Agricultural Statistics Reports	10.950	55,000
Forest Management and Protection	NONE	45,000
U.S. DEPARTMENT OF COMMERCE		
Fishery Products Inspection and Certification	11.413	97,762
U.S. SMALL BUSINESS ADMINISTRATION		
Procurement Assistance to Small Businesses	59.009	184,693
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Wetlands Protection - State and Tribal Development Grants	66.461	8,000
Consolidated Pesticide Compliance Monitoring and Program Cooperative Agreements	66.700	495,327
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Food and Drug Administration - Research	93.103	1,028
Subtotal Department of Agriculture and Forestry		<u>26,229,822</u>
BOARD OF REGENTS FOR HIGHER EDUCATION		
U.S. DEPARTMENT OF DEFENSE		
Basic Scientific Research	12.431	13,811
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Aerospace Education Services Program	43.001	364,736

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
BOARD OF REGENTS FOR HIGHER EDUCATION (CONT.)		
NATIONAL SCIENCE FOUNDATION		
Computer and Information Science and Engineering	47.070	\$63,583
Education and Human Resources	47.076	1,638,502
U.S. DEPARTMENT OF ENERGY		
Basic Energy Sciences - University and Science Education	81.049	431,073
U.S. DEPARTMENT OF EDUCATION		
Eisenhower Mathematics and Science Education - State Grants	84.164	1,137,780
Subtotal Board of Regents for Higher Education		<u>3,649,485</u>
CULTURE, RECREATION AND TOURISM, DEPARTMENT OF		
U.S. DEPARTMENT OF THE INTERIOR		
Historic Preservation Fund Grants-in-Aid	15.904	773,947
Outdoor Recreation - Acquisition, Development, and Planning	15.916	689,381
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
Promotion of the Arts - Arts in Education	45.003	78,600
Promotion of the Arts - State and Regional Program	45.007	491,290
Promotion of the Arts - Presenting	45.011	45,000
Promotion of the Arts - Folk and Traditional Arts	45.015	10,000
U.S. DEPARTMENT OF EDUCATION		
Public Library Services	84.034	1,246,837
Interlibrary Cooperation and Resource Sharing	84.035	218,325
Public Library Construction and Technology Enhancement	84.154	174,477
U.S. DEPARTMENT OF AGRICULTURE		
Forest Service	NONE	2,500
U.S. DEPARTMENT OF DEFENSE		
Various Agreements	NONE	500
Subtotal Department of Culture, Recreation and Tourism		<u>3,730,857</u>

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
EDUCATION, DEPARTMENT OF		
U.S. DEPARTMENT OF AGRICULTURE		
School Breakfast Program	10.553	\$37,789,679
National School Lunch Program	10.555	127,745,737
Special Milk Program for Children	10.556	58,886
Child and Adult Care Food Program	10.558	48,719,996
Summer Food Service Program for Children	10.559	3,791,626
State Administrative Expenses for Child Nutrition	10.560	2,308,352
Nutrition Education and Training Program	10.564	297,038
U.S. DEPARTMENT OF LABOR		
Employment Services and Job Training - Pilot and Demonstration Programs	17.249	228,867
U.S. DEPARTMENT OF EDUCATION		
Adult Education - State Grant Program	84.002	4,685,196
Desegregation Assistance, Civil Rights Training, and Advisory Services	84.004	241,050
Education of Children with Disabilities in State Operated or Supported Schools	84.009	441,946
Title 1 Grants to Local Educational Agencies	84.010	195,840,221
Migrant Education - Basic State Grant Program	84.011	1,961,375
Title 1 Program for Neglected and Delinquent Children	84.013	443,419
Services for Children with Deaf-Blindness	84.025	84,794
Special Education - Grants to States	84.027	36,083,836
Special Education - Personnel Development and Parent Training	84.029	127,665
Vocational Education - Basic Grants to States	84.048	21,558,224
Vocational Education - Consumer and Homemaker Education	84.049	468,861
Federal Pell Grant Program	84.063	4,749,839
National Diffusion Network	84.073	95,030
Immigrant Education	84.162	153,060
Eisenhower Professional Development - National Activities	84.168	2,325,232
Special Education - Preschool Grants	84.173	6,644,939
Vocational Education - Community Based Organizations	84.174	205,155
Special Education - Grants for Infants and Families with Disabilities	84.181	3,489,088
Byrd Honors Scholarships	84.185	524,194
Safe and Drug-Free Schools and Communities - State Grants	84.186	7,846,477
Christa McAuliffe Fellowships	84.190	27,149
Bilingual Education Support Services	84.194	69,104

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
EDUCATION, DEPARTMENT OF (CONT.)		
U.S. DEPARTMENT OF EDUCATION (CONT.)		
Education for Homeless Children and Youth	84.196	\$731,620
Even Start - State Educational Agencies	84.213	2,408,410
Even Start - Migrant Education	84.214	271,373
Capital Expenses	84.216	1,175,817
State School Improvement Grants	84.218	807,117
Tech-Prep Education	84.243	2,572,253
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	6,077,805
Eisenhower Professional Development State Grants	84.281	1,819,035
Public Charter Schools	84.282	39,495
Foreign Languages Assistance	84.293	21,103
Innovative Education Program Strategies	84.298	6,799,338
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Grants to States for Planning and Development of Dependent Care Programs	93.673	92,852
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	169,354
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Learn and Serve America - School and Community Based Programs	94.004	10,834
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans Education Contract - Fixed Price Contract	NONE	176,345
VERY SPECIAL ARTS EDUCATION OFFICE		
Very Special Arts Grant - Fixed Price Contract	NONE	7,911
Subtotal Department of Education		<u>532,186,697</u>
ELDERLY AFFAIRS, OFFICE OF		
U.S. DEPARTMENT OF AGRICULTURE		
Nutrition Program for the Elderly (Commodities)	10.570	2,613,297
U.S. DEPARTMENT OF LABOR		
Senior Community Service Employment Program	17.235	1,336,942

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
ELDERLY AFFAIRS, OFFICE OF (CONT.)		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	\$76,237
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	16,647
Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	93.043	224,496
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	5,409,804
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	6,162,492
Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	93.046	102,485
Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	93.048	34,400
Special Programs for the Aging - Title VII, Chapter 6 - Allotments for Vulnerable Elder Rights Protection Programs	93.049	30
Subtotal Office of Elderly Affairs		<u>15,976,830</u>
ENVIRONMENTAL QUALITY, DEPARTMENT OF		
U.S. DEPARTMENT OF DEFENSE		
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	159,390
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Air Pollution Control Program Support	66.001	3,019,812
State Indoor Radon Grants	66.032	2,159
Water Pollution Control - State and Interstate Program Support	66.419	1,327,543
Construction Management Assistance	66.438	417,706
Water Quality Management Planning	66.454	176,807
National Estuary Program	66.456	1,352,927
Capitalization Grants for State Revolving Funds	66.458	28,913,808
Nonpoint Source Implementation Grants	66.460	694,270
National Pollutant Discharge Elimination System Related State Program Grants	66.463	40,000
Water Pollution Control - Research, Development, and Demonstration	66.505	20,954
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	137,319

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
ENVIRONMENTAL QUALITY, DEPARTMENT OF (CONT.)		
U.S. ENVIRONMENTAL PROTECTION AGENCY (CONT.)		
TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	66.707	\$136,799
Pollution Prevention Grants Program	66.708	111,243
Hazardous Waste Management State Program Support	66.801	2,531,708
Superfund State Site - Specific Cooperative Agreements	66.802	282,539
State Underground Storage Tanks Program	66.804	162,633
Leaking Underground Storage Tank Trust Fund Program	66.805	1,085,636
Solid Waste Management Assistance	66.808	10,999
CEPP Technical Assistance Grants Program	66.810	1,409
Various Agreements	NONE	138,045
U.S. NUCLEAR REGULATORY COMMISSION		
Nuclear Energy Cooperative Agreement	NONE	46,250
Subtotal Department of Environmental Quality		<u>40,769,956</u>
EXECUTIVE DEPARTMENT		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Community Development Block Grants/Entitlement Grants	14.218	814
Community Development Block Grants/State's Program	14.228	47,085,263
Rental Housing Rehabilitation	14.230	491
U.S. DEPARTMENT OF JUSTICE		
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	923,409
Criminal Justice Statistics Development	16.550	33,529
Crime Victim Assistance	16.575	1,161,886
Crime Victim Compensation	16.576	203,000
Byrne Formula Grant Program	16.579	6,655,910
Violence Against Women Formula Grants	16.588	13,144
U.S. GENERAL SERVICES ADMINISTRATION		
Donation of Federal Surplus Personal Property	39.003	12,630,515
U.S. DEPARTMENT OF EDUCATION		
State Literacy Resource Centers	84.254	110,275
State Postsecondary Review	84.267	28,865
U.S. DEPARTMENT OF AGRICULTURE		
Louisiana Rural Development Council	NONE	28,186
Video Auctioning Marketing Cooperative	NONE	22,314

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
EXECUTIVE DEPARTMENT (CONT.)		
U.S. DEPARTMENT OF DEFENSE		
Coastal Wetland	NONE	\$25,617
Teacher and Teacher's Aide Replacement Assistant Program	NONE	114,999
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Clean Air Act	NONE	3,579
Subtotal Executive Department		<u>69,041,796</u>
HEALTH AND HOSPITALS, DEPARTMENT OF		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Shelter Plus Care	14.238	45,922
U.S. DEPARTMENT OF EDUCATION		
State Grants for Assistive Technology	84.224	954,466
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Demonstration Grants for Residential Treatment for Women and Their Children	93.102	361,052
Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	93.119	73,378
Mental Health Planning and Demonstration Projects	93.125	385,027
Primary Care Services - Resource Coordination and Development Primary Care Offices	93.130	2,104
Projects for Assistance in Transition from Homelessness	93.150	201,906
Grants for State Loan Repayment	93.165	10,223
Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	93.196	3,369,721
Mental Health Research Grants	93.242	117,228
State Legalization Impact Assistance Grants	93.565	(23,537)
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,387,645
State Survey and Certification of Health Care Providers and Suppliers	93.777	5,056,610
Medical Assistance Program	93.778	2,495,538,578
Model Comprehensive Drug Abuse Treatment Programs for Critical Populations	93.902	623,693
Grants to States for Operation of Offices of Rural Health	93.913	381
HIV Care Formula Grants	93.917	263,301
Block Grants for Community Mental Health Services	93.958	2,974,719
Block Grants for Prevention and Treatment of Substance Abuse	93.959	21,209,385

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
HEALTH AND HOSPITALS, DEPARTMENT OF (CONT.)		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONT.)		
Mental Health Disaster Assistance and Emergency Mental Health	93.982	\$569,688
State Demand and Needs Assessment Studies: Alcohol and Other Drugs	NONE	244,743
SSA/SSI Referral & Monitoring Contract	NONE	5,956
Grants to States - Alcohol and Drug Abuse Data Collection Systems	NONE	31,114
Subtotal Department of Health and Hospitals		<u>2,533,403,303</u>
INSURANCE, DEPARTMENT OF		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Health Care Financing Research, Demonstrations and Evaluations	93.779	126,516
Subtotal Department of Insurance		<u>126,516</u>
JUSTICE, DEPARTMENT OF		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Fair Housing Assistance Program - State and Local	14.401	130,157
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
State Medicaid Fraud Control Units	93.775	834,605
Subtotal Department of Justice		<u>964,762</u>
LABOR, DEPARTMENT OF		
U.S. DEPARTMENT OF LABOR		
Labor Force Statistics	17.002	1,330,559
Compensation and Working Conditions Data	17.005	82,205
Labor Certification for Alien Workers	17.203	289,176
Employment Service	17.207	11,701,189
Unemployment Insurance	17.225	174,959,104
Trade Adjustment Assistance - Workers	17.245	738,758
Employment and Training Assistance - Dislocated Workers	17.246	19,931,685
Job Training Partnership Act	17.250	43,583,370
Occupational Safety and Health Administration	17.504	264,453
Disabled Veterans' Outreach Program (DVOP)	17.801	863,672
Local Veterans' Employment Representative Program	17.804	682,730

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
LABOR, DEPARTMENT OF (CONT.)		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Community Services Block Grant	93.569	\$9,211,224
Community Services Block Grant Discretionary Awards - Community Food and Nutrition	93.571	116,918
Emergency Community Services for the Homeless	93.572	358,139
Various Agreements	NONE	(66,650)
Subtotal Department of Labor		<u>264,046,532</u>
LIEUTENANT GOVERNOR, OFFICE OF THE		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Learn and Serve America - School and Community Based Programs	94.004	159,687
AmeriCorps	94.006	1,790,501
Various Agreements	NONE	223,972
Subtotal Office of the Lieutenant Governor		<u>2,174,160</u>
LOUISIANA EDUCATIONAL TELEVISION AUTHORITY		
LOUISIANA ENDOWMENT FOR THE HUMANITIES		
Promotion of the Humanities - Federal-State Partnership	45.129	212
Subtotal Louisiana Educational Television Authority		<u>212</u>
LOUISIANA HOUSING FINANCE AGENCY		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Shelter Plus Care	14.238	42,480
HOME Investment Partnerships Program	14.239	1,695,120
Housing Opportunities for Persons with AIDS	14.241	103,617
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	2,272,293
Subtotal Louisiana Housing Finance Agency		<u>4,113,510</u>
LOUISIANA SYSTEMIC INITIATIVES PROGRAM		
NATIONAL SCIENCE FOUNDATION		
Education and Human Resources	47.076	2,567,884
NATCHITOCHE PARISH SCHOOL BOARD		
Local Innovation - Challenge Grants for Technology in Education	84.303	151,290
Subtotal Louisiana Systemic Initiatives Program		<u>2,719,174</u>

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
LOUISIANA UNIVERSITIES MARINE CONSORTIUM		
U.S. DEPARTMENT OF THE INTERIOR		
Coastal Wetlands Planning, Protection and Restoration Act	15.614	\$32,757
National Water Resources Research Program	15.806	21,629
Various Agreements	NONE	3,165
NATIONAL SCIENCE FOUNDATION		
Geosciences	47.050	657,860
U.S. DEPARTMENT OF ENERGY		
Energy-Related Inventions	81.036	38,127
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Stennis Space Center/Graduate Student Researchers Program	NONE	27,037
U.S. DEPARTMENT OF COMMERCE		
Analysis of Microzooplankton Samples	NONE	10,848
U.S. DEPARTMENT OF DEFENSE		
Scientific Assistance to Louisiana Coastal Conservation/Restoration Task Force	NONE	52,159
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Year of the Gulf . . . Surveys, Studies, Investigations	NONE	15,330
Subtotal Louisiana Universities Marine Consortium		<u>858,912</u>
MEDICAL CENTER OF LOUISIANA AT NEW ORLEANS		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Nurse Anesthetist Traineeships	93.124	36,848
Subtotal Medical Center of Louisiana at New Orleans		<u>36,848</u>
MILITARY AFFAIRS, DEPARTMENT OF		
U.S. DEPARTMENT OF DEFENSE		
Military Construction, National Guard	12.400	2,264,759
National Guard Military Operations and Maintenance (O & M) Projects	12.401	4,927,622
Youth Challenge	NONE	4,542,181
England Air Force Base - Firefighters	NONE	318,892
Joint Readiness Training Center	NONE	111,873
Miscellaneous Funding Agreements	NONE	183,185

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
MILITARY AFFAIRS, DEPARTMENT OF (CONT.)		
FEDERAL EMERGENCY MANAGEMENT AGENCY		
Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act of 1986	83.011	\$86,200
Community Assistance Program - State Support Services Element (CAP - SSSE)	83.105	70,356
State Disaster Preparedness Grants	83.505	58,900
Disaster Assistance	83.516	37,141,927
Hurricane Program	83.520	102,940
Earthquake Hazards Reduction Grants	83.521	28,327
Emergency Management - State and Local Assistance	83.534	1,788,278
U.S. DEPARTMENT OF JUSTICE		
Federal Marshals	NONE	564,514
Subtotal Department of Military Affairs		<u>52,189,954</u>
MORGAN CITY HARBOR AND TERMINAL DISTRICT		
U.S. DEPARTMENT OF COMMERCE		
Economic Development - Grants for Public Works and Infrastructure Development	11.300	49,883
Subtotal Morgan City Harbor and Terminal District		<u>49,883</u>
NATURAL RESOURCES, DEPARTMENT OF		
U.S. DEPARTMENT OF COMMERCE		
Coastal Zone Management Administration Awards	11.419	1,839,463
Habitat Conservation	11.463	851,048
U.S. DEPARTMENT OF THE INTERIOR		
Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	15.250	160,527
Abandoned Mine Land Reclamation (AMLR) Program	15.252	50,397
Mineral Management Service	NONE	99,426
U.S. Geological Survey	NONE	8,358
U.S. DEPARTMENT OF TRANSPORTATION		
Pipeline Safety	20.700	405,957
U.S. ENVIRONMENTAL PROTECTION AGENCY		
State Underground Water Source Protection	66.433	347,099
Wetlands Protection - State and Tribal Development Grants	66.461	51,799

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
NATURAL RESOURCES, DEPARTMENT OF (CONT.)		
U.S. DEPARTMENT OF ENERGY		
State Energy Conservation	81.041	\$166,904
Energy Conservation for Institutional Buildings	81.052	116,894
Petroleum Violation Escrow Funds	NONE	4,238,922
UNIVERSITY OF TEXAS AT AUSTIN		
Mineral Management Service	NONE	10,546
U.S. DEPARTMENT OF DEFENSE		
Various Agreements	NONE	1,141,981
Subtotal Department of Natural Resources		<u>9,489,321</u>
ORLEANS LEVEE DISTRICT		
U.S. DEPARTMENT OF TRANSPORTATION		
Airport Improvement Program	20.106	3,012,509
Subtotal Orleans Levee District		<u>3,012,509</u>
PINECREST DEVELOPMENTAL CENTER		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Foster Grandparent Program	94.011	269,786
Subtotal Pinecrest Developmental Center		<u>269,786</u>
PUBLIC HEALTH, OFFICE OF		
U.S. DEPARTMENT OF AGRICULTURE		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	73,247,510
Commodity Supplemental Food Program	10.565	16,912,317
U.S. ENVIRONMENTAL PROTECTION AGENCY		
State Public Water System Supervision	66.432	1,152,300
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Maternal and Child Health Federal Consolidated Programs	93.110	158,247
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	1,032,449
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	5,024,666

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

**STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
PUBLIC HEALTH, OFFICE OF (CONT.)		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONT.)		
Primary Care Services - Resource Coordination and Development Primary Care Offices	93.130	\$227,774
Health Program for Toxic Substances and Disease Registry	93.161	258,726
Grants for State Loan Repayment	93.165	138,347
Health Activities Recommendation Panel Health Activities	93.203	4,243
Family Planning - Services	93.217	3,601,879
Childhood Immunization Grants	93.268	1,895,046
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	1,151,310
Grants to States for Operation of Offices of Rural Health	93.913	7,795
HIV Care Formula Grants	93.917	2,960,312
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	32,068
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	203,924
Assistance Program for Chronic Disease Prevention and Control	93.945	558,188
Modification of Trauma Care Component of State EMS Plan	93.953	68,436
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	1,289,377
Preventive Health Services - Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	93.978	245,395
Health Programs for Refugees	93.987	37,509
Preventive Health and Health Services Block Grant	93.991	5,038,486
Maternal and Child Health Services Block Grant to the States	93.994	18,773,409
Various Agreements	NONE	334,790
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Various Agreements	NONE	276,035
Subtotal Office of Public Health		<u>134,630,538</u>
PUBLIC SAFETY AND CORRECTIONS - CORRECTIONS SERVICES, DEPARTMENT OF		
U.S. DEPARTMENT OF JUSTICE		
Juvenile Justice and Delinquency Prevention - Special Emphasis	16.541	28,428
State Criminal Alien Assistance Program	16.572	176,340

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
PUBLIC SAFETY AND CORRECTIONS - CORRECTIONS SERVICES, DEPARTMENT OF (CONT.)		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Model Criminal Justice Drug Abuse Treatment for Incarcerated Populations, Non-Incarcerated Populations and Juvenile Justice Populations	93.903	\$399,543
Subtotal Department of Public Safety and Corrections - Corrections Services		<u>604,311</u>
PUBLIC SAFETY AND CORRECTIONS - PUBLIC SAFETY SERVICES, DEPARTMENT OF		
U.S. DEPARTMENT OF TRANSPORTATION		
Motor Carrier Safety Assistance Program	20.218	1,427,328
State and Community Highway Safety	20.600	2,316,560
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	59,723
U.S. DEPARTMENT OF JUSTICE		
Drug Enforcement Administration	NONE	291,436
Various Agreements	NONE	13,143
U.S. DEPARTMENT OF STATE		
Anti-Terrorism Assistance Program	NONE	1,817,030
Subtotal Department of Public Safety and Corrections - Public Safety Services		<u>5,925,220</u>
REVENUE AND TAXATION, DEPARTMENT OF		
U.S. DEPARTMENT OF TRANSPORTATION		
Highway Planning and Construction	20.205	90,519
Subtotal Department of Revenue and Taxation		<u>90,519</u>
SOCIAL SERVICES, DEPARTMENT OF		
U.S. DEPARTMENT OF AGRICULTURE		
Food Stamps	10.551	603,329,917
State Administrative Matching Grants for Food Stamp Program	10.561	40,804,184
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Emergency Shelter Grants Program	14.231	1,148,506

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See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
SOCIAL SERVICES, DEPARTMENT OF (CONT.)		
U.S. DEPARTMENT OF ENERGY		
Weatherization Assistance for Low-Income Persons	81.042	\$1,672,389
U.S. DEPARTMENT OF EDUCATION		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	42,734,643
Independent Living - State Grants	84.169	919,856
Supported Employment Services for Individuals with Severe Disabilities	84.187	1,340,332
Rehabilitation Training--State Vocational Rehabilitation Unit In-Service Training	84.265	67,412
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Family Support Payments to States - Assistance Payments	93.560	109,865,101
Job Opportunities and Basic Skills Training	93.561	18,149,598
Child Support Enforcement	93.563	23,784,605
Refugee and Entrant Assistance - State Administered Programs	93.566	965,791
Low-Income Home Energy Assistance	93.568	4,710,428
Child Care for Families At-Risk of Welfare Dependency	93.574	2,141,627
Child Care and Development Block Grant	93.575	17,950,137
Refugee and Entrant Assistance - Targeted Assistance	93.584	118,134
Empowerment Zones Program	93.585	1,787,761
Children's Justice Grants to States	93.643	189,982
Child Welfare Services - State Grants	93.645	8,912,472
Foster Care - Title IV-E	93.658	44,711,691
Adoption Assistance	93.659	4,643,452
Social Services Block Grant	93.667	46,352,945
Child Abuse and Neglect Discretionary Activities	93.670	179,403
Community-Based Prevention Program	93.672	113,497
Independent Living	93.674	1,114,393
SOCIAL SECURITY ADMINISTRATION		
Social Security - Disability Insurance	96.001	28,950,817
Subtotal Department of Social Services		<u>1,006,659,073</u>
STATE COUNCIL ON VOCATIONAL EDUCATION		
U.S. DEPARTMENT OF EDUCATION		
Vocational Education - State Councils	84.053	159,270
Subtotal State Council on Vocational Education		<u>159,270</u>

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
STUDENT FINANCIAL ASSISTANCE, OFFICE OF		
U.S. DEPARTMENT OF EDUCATION		
Federal Family Education Loans	84.032	\$19,450,203
State Student Incentives Grants	84.069	900,755
Subtotal Office of Student Financial Assistance		<u>20,350,958</u>
SUPREME COURT OF LOUISIANA		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
State Court Improvement Program	93.586	88,791
STATE JUSTICE INSTITUTE		
Louisiana Vision of Fairness	NONE	19,260
Subtotal Supreme Court of Louisiana		<u>108,051</u>
TRANSPORTATION AND DEVELOPMENT, DEPARTMENT OF		
U.S. DEPARTMENT OF TRANSPORTATION		
Airport Improvement Program	20.106	8,441,535
Highway Planning and Construction	20.205	259,479,610
Highway Beautification - Control of Outdoor Advertising and Control of Junkyards	20.214	3,577
Local Rail Freight Assistance	20.308	477,238
Federal Transit Capital Improvement Grants	20.500	1,803,318
Federal Transit Technical Studies Grants	20.505	569,504
Federal Transit Capital and Operating Assistance Formula Grants	20.507	660,000
Public Transportation for Nonurbanized Areas	20.509	2,473,016
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	918,919
FEDERAL EMERGENCY MANAGEMENT AGENCY		
Community Assistance Program - State Support Services Element (CAP - SSSE)	83.105	12,500
Subtotal Department of Transportation and Development		<u>274,839,217</u>
TREASURY, DEPARTMENT OF THE		
U.S. DEPARTMENT OF AGRICULTURE		
Schools and Roads - Grants to States	10.665	2,356,444

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See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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TREASURY, DEPARTMENT OF THE (CONT.)		
U.S. DEPARTMENT OF DEFENSE		
Payments to States in Lieu of Real Estate Taxes	12.112	\$156,574
Military Installation Timber Sale Receipts	NONE	751,791
U.S. DEPARTMENT OF THE INTERIOR		
Mineral Lease Income	NONE	292,200
U.S. DEPARTMENT OF EDUCATION		
Federal Annual Bond Interest Grant	NONE	126,136
Subtotal Department of the Treasury		<u>3,683,145</u>
VETERANS AFFAIRS, DEPARTMENT OF		
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans State Nursing Home Care	64.015	2,413,457
Subtotal Department of Veterans Affairs		<u>2,413,457</u>
WEST JEFFERSON LEVEE DISTRICT		
U.S. DEPARTMENT OF DEFENSE		
Mississippi River Levees, Gretna Levee Enlargement, I-Wall, and Concrete Slope Pavement, Phase IIA	NONE	358,156
Subtotal West Jefferson Levee District		<u>358,156</u>
WILDLIFE AND FISHERIES, DEPARTMENT OF		
U.S. DEPARTMENT OF COMMERCE		
Interjurisdictional Fisheries Act of 1986	11.407	184,794
Cooperative Fishery Statistics	11.434	98,786
Southeast Area Monitoring and Assessment Program	11.435	108,984
Dire Emergency Appropriation Act	NONE	1,356,544
Various Agreements	NONE	25,000
U.S. DEPARTMENT OF DEFENSE		
Aquatic Plant Control	12.100	246,034
U.S. DEPARTMENT OF THE INTERIOR		
Sport Fish Restoration	15.605	3,111,076
Wildlife Restoration	15.611	2,062,222

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See accompanying Notes to the Schedule of Federal Financial Assistance.

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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
WILDLIFE AND FISHERIES, DEPARTMENT OF (CONT.)		
U.S. DEPARTMENT OF THE INTERIOR (CONT.)		
Endangered Species Conservation	15.612	\$691,227
Coastal Wetlands Planning, Protection and Restoration Act	15.614	20,000
Wildlife Conservation and Appreciation	15.617	56,615
Migratory Bird Banding and Data Analysis	15.976	292,144
Breeding Bird Atlas	NONE	23,757
Dire Emergency Appropriation Fund	NONE	9,080,023
Dire Emergency Supplemental Appropriation for Hurricane Andrew	NONE	386,217
U.S. DEPARTMENT OF TRANSPORTATION		
Boating Safety Financial Assistance	20.005	525,418
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Wetlands Protection - State and Tribal Development Grants	66.461	6,478
U.S. DEPARTMENT OF ENERGY		
Fossil Energy Research and Development	81.089	2,411
U.S. DEPARTMENT OF AGRICULTURE		
Various Agreements	NONE	399,560
Subtotal Department of Wildlife and Fisheries		<u>18,677,290</u>
WOMEN'S SERVICES, OFFICE OF		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Family Violence Prevention and Services - Grants to States and Indian Tribes	93.671	304,005
Subtotal Office of Women's Services		<u>304,005</u>
DELGADO COMMUNITY COLLEGE		
ORLEANS PRIVATE INDUSTRY COUNCIL		
Job Training Partnership Act	17.250	183,464
JEFFERSON PARISH MANPOWER		
Job Training Partnership Act	17.250	91,208

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See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
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DELGADO COMMUNITY COLLEGE (CONT.)		
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	\$300,000
Federal Work-Study Program	84.033	163,352
TRIO - Upward Bound	84.047	116,605
Federal Pell Grant Program	84.063	8,275,486
Various Agreements	NONE	25,000
Subtotal Delgado Community College		<u>9,155,115</u>
ELAINE P. NUNEZ COMMUNITY COLLEGE		
NATIONAL SCIENCE FOUNDATION		
Computer and Information Science and Engineering	47.070	13,699
U.S. DEPARTMENT OF EDUCATION		
Federal Work-Study Program	84.033	76,038
Federal Pell Grant Program	84.063	965,646
Subtotal Elaine P. Nunez Community College		<u>1,055,383</u>
GRAMBLING STATE UNIVERSITY		
U.S. DEPARTMENT OF THE INTERIOR		
Fish and Wildlife Management Assistance	15.608	8,816
U.S. INFORMATION AGENCY		
Educational Exchange - University Lecturers (Professors) and Research Scholars	82.002	15,867
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	674,059
Higher Education - Institutional Aid	84.031	1,643,339
Federal Work-Study Program	84.033	887,312
TRIO - Student Support Services	84.042	115,023
TRIO - Upward Bound	84.047	461,908
Federal Pell Grant Program	84.063	9,498,404
Minority Science Improvement	84.120	82,580
Eisenhower Professional Development - National Activities	84.168	3,836

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

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GRAMBLING STATE UNIVERSITY (CONT.)		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	93.048	\$71,168
Child Welfare Research and Demonstration	93.608	26,150
Grants for Residency Training in General Internal Medicine and/or General Pediatrics	93.884	165,695
Various Agreements	NONE	237,961
NATIONAL COLLEGIATE ATHLETIC ASSOCIATION		
Various Agreements	NONE	109,999
NATIONAL SCIENCE FOUNDATION		
Various Agreements	NONE	91,894
U.S. DEPARTMENT OF DEFENSE		
Institute of Science for Pursuit of Graduate Studies	NONE	243,092
United States Army ROTC Cadet Command	NONE	7,351
Parallel and Distributed Evaluation, Visualization, and AI Reasoning to Advanced Distributed Interactive Simulation Technology	NONE	909,150
U.S. DEPARTMENT OF ENERGY		
Various Agreements	NONE	64,763
U.S. DEPARTMENT OF TRANSPORTATION		
Various Agreements	NONE	(7,046)
OTHER GRANTS AND CONTRACTS		
Various Agreements	NONE	175,072
Subtotal Grambling State University		<u>15,486,393</u>
LOUISIANA STATE UNIVERSITY AGRICULTURAL CENTER		
U.S. DEPARTMENT OF AGRICULTURE		
Plant and Animal Disease, Pest Control, and Animal Care	10.025	76,468
Rural Clean Water Program	10.068	53,777
Grants for Agricultural Research, Special Research Grants	10.200	814,484
Cooperative Forestry Research	10.202	414,472
Payments to Agricultural Experiment Stations Under Hatch Act	10.203	2,906,188
Grants for Agricultural Research - Competitive Research Grants	10.206	116,365

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See accompanying Notes to the Schedule of Federal Financial Assistance.

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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
LOUISIANA STATE UNIVERSITY AGRICULTURAL CENTER (CONT.)		
U.S. DEPARTMENT OF AGRICULTURE (CONT.)		
Animal Health and Disease Research	10.207	\$54,414
Higher Education Challenge Grants	10.217	34,594
Biotechnology Risk Assessment Research	10.219	1,117
Cooperative Extension Service	10.500	6,778,427
Forestry Research	10.652	280,016
Cooperative Forestry Assistance	10.664	24,375
Technical Agricultural Assistance	10.960	34,841
International Agricultural Research Program	10.961	36,411
International Training - Foreign Participant	10.962	64,928
Various Agreements	NONE	1,067,407
Fixed Price Contracts	NONE	27,592
TEXAS AGRICULTURAL EXPERIMENT STATION - TEXAS A&M UNIVERSITY SYSTEM		
Grants for Agricultural Research, Special Research Grants	10.200	25,190
OKLAHOMA STATE UNIVERSITY		
Grants for Agricultural Research, Special Research Grants	10.200	14,204
BOARD OF REGENTS OF THE UNIVERSITY OF GEORGIA SYSTEM		
Grants for Agricultural Research, Special Research Grants	10.200	13,537
MISSISSIPPI STATE UNIVERSITY		
Forestry Research	10.652	10,384
A Producer-Based Aquaculture Assurance Program	NONE	(493)
Populous Crop Development of the Southeastern United States - Fixed Price Contract	NONE	14,272
U.S. DEPARTMENT OF COMMERCE		
Intergovernmental Climate - Program	11.428	79,914
Marine Fisheries Initiative	11.433	68,976
Commerce Agreement	NONE	1
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Wetlands Protection - State and Tribal Development Grants	66.461	83,679
Pesticides Control Research	66.502	7,275
Consolidated Pesticide Compliance Monitoring and Program Cooperative Agreements	66.700	45,184
Environmental Education Grants	66.951	15,409

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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
LOUISIANA STATE UNIVERSITY AGRICULTURAL CENTER (CONT.)		
U.S. DEPARTMENT OF EDUCATION Federal Work-Study Program	84.033	\$17,352
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Academic Research Enhancement Award	93.390	24,466
CLEMSON UNIVERSITY Increase the Awareness and Understanding by Farmers of the 1994 Crop Insurance Reform Act	NONE	607
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION Various Agreements	NONE	220,714
NORTH CAROLINA UNIVERSITY Implementation of TQM & HACCP Concepts for Processing Aquaculture Products	NONE	7,298
THIRTY-NINTH JUDICIAL DISTRICT COURT Families in Need of Services	NONE	2,909
U.S. DEPARTMENT OF THE INTERIOR Various Agreements	NONE	512,422
Geological Survey Fixed Price Contracts	NONE	3,400
U.S. TENNESSEE VALLEY AUTHORITY Various Agreements	NONE	8,977
UNIVERSITY OF ARKANSAS National Canola Research Program for the Mid-South Region	NONE	17,226
UNIVERSITY OF WISCONSIN - EXTENSION National Extension Leadership Development Program	NONE	422
OTHER GRANTS AND CONTRACTS		
American Collegiate Consortium for East - West Cultural Exchange	NONE	128,674
American Collegiate Consortium for East - West Cultural Exchange - Fixed Price Contract	NONE	30,446
Caring Connections	NONE	5,515
Consortium for International Development	NONE	1
Delta Community Action Incorporated	NONE	12,457

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See accompanying Notes to the Schedule of Federal Financial Assistance.

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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
LOUISIANA STATE UNIVERSITY AGRICULTURAL CENTER (CONT.)		
OTHER GRANTS AND CONTRACTS (CONT.)		
Lee Wilson and Associates - Fixed Price Contract	NONE	\$765
Louis Berger International, Incorporated	NONE	48,117
The Louisiana Forestry Association - Fixed Price Contract	NONE	6,000
Midwest Research Institute - Fixed Price Contract	NONE	42,882
National Fish and Wildlife Foundation	NONE	455
Ocean City Research Corporation	NONE	300
Partners for International Education and Training	NONE	(40)
Southern Regional Aquaculture Center	NONE	44,028
Volunteers of America of Greater New Orleans, Incorporated	NONE	14,383
Subtotal Louisiana State University Agricultural Center		<u>14,313,184</u>
PENNINGTON BIOMEDICAL RESEARCH CENTER		
U.S. DEPARTMENT OF AGRICULTURE		
Grants for Agricultural Research, Special Research Grants	10.200	596,772
Grants for Agricultural Research - Competitive Research Grants	10.206	134,922
Various Agreements	NONE	134,570
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Research Related to Deafness and Communication Disorders	93.173	68,132
Mental Health Research Grants	93.242	366,024
Comparative Medicine	93.306	1,455
Heart and Vascular Diseases Research	93.837	896,038
Diabetes, Endocrinology and Metabolism Research	93.847	638,974
Digestive Diseases and Nutrition Research	93.848	1,353,468
Research for Mothers and Children	93.865	213,621
Public Health Agreement	NONE	(1,131)
U.S. DEPARTMENT OF DEFENSE		
Various Agreements	NONE	2,536,627
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Various Agreements	NONE	558,854
Subtotal Pennington Biomedical Research Center		<u>7,498,326</u>

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See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE)		
U.S. DEPARTMENT OF AGRICULTURE		
Grants for Agricultural Research, Special Research Grants	10.200	\$39,185
Grants for Agricultural Research - Competitive Research Grants	10.206	334,534
Higher Education Challenge Grants	10.217	7,040
Various Agreements	NONE	106,154
U.S. DEPARTMENT OF COMMERCE		
Economic Development - Grants for Public Works and Infrastructure Development	11.300	3,231
Sea Grant Support	11.417	1,814,603
Coastal Zone Management Estuarine Research Reserves	11.420	1
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	34,885
Intergovernmental Climate - Program	11.428	412,292
Climate and Atmospheric Research	11.431	(127)
Marine Fisheries Initiative	11.433	75,871
Various Agreements	NONE	706,994
Various Fixed Price Contracts	NONE	50,749
UNIVERSITY OF FLORIDA		
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	30,334
Biological Response to Environmental Health Hazards Regional Technology Transfer Center Louisiana	93.113	44,058
Affiliate Technology Transfer Services	NONE	83,876
Health Effects of Chlorinated Compounds	NONE	29,379
UNIVERSITY OF NORTH CAROLINA AT WILMINGTON		
Undersea Research	11.430	14,877
U.S. DEPARTMENT OF DEFENSE		
Basic and Applied Scientific Research	12.300	774,135
Basic, Applied, and Advanced Research in Science and Engineering	12.630	8,467
Air Force Defense Research Sciences Program	12.800	370,032
Mathematical Sciences Grants Program	12.901	63,435
Various Agreements	NONE	1,803,583
Various Fixed Price Contracts	NONE	111,458

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STATE OF LOUISIANA
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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
UNIVERSITY OF SOUTHERN CALIFORNIA		
Basic, Applied, and Advanced Research in Science and Engineering	12.630	\$172,738
WASHINGTON UNIVERSITY		
Air Force Defense Research Sciences Program	12.800	45,286
U.S. DEPARTMENT OF THE INTERIOR		
Assistance to State Water Resources Research Institutes	15.805	120,497
Earthquake Hazards Reduction Program	15.807	1,429
Geological Survey - Research and Data Acquisition	15.808	45,778
Various Agreements	NONE	2,894,353
Various Fixed Price Contracts	NONE	194,212
CITY OF BATON ROUGE		
Job Training Partnership Act	17.250	97,313
Baton Rouge City Court Volunteers in the Court Program - Fixed Price Contract	NONE	807
THE PRIVATE INDUSTRY COUNCIL FOR THE TERREBONNE CONSORTIUM		
Job Training Partnership Act	17.250	776
TANGIPAHOA PARISH CONSORTIUM		
Job Training Partnership Act	17.250	197,155
TANGIPAHOA PARISH SCHOOL BOARD		
Job Training Partnership Act	17.250	80,994
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Aerospace Education Services Program	43.001	41,767
Various Agreements	NONE	893,060
Fixed Price Contract	NONE	23,100
LOUISIANA ENDOWMENT FOR THE HUMANITIES		
Promotion of the Humanities - Federal-State Partnership	45.129	348

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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
Promotion of the Humanities - Fellowships and Stipends	45.160	\$15,000
Promotion of the Humanities - Collaborative Research	45.161	7,000
Arts and Humanities Agreement	NONE	(44)
TEXAS A&M RESEARCH FOUNDATION		
Geosciences - Fixed Price Contracts	47.050	18,682
Intelligent Vehicle Highway Systems Research Centers at Excellence	NONE	41,785
An Epidemiologic Study of Equine Laminitis in Veterinary Teaching Hospitals - Fixed Price Contract	NONE	1,000
Louisiana/Texas Physical Oceanography Program	NONE	47,403
U.S. SMALL BUSINESS ADMINISTRATION		
Business Development Assistance to Small Business - Fixed Price Contract	59.005	4,000
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Wetlands Protection - State and Tribal Development Grants	66.461	28,578
Solid Waste Disposal Research	66.504	148,842
Water Pollution Control - Research, Development, and Demonstration	66.505	633,214
Environmental Education Grants	66.951	16,101
Various Agreements	NONE	2,445,614
U.S. DEPARTMENT OF ENERGY		
Basic Energy Sciences - University and Science Education	81.049	978,629
Oil Recovery Demonstration	81.107	46,735
Various Agreements	NONE	1,350,378
Fixed Price Contract	NONE	20,456
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	473,638
International: Overseas - Faculty Research Abroad	84.019	37,927
Federal Work-Study Program	84.033	826,414
Library Education and Training	84.036	40,639
Federal Perkins Loan Program - Federal Capital Contributions	84.038	13,135
Library Research and Demonstrations	84.039	833,169
TRIO - Student Support Services	84.042	228,131

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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
U.S. DEPARTMENT OF EDUCATION (CONT.)		
Federal Pell Grant Program	84.063	\$6,610,415
McNair Post-Baccalaureate Achievement	84.217	187,526
Various Agreements	NONE	43,093
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Biological Response to Environmental Health Hazards	93.113	118,260
Oral Diseases and Disorders Research	93.121	121,562
Human Genome Research	93.172	139,732
Research Related to Deafness and Communication Disorders	93.173	42,725
Alcohol Research Programs	93.273	187,842
Drug Abuse Research Programs	93.279	103,090
Comparative Medicine	93.306	69,517
Biomedical Research Support	93.337	144,514
Cancer Detection and Diagnosis Research	93.394	136,642
Cell Biology and Biophysics Research	93.821	555,969
Lung Diseases Research	93.838	209,320
Diabetes, Endocrinology and Metabolism Research	93.847	629
Digestive Diseases and Nutrition Research	93.848	(459)
Microbiology and Infectious Diseases Research	93.856	132,772
Pharmacology, Physiology, and Biological Chemistry Research	93.859	15,937
Minority Access to Research Careers	93.880	9,462
Senior International Fellowships	93.989	2,018
Various Agreements	NONE	57,323
Public Health Fixed Price Contracts	NONE	277,772
THE TRUSTEES OF INDIANA UNIVERSITY		
Biological Models and Materials Research	93.198	72,807
ASCENSION PARISH SCHOOL BOARD		
Teaching With Finesse	NONE	11,039
BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM		
Assessing the Geomorphic Evolution and Hydrographic Changes Induced by Winter Storms Along the Louisiana Coast	NONE	48,490
THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS		
Biogeochemistry of Constructed Wetlands: Reducing Agricultural NPS Pollution	NONE	2,741

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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
CALIFORNIA INSTITUTE OF TECHNOLOGY Studies of Large-Magnitude Intracontinental Extensional Tectonism in the Basin and Range Province, California and Nevada	NONE	\$38,337
CENTRAL WASHINGTON UNIVERSITY Active Deformation in the Mojave Desert Region and the Walker Lane Belt: A Global Positioning Experiment	NONE	14,492
CLEMSON UNIVERSITY RESEARCH FOUNDATION Vortex-Generator Induced Enhanced Heat Transfer in Gas Turbine Blade Coolant Channels with Rotation	NONE	125,087
COLUMBIA UNIVERSITY Dynamic Enhanced Recovery Technologies - Model Simulations	NONE	29,304
Dynamic Enhanced Recovery Technologies - Fortran Algorithms	NONE	6,574
Dynamic Enhanced Recovery Technologies - Visualization of Model Output	NONE	42,941
DUKE UNIVERSITY Environmental Heterogeneity and Woody Species Diversity in Low-Elevation Tropical Secondary Forests	NONE	31,132
FEDERAL EMERGENCY MANAGEMENT AGENCY Firefighter Safety Study Response Guide Development	NONE	2,337
GEORGIA INSTITUTE OF TECHNOLOGY Operation of Lead Training Center	NONE	8,860
THE JOHN HOPKINS UNIVERSITY The Effect of Ozone on Peripheral Airway Function	NONE	46,799
LAMAR UNIVERSITY Fundamental Aspects of Electrokinetic Remediation of Soils	NONE	(8,232)
The Use of Supercritical Fluids for Waste Minimization	NONE	(356)
Leachability and Structural Integrity of Cement Based Phosphogypsum, Stabilization Blocks as Artificial Reefs, Oyster Substrates, and Coastal Structures	NONE	12,750
Solidification Stabilization of Organics, a Database	NONE	12,355

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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
LAMAR UNIVERSITY (CONT.)		
Laser Diagnostics of the Combustion Process Within a Rotary KILN Incinerator	NONE	\$31,484
Pollution Prevention by Process Modification	NONE	26,015
Sonochemical Treatment of Hazardous Organic Compounds II: Process Optimization and Pathways Studies	NONE	58,490
MASSACHUSETTS INSTITUTE OF TECHNOLOGY		
Alpha Magnetic Spectrometer	NONE	75,061
MISSISSIPPI STATE UNIVERSITY		
RF - Based Optogalvanic: Effect as a Probe for Trace Detection: A Feasibility Study	NONE	15,197
NATIONAL SCIENCE FOUNDATION		
Various Agreements	NONE	4,980,261
THE PENNSYLVANIA STATE UNIVERSITY		
Community-Risk Factors for Urban Violence: Effects of Economic Hardship, Family Structure, and School Process on Race and Age Specific Rates	NONE	13,491
REGENTS OF THE UNIVERSITY OF CALIFORNIA		
LSU Science Education for Public Understanding Program Development Center	NONE	1,153
RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII		
Behavior and Genetics of the Native Freshwater Fishes of the Hawaiian Islands	NONE	38,516
RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY		
Instructional and Support Services for National Transit Institute	NONE	2,930
Instructional and Support Services for National Transit Institute - Fixed Price Contract	NONE	29,000
SAN DIEGO STATE UNIVERSITY FOUNDATION		
Using Computer Technology to Develop Constructivist- Oriented Classroom Environments	NONE	10,219

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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
TEXAS A&M UNIVERSITY		
Gulf of Mexico Annex V Disposal Facilities Inventory and Recycling Manual for Ports and Marinas	NONE	(\$246)
TEXAS REHABILITATION COMMISSION		
Support Services for Students with Disabilities - Fixed Price Contracts	NONE	1,900
TULANE UNIVERSITY		
Factors Affecting Formation, Emission and Secondary Reactions of Nitrous Oxide and Methane in Flooded Soil Profiles of Gulf Coast Wetlands and Flooded Rice Fields	NONE	48,497
Transport Processes Through Interfaces, Membranes, and Porous Media	NONE	12,364
Flux of Methane from Natural Wetlands: Experimental Study and Modeling Analysis	NONE	9,820
Methane Emissions and Mitigation from Louisiana and Philippines Rice Agriculture	NONE	48,739
Effects of Climate Change on Hypoxia in Coastal Waters	NONE	32,420
U.S. DEPARTMENT OF JUSTICE		
Various Agreements	NONE	462,016
U.S. DEPARTMENT OF STATE		
Various Agreements	NONE	4,060,925
U.S. DEPARTMENT OF TRANSPORTATION		
Various Agreements	NONE	171,630
Fixed Price Contract	NONE	24,956
U.S. INFORMATION AGENCY		
Various Agreements	NONE	552,963
U.S. NUCLEAR REGULATORY COMMISSION		
Nuclear Regulatory Agreement - Fixed Price Contract	NONE	3,016
UNITED STATES DISTRICT COURT		
Middle District of Louisiana - Various Agreements	NONE	383,217

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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
UNIVERSITY OF CALIFORNIA Bean Test Experiment at KEK Facility in Japan	NONE	\$4,960
UNIVERSITY OF CHICAGO Natural and Human Induced Causes of Wetland Loss in Coastal Louisiana	NONE	11,308
Molecular Dynamic Simulations for Advanced Photon Source - Fixed Price Contract	NONE	15,000
UNIVERSITY OF CONNECTICUT RESEARCH FOUNDATION Culture Opportunity and Attainment: The Impact of Local Area	NONE	12,802
UNIVERSITY OF HAWAII AT MANOA Standards-Based Teacher Education through Partnerships - Fixed Price Contract	NONE	5,000
UNIVERSITY OF MARYLAND Reducing Aquacultural Waste Generation and Discharge	NONE	15,349
UNIVERSITY OF TENNESSEE Improving Transportation Data for Mobile Source Emissions Estimates	NONE	385
UNIVERSITY OF TEXAS AT AUSTIN Oil and Gas Resources Atlas Series Offshore Northern Gulf of Mexico	NONE	130,827
UNIVERSITY OF WASHINGTON Antarctic Long Duration Balloon Flight for Japanese American Cooperative Emulsion Experiment	NONE	40,100
OTHER GRANTS AND CONTRACTS Academy for Educational Development - Fixed Price Contract	NONE	14,330
Amoco Production Company	NONE	74,088
Battelle Memorial Institute, Pacific Northwest Laboratories	NONE	4,380
Brent Rauhut Engineering Incorporated	NONE	8,850
Coastal Environments, Incorporated - Fixed Price Contract	NONE	4,500
The Consortium for Plant Biotechnology Research, Incorporated	NONE	59,684

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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
OTHER GRANTS AND CONTRACTS (CONT.)		
Consultant's Group/Latin America - Fixed Price Contract	NONE	\$3,000
Dynalysis of Princeton	NONE	80,956
Embassy of the Arab Republic of Egypt	NONE	2,832
International Research and Exchanges Board	NONE	13,360
International Rice Research Institute	NONE	59,389
John E. Chance and Associates, Incorporated	NONE	12,761
Lake Pontchartrain Basin Foundation	NONE	62,328
Lockheed Martin Energy Systems, Incorporated - Fixed Price Contract	NONE	23,406
Los Alamos National Lab - Fixed Price Contract	NONE	30,000
Louis Berger & Associates, Incorporated	NONE	35,207
Martin Marietta - Fixed Price Contracts	NONE	23,112
MCNC	NONE	719,882
Medical Service Corporation International	NONE	43,100
Medical Thermal Diagnostics - Fixed Price Contract	NONE	8,000
Midwest Research Institute	NONE	6,704
National Academy of Sciences - Fixed Price Contract	NONE	25,000
National Coastal Resources Research and Development Institute	NONE	18,959
National Institute for the Conservation of Cultural Property	NONE	26,953
National Research Council	NONE	24,113
National Writing Project Corporation	NONE	22,352
Neptune and Company, Incorporated	NONE	2,154
Nestor, Incorporated	NONE	6,097
Panamerican Consultants, Incorporated - Fixed Price Contract	NONE	2,500
Partners for International Education and Training - Fixed Price Contract	NONE	2,000
Perkin Elmer Corporation	NONE	95,695
Petroleum Technology Transfer Council	NONE	67,753
Prewitt & Associates Incorporated - Fixed Price Contract	NONE	99,962
The Rand Corporation	NONE	(83)
Rodney E. Emmer and Associates, Incorporated - Fixed Price Contract	NONE	3,000
Sandia National Laboratories	NONE	17,841
SECA, Incorporated - Fixed Price Contract	NONE	50,054
Social Science Research Council	NONE	179
Space Telescope Science Institute	NONE	24,826
Specialty Plastics, Incorporated	NONE	104,717
Stevedoring Services of America - Fixed Price Contract	NONE	43,582
Stone and Webster Engineering Corporation	NONE	10,300
Stone and Webster Engineering Corporation - Fixed Price Contract	NONE	32,079

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LOUISIANA STATE UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
OTHER GRANTS AND CONTRACTS (CONT.)		
T. Baker Smith and Son, Incorporated	NONE	\$257,007
Texaco Exploration and Production, Incorporated	NONE	76,786
Thermalscan, Incorporated - Fixed Price Contracts	NONE	8,793
Subtotal Louisiana State University and A&M College (Baton Rouge)		<u>43,290,456</u>
LOUISIANA STATE UNIVERSITY AT ALEXANDRIA		
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	60,024
Federal Work-Study Program	84.033	45,706
Federal Pell Grant Program	84.063	1,388,852
RAPIDES PARISH POLICE JURY		
Reductions, Computer Skills Training	NONE	69,483
Subtotal Louisiana State University at Alexandria		<u>1,564,065</u>
LOUISIANA STATE UNIVERSITY AT EUNICE		
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
Promotion of the Humanities - Federal-State Partnership	45.129	1,496
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	56,496
Federal Work-Study Program	84.033	43,296
Federal Perkins Loan Program - Federal Capital Contributions	84.038	3,442
TRIO - Student Support Services	84.042	302,249
TRIO - Upward Bound	84.047	253,593
Federal Pell Grant Program	84.063	1,972,425
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Nursing Student Loans	93.364	(14)
Subtotal Louisiana State University at Eunice		<u>2,632,983</u>
LOUISIANA STATE UNIVERSITY IN SHREVEPORT		
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
Institute of Museum Services	45.301	4,000

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LOUISIANA STATE UNIVERSITY IN SHREVEPORT (CONT.)		
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	\$74,025
Undergraduate International Studies and Foreign Language Programs	84.016	4,108
Federal Work-Study Program	84.033	86,088
Federal Pell Grant Program	84.063	1,114,964
Women's Educational Equity Act Program	84.083	77,455
Business and International Education	84.153	56,937
Urban Community Service	84.252	302,555
Eisenhower Leadership Program	84.261	53,857
U.S. DEPARTMENT OF DEFENSE		
Japanese Studies Program Enhancement	NONE	45,824
U.S. DEPARTMENT OF ENERGY		
Pre-freshmen Admission Program (PREP)	NONE	12,545
U.S. DEPARTMENT OF THE INTERIOR		
Various Agreements	NONE	40,815
UNIVERSITY OF CALIFORNIA - BERKELEY		
National Writing Project	NONE	8,584
OTHER GRANTS AND CONTRACTS		
Corporation for Public Broadcasting	NONE	99,884
Louisiana Small Business Development Center	NONE	88,819
Subtotal Louisiana State University in Shreveport		<u>2,070,460</u>
LOUISIANA STATE UNIVERSITY MEDICAL CENTER (NEW ORLEANS)		
U.S. DEPARTMENT OF DEFENSE		
Military Medical Research and Development	12.420	2,499,121
Basic Scientific Research	12.431	22,436
Air Force Defense Research Sciences Program	12.800	40,065
NATIONAL SCIENCE FOUNDATION		
Biological Sciences	47.074	44,282
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Air Pollution Control Research	66.501	979,445

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LOUISIANA STATE UNIVERSITY MEDICAL CENTER (NEW ORLEANS) (CONT.)		
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	\$43,271
Special Education - Personnel Development and Parent Training	84.029	39,233
Federal Work-Study Program	84.033	32,028
National Vocational Education Research	84.051	133,371
Federal Pell Grant Program	84.063	459,305
Rehabilitation Long-Term Training	84.129	212,082
Secondary Education and Transitional Services for Youth with Disabilities	84.158	1,463
Substance Abuse Education and Prevention Program	84.183	6,035
HELEN KELLER NATIONAL CENTER		
Services for Children with Deaf-Blindness	84.025	17,852
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Biological Response to Environmental Health Hazards	93.113	20,823
Oral Diseases and Disorders Research	93.121	694,850
National AIDS Education and Training Centers	93.145	504,546
Human Genome Research	93.172	110,653
Research Related to Deafness and Communication Disorders	93.173	1,243,516
Small Instrumentation Grant	93.176	401
Mental Health Research Grants	93.242	121,983
Occupational Safety and Health Research Grants	93.262	2,964
Alcohol Research Programs	93.273	447,792
Drug Abuse Scientist Development Awards, Research Scientist Development Awards, and Research Scientist Awards	93.277	138,565
Drug Abuse National Research Service Awards for Research Training	93.278	40,108
Drug Abuse Research Programs	93.279	1,240,134
Mental Health Research Career/Scientist Development Awards	93.281	96,228
Advanced Nurse Education	93.299	4,561
Biomedical Research Support	93.337	162,254
Professional Nurse Traineeships	93.358	51,040
Biomedical Technology	93.371	(865)
Cancer Cause and Prevention Research	93.393	488,886
Cancer Centers Support	93.397	145,127
Cancer Research Manpower	93.398	47,373
Cancer Control	93.399	220,083
Developmental Disabilities University Affiliated Programs	93.632	343,511
Health Careers Opportunity Program	93.822	283,565

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LOUISIANA STATE UNIVERSITY MEDICAL CENTER (NEW ORLEANS) (CONT.)		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONT.)		
Area Health Education Centers	93.824	\$1,033,406
Heart and Vascular Diseases Research	93.837	721,465
Lung Diseases Research	93.838	238,976
Blood Diseases and Resources Research	93.839	163,335
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	110,218
Diabetes, Endocrinology and Metabolism Research	93.847	233,429
Digestive Diseases and Nutrition Research	93.848	298,967
Kidney Diseases, Urology and Hematology Research	93.849	231,280
Clinical Research Related to Neurological Disorders	93.853	25,166
Biological Basis Research in the Neurosciences	93.854	418,011
Allergy, Immunology and Transplantation Research	93.855	48,415
Microbiology and Infectious Diseases Research	93.856	91,155
Genetics and Developmental Biology Research	93.862	220,094
Cellular and Molecular Basis of Disease Research	93.863	37,521
Research for Mothers and Children	93.865	279,562
Aging Research	93.866	452,190
Vision Research	93.867	2,441,462
Medical Library Assistance	93.879	148,813
Alcohol Research Center Grants	93.891	1,463,204
Grants for Predoctoral Training in Family Medicine	93.896	43,487
Residency Training and Advanced Education in the General Practice of Dentistry	93.897	230,002
Communications Programs for Demonstrating the Prevention of Alcohol and Drug Problems	93.901	64,630
Ryan White HIV/AIDS Dental Reimbursements	93.924	6,008
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	52,367
Various Agreements	NONE	145,867
CITY OF NEW ORLEANS		
Project Grants for Health Services to the Homeless	93.151	31,031
Healthy Start Initiative	93.926	(610)
Various Agreements	NONE	44,918

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LOUISIANA STATE UNIVERSITY MEDICAL CENTER (NEW ORLEANS) (CONT.)		
TULANE UNIVERSITY		
Clinical Research	93.333	\$53,261
Heart and Vascular Diseases Research	93.837	39,418
Kidney Diseases, Urology and Hematology Research	93.849	15,732
Microbiology and Infectious Diseases Research	93.856	108,751
Various Agreements	NONE	17,666
CASE WESTERN UNIVERSITY		
Mental Health Research Grants	93.242	4,994
WASHINGTON UNIVERSITY MEDICAL CENTER		
Drug Abuse Research Programs	93.279	15,919
UNIVERSITY OF PITTSBURGH		
Cancer Treatment Research	93.395	2,249
SOUTHEAST LOUISIANA AREA HEALTH EDUCATION CENTERS		
Area Health Education Centers	93.824	1,382
SOUTHWEST LOUISIANA AREA HEALTH EDUCATION CENTERS		
Area Health Education Centers	93.824	(450)
DUKE UNIVERSITY		
Heart and Vascular Diseases Research	93.837	10,075
VANDERBILT UNIVERSITY		
Lung Diseases Research	93.838	5,479
UNIVERSITY OF CALIFORNIA - LOS ANGELES		
Clinical Research Related to Neurological Disorders	93.853	6,979
Microbiology and Infectious Diseases Research	93.856	41,939
UNIVERSITY OF ARIZONA		
Microbiology and Infectious Diseases Research	93.856	3,218
JOHN HOPKINS UNIVERSITY		
Vision Research	93.867	118,161

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LOUISIANA STATE UNIVERSITY MEDICAL CENTER (NEW ORLEANS) (CONT.)		
UNIVERSITY OF GEORGIA Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	\$162,878
HOUSING AUTHORITY OF NEW ORLEANS Various Agreements	NONE	27,317
U.S. DEPARTMENT OF THE INTERIOR Various Agreements	NONE	146
U.S. DEPARTMENT OF VETERANS AFFAIRS Residency Programs Subtotal Louisiana State University Medical Center (New Orleans)	NONE	1,102,880
		<u>21,950,450</u>
LOUISIANA STATE UNIVERSITY MEDICAL CENTER (SHREVEPORT)		
U.S. DEPARTMENT OF AGRICULTURE Grants for Agricultural Research - Competitive Research Grants	10.206	66,613
U.S. DEPARTMENT OF DEFENSE Air Force Defense Research Sciences Program Various Agreements	12.800 NONE	109,095 84,018
NATIONAL SCIENCE FOUNDATION Biological Sciences Social, Behavioral, and Economic Sciences	47.074 47.075	71,448 8,271
U.S. DEPARTMENT OF EDUCATION Federal Perkins Loan Program - Federal Capital Contributions Federal Pell Grant Program	84.038 84.063	7,451 7,035
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Biological Response to Environmental Health Hazards Mental Health Research Grants Alcohol Research Career Development Awards for Scientists and Clinicians	93.113 93.242 93.271	135,898 284,099 19,114

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
LOUISIANA STATE UNIVERSITY MEDICAL CENTER (SHREVEPORT) (CONT.)		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONT.)		
Alcohol National Research Service Awards for Research Training	93.272	\$56,894
Alcohol Research Programs	93.273	419,341
Drug Abuse Research Programs	93.279	488,167
Mental Health Research Career/Scientist Development Awards	93.281	90,385
Biomedical Research Support	93.337	53,442
Cancer Cause and Prevention Research	93.393	104,389
Cancer Treatment Research	93.395	114,709
Cancer Biology Research	93.396	86,580
Cancer Control	93.399	23,329
Cell Biology and Biophysics Research	93.821	26,311
Heart and Vascular Diseases Research	93.837	633,453
Lung Diseases Research	93.838	99,051
Diabetes, Endocrinology and Metabolism Research	93.847	220,543
Digestive Diseases and Nutrition Research	93.848	1,079,471
Kidney Diseases, Urology and Hematology Research	93.849	456,095
Biological Basis Research in the Neurosciences	93.854	330,535
Allergy, Immunology and Transplantation Research	93.855	108,201
Microbiology and Infectious Diseases Research	93.856	126,446
Pharmacology, Physiology and Biological Chemistry Research	93.859	366,987
Genetics and Developmental Biology Research	93.862	526,962
Research for Mothers and Children	93.865	332,079
Grants for Physician Assistant Training Program	93.886	116,939
Special Minority Initiatives	93.960	163,980
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Various Agreements	NONE	1,538,783
Subtotal Louisiana State University Medical Center (Shreveport)		<u>8,356,114</u>
LOUISIANA TECH UNIVERSITY		
U.S. DEPARTMENT OF AGRICULTURE		
Cooperative Forestry Research	10.202	202,688
Grants for Agricultural Research - Competitive Research Grants	10.206	8,996
Higher Education Challenge Grants	10.217	3,204
Forestry Research	10.652	17,136
Analysis of Protein from Cotton	NONE	323

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
LOUISIANA TECH UNIVERSITY (CONT.)		
U.S. DEPARTMENT OF DEFENSE		
Basic Scientific Research	12.431	\$265,500
Air Force Defense Research Sciences Program	12.800	26,699
Authorization and Security in Dynamic Reconfigurable MLS Distributed Systems	NONE	68,967
Analysis of Mercury in Environment	NONE	2,028
Development of Phase Change Components	NONE	91,543
Development of Mems-Based Tractors	NONE	82,832
Defense Acquisition Scholarship Program	NONE	17,542
Predicting Heavy Metal Release - Fixed Price Contract	NONE	17,200
Evaluation of a Fail-Safe Microtunneling System - Fixed Price Contract	NONE	260
COORDINATING AND DEVELOPMENT CORPORATION		
Job Training Partnership Act	17.250	44,980
UNION COMMUNITY ACTION ASSOCIATION		
Job Training Partnership Act	17.250	33,405
U.S. DEPARTMENT OF TRANSPORTATION		
Airway Science	20.107	108,331
NATIONAL SCIENCE FOUNDATION		
Engineering Grants	47.041	15,864
Mathematical and Physical Sciences	47.049	57,485
Education and Human Resources	47.076	50,418
Precision Micromanufacturing Processes	NONE	30,360
Development Plan for Reform of Science Education	NONE	35,482
Integrating Research in Computer Science	NONE	26,674
Ultrasonic Integrated Microsensing	NONE	6,308
U.S. SMALL BUSINESS ADMINISTRATION		
Small Business Development Center - Fixed Price Contracts	59.037	12,939
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	750,124
Federal Work-Study Program	84.033	426,777
Federal Perkins Loan Program - Federal Capital Contributions	84.038	126,346
Federal Pell Grant Program	84.063	3,557,576
Rehabilitation Long-Term Training	84.129	84,485
Eisenhower Professional Development - National Activities	84.168	12,650

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See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
LOUISIANA TECH UNIVERSITY (CONT.)		
U.S. DEPARTMENT OF EDUCATION (CONT.)		
National Science Scholars	84.242	\$3,808
Annual Interest Grant	NONE	113,349
Let's Get Visual	NONE	6,875
ACADEMY OF APPLIED SCIENCE		
Research and Engineering Apprenticeship	NONE	2,500
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Thermal Insulation for Flame Bucket	NONE	13,333
NASA Undergraduate Research Project - Fixed Price Contracts	NONE	25,306
PEACE CORP OF THE UNITED STATES		
Youth Development Program	NONE	1,989
U.S. DEPARTMENT OF COMMERCE		
Technology Transfer of Mini Technology	NONE	12,545
U.S. DEPARTMENT OF ENERGY		
Electrical Vehicle Engineering Project	NONE	(1,701)
Micro-Manufacturing Planning, Construction and Equipment	NONE	3,461,419
U.S. DEPARTMENT OF INTERIOR		
Effective Mid-Story Removal on Neotropical Birds	NONE	19,204
U.S. DEPARTMENT OF JUSTICE		
Test the Reliability of Animal Model in Forensic Entomology	NONE	105,538
U.S. ENVIRONMENTAL PROTECTION AGENCY		
EPA Fellowship	NONE	517
Subtotal Louisiana Tech University		<u>9,949,804</u>
MCNEESE STATE UNIVERSITY		
U.S. DEPARTMENT OF THE INTERIOR		
National Water Resources Research Program	15.806	111,528
CALCASIEU PARISH POLICE JURY		
Job Training Partnership Act	17.250	318,744

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See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
MCNEESE STATE UNIVERSITY (CONT.)		
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION Technology Transfer	43.002	\$17,815
NATIONAL SCIENCE FOUNDATION Education and Human Resources	47.076	51,066
U.S. ENVIRONMENTAL PROTECTION AGENCY Water Pollution Control - Research, Development, and Demonstration	66.505	31,165
U.S. DEPARTMENT OF ENERGY Basic Energy Sciences - University and Science Education	81.049	4,165
U.S. DEPARTMENT OF EDUCATION Federal Supplemental Educational Opportunity Grants	84.007	250,000
Federal Work-Study Program	84.033	248,638
Federal Perkins Loan Program - Federal Capital Contributions	84.038	75,000
TRIO - Student Support Services	84.042	161,565
TRIO - Upward Bound	84.047	232,135
Federal Pell Grant Program	84.063	3,848,799
Safe and Drug-Free Schools and Communities - National Programs	84.184	27,587
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE Learn and Serve America - Higher Education	94.005	118
U.S. DEPARTMENT OF COMMERCE National Marine Fisheries Service/Sea Turtle	NONE	14,483
U.S. DEPARTMENT OF JUSTICE Federal Bureau of Prisons	NONE	25,190
Subtotal McNeese State University		<u>5,417,998</u>
NICHOLLS STATE UNIVERSITY		
ST. LANDRY PARISH POLICE JURY Job Training Partnership Act	17.250	1,571
U.S. DEPARTMENT OF EDUCATION Federal Supplemental Educational Opportunity Grants	84.007	45,000
Federal Work-Study Program	84.033	186,750
Federal Perkins Loan Program - Federal Capital Contributions	84.038	584

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
NICHOLLS STATE UNIVERSITY (CONT.)		
U.S. DEPARTMENT OF EDUCATION (CONT.)		
TRIO - Student Support Services	84.042	\$309,485
TRIO - Upward Bound	84.047	252,950
Federal Pell Grant Program	84.063	3,260,003
Subtotal Nicholls State University		<u>4,056,343</u>
NORTHEAST LOUISIANA UNIVERSITY		
U.S. DEPARTMENT OF AGRICULTURE		
Cooperative Forestry Assistance	10.664	31
Various Agreements	NONE	350
CITY OF MONROE		
Community Development Block Grants/Entitlement Grants	14.218	(4)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Opportunities for Youth - Youthbuild Program	14.243	39,195
Public and Indian Housing - Drug Elimination Program	14.854	49,633
Public and Indian Housing - Comprehensive Grant Program	14.859	7,948
U.S. DEPARTMENT OF THE INTERIOR		
Wildlife Restoration	15.611	4,037
OUACHITA PARISH POLICE JURY		
Employment Service	17.207	387
Job Training Partnership Act	17.250	(113)
U.S. DEPARTMENT OF LABOR		
Senior Community Service Employment Program	17.235	277,752
Job Training Partnership Act	17.250	88,804
U.S. DEPARTMENT OF TRANSPORTATION		
Airway Science	20.107	17,968
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		
Promotion of the Arts - Literature	45.004	(484)
Promotion of the Humanities - Federal-State Partnership	45.129	15,000

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
NORTHEAST LOUISIANA UNIVERSITY (CONT.)		
NATIONAL SCIENCE FOUNDATION		
Mathematical and Physical Sciences	47.049	\$18,339
Geosciences	47.050	13,008
Computer and Information Science and Engineering	47.070	213,976
Education and Human Resources	47.076	28,470
U.S. SMALL BUSINESS ADMINISTRATION		
Business Development Assistance to Small Business	59.005	8,049
Small Business Development Center	59.037	1,169,104
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Toxic Substances Research	66.507	65,666
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	240,641
Federal Work-Study Program	84.033	647,408
Federal Perkins Loan Cancellations	84.037	90,003
Federal Perkins Loan Program - Federal Capital Contributions	84.038	70,106
TRIO - Talent Search	84.044	210,631
Federal Pell Grant Program	84.063	7,710,312
Business and International Education	84.153	4,956
National Science Scholars	84.242	952
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Applied Toxicological Research and Testing	93.114	29,660
Health Program for Toxic Substances and Disease Registry	93.161	34,467
Drug Abuse Research Programs	93.279	(3,379)
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	391
Nursing Student Loans	93.364	654
Academic Research Enhancement Award	93.390	28,233
Community Services Block Grant - Discretionary Awards	93.570	29,207
Child Welfare Research and Demonstration	93.608	29,232
Cellular and Molecular Basis of Disease Research	93.863	26,549
Aging Research	93.866	5,999
Resource and Manpower Development in the Environmental Health Sciences	93.894	53

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
NORTHEAST LOUISIANA UNIVERSITY (CONT.)		
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Retired and Senior Volunteer Program	94.002	\$37,292
Subtotal Northeast Louisiana University		<u>11,210,483</u>
NORTHWESTERN STATE UNIVERSITY		
U.S. DEPARTMENT OF AGRICULTURE		
Grants for Agricultural Research - Competitive Research Grants	10.206	3,772
Distance Learning and Medical Link Grants	10.855	39,985
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	267,749
Higher Education - Institutional Aid	84.031	328,030
Federal Work-Study Program	84.033	168,855
Federal Perkins Loan Program - Federal Capital Contributions	84.038	177,436
TRIO - Student Support Services	84.042	212,686
Federal Pell Grant Program	84.063	6,879,415
Comprehensive Regional Assistance Centers - Fixed Price Contract	84.283	492
Regional Network Program	NONE	1,188
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Nurse Practitioner and Nurse-Midwifery Education Programs	93.298	100,210
Professional Nurse Traineeships	93.358	36,309
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	165,186
KISATCHIE NATIONAL FOREST		
Cooperative Agreement	NONE	16,895
KISATCHIE NATIONAL PARK		
Challenge Cost Share Agreement	NONE	1,060
UNIVERSITY OF OKLAHOMA		
Using Technology in Prevention for a Drug-Free Tomorrow	NONE	7,373
U.S. DEPARTMENT OF DEFENSE		
Cooperative Agreement	NONE	65,457

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
NORTHWESTERN STATE UNIVERSITY (CONT.)		
U.S. DEPARTMENT OF THE INTERIOR		
National Park Service - Cooperative Agreements	NONE	\$132,891
Subtotal Northwestern State University		<u>8,604,989</u>
SOUTHEASTERN LOUISIANA UNIVERSITY		
U.S. DEPARTMENT OF AGRICULTURE		
Higher Education Challenge Grants	10.217	4,308
Forestry Research	10.652	593
MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES AND PARKS		
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	3,845
Endangered Species Conservation	15.612	39,704
RESEARCH CORPORATION OF THE UNIVERSITY OF HAWAII		
Sport Fish Restoration	15.605	27,629
MISSOURI DEPARTMENT OF CONSERVATION		
Endangered Species Conservation	15.612	79
U.S. DEPARTMENT OF THE INTERIOR		
Endangered Species Conservation	15.612	2,558
Outdoor Recreation - Acquisition, Development and Planning	15.916	1,927
U.S. DEPARTMENT OF JUSTICE		
Justice Research, Development, and Evaluation Project Grants	16.560	34,596
TANGIPAHOA PARISH SCHOOL BOARD		
Employment and Training Assistance - Dislocated Workers	17.246	1,264
Job Training Partnership Act	17.250	39,456
LOUISIANA ENDOWMENT FOR THE HUMANITIES		
Promotion of the Humanities - Federal-State Partnership	45.129	23,725
INDIANA UNIVERSITY		
Promotion of the Humanities - Reference Materials	45.145	20,867

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
SOUTHEASTERN LOUISIANA UNIVERSITY (CONT.)		
NATIONAL SCIENCE FOUNDATION		
Computer and Information Science and Engineering	47.070	\$53,770
Biological Sciences	47.074	36,263
U.S. SMALL BUSINESS ADMINISTRATION		
Small Business Development Center - Fixed Price Contract	59.037	4,500
U.S. DEPARTMENT OF ENERGY		
Fossil Energy Research and Development	81.089	3,859
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	277,076
Special Education - Personnel Development and Parent Training	84.029	64,236
Federal Work-Study Program	84.033	390,874
Federal Perkins Loan Program - Federal Capital Contributions	84.038	28,311
TRIO - Student Support Services	84.042	207,800
TRIO - Talent Search	84.044	242,192
TRIO - Upward Bound	84.047	908,192
Higher Education - Cooperative Education	84.055	122,088
Federal Pell Grant Program	84.063	7,855,893
TRIO - Educational Opportunity Centers	84.066	224,430
EAST BATON ROUGE PARISH SCHOOL BOARD		
Tech-Prep Education	84.243	23,064
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	47,900
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Biological and Life Sciences	NONE	10,149
Joint Venture in Space Research (JOVE)	NONE	15,376
NATIONAL WRITING PROJECT CORPORATION		
National Writing Project	NONE	22,592
UNIVERSITIES SPACE RESEARCH ASSOCIATION		
Joint Venture in Space Research (JOVE)	NONE	16,680

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
SOUTHEASTERN LOUISIANA UNIVERSITY (CONT.)		
OTHER GRANTS AND CONTRACTS		
Corporation for Public Broadcasting	NONE	\$90,075
Subtotal Southeastern Louisiana University		<u>10,845,871</u>
SOUTHERN UNIVERSITY - BOARD AND SYSTEM ADMINISTRATION		
U.S. DEPARTMENT OF AGRICULTURE		
Cooperative Extension Service	10.500	2,385,849
U.S. DEPARTMENT OF ENERGY		
Basic Energy Sciences - University and Science Education	81.049	1,429,908
U.S. DEPARTMENT OF STATE		
U.S. Agency for International Development - Various Agreements	NONE	2,127,319
OTHER GRANTS AND CONTRACTS		
Various Agreements	NONE	14,338
Subtotal Southern University - Board and System Administration		<u>5,957,414</u>
SOUTHERN UNIVERSITY AND A&M COLLEGE (BATON ROUGE)		
U.S. DEPARTMENT OF AGRICULTURE		
Agricultural Research - Basic and Applied Research	10.001	176,799
Grants for Agricultural Research, Special Research Grants	10.200	622,887
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205	1,298,016
Grants for Agricultural Research - Competitive Research Grants	10.206	24,779
Forestry Research	10.652	43,291
Cooperative Forestry Assistance	10.664	153,019
Livestock, Meat and Poultry Market Supervision	10.800	1,514
Resource Conservation and Development	10.901	173,026
Soil and Water Conservation	10.902	60,976
Agricultural Statistics Reports	10.950	7,187
International Agricultural Research Program	10.961	12,534
Various Agreements	NONE	158,627

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
SOUTHERN UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
U.S. DEPARTMENT OF DEFENSE		
Collaborative Research and Development	12.114	\$85,847
Basic and Applied Scientific Research	12.300	694,236
Air Force Defense Research Sciences Program	12.800	234,635
Language Grant Program	12.900	12,546
Mathematical Sciences Grants Program	12.901	6,563
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Historically Black Colleges and Universities Program	14.237	106,484
U.S. DEPARTMENT OF THE INTERIOR		
Fish and Wildlife Management Assistance	15.608	60,129
PARISH OF EAST BATON ROUGE		
Job Training Partnership Act	17.250	147,136
U.S. DEPARTMENT OF TRANSPORTATION		
Federal Transit Grants for University Research and Training	20.502	78,681
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Aerospace Education Services Program	43.001	1,124,172
Technology Transfer	43.002	533,808
Various Agreements	NONE	93,499
NATIONAL SCIENCE FOUNDATION		
Engineering Grants	47.041	88,446
Mathematical and Physical Sciences	47.049	49,152
Computer and Information Science and Engineering	47.070	465,820
Social, Behavioral, and Economic Sciences	47.075	46,242
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Solid Waste Disposal Research	66.504	469,356
Environmental Protection Consolidated Grants - Program Support	66.600	7,145
U.S. DEPARTMENT OF ENERGY		
Basic Energy Sciences - University and Science Education	81.049	252,726
University Coal Research	81.057	25,159
Conservation Research and Development	81.086	497,814
Various Agreements	NONE	400,175

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See accompanying Notes to the Schedule of Federal Financial Assistance.

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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
SOUTHERN UNIVERSITY AND A&M COLLEGE (BATON ROUGE) (CONT.)		
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	\$829,063
Higher Education - Institutional Aid	84.031	2,878,342
Federal Work-Study Program	84.033	794,813
TRIO - Student Support Services	84.042	226,046
TRIO - Talent Search	84.044	289,229
TRIO - Upward Bound	84.047	406,014
Higher Education - Cooperative Education	84.055	5,363
Federal Pell Grant Program	84.063	10,268,704
Law School Clinical Experience Program	84.097	111,702
Minority Science Improvement	84.120	51,810
Rehabilitation Long-Term Training	84.129	194,762
Secondary Education and Transitional Services for Youth with Disabilities	84.158	130,069
School, College, and University Partnerships	84.204	9,834
Various Agreements	NONE	73,206
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Nursing Education Opportunities for Individuals from		
Disadvantaged Backgrounds	93.178	310,921
Minority Biomedical Research Support	93.375	1,134,634
Research Infrastructure	93.389	899
Family Violence Prevention and Services - Grants to States		
and Indian Tribes	93.671	131,429
Minority Access to Research Careers	93.880	19,372
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Learn and Serve America - Higher Education	94.005	15,259
NATIONAL COLLEGIATE ATHLETIC ASSOCIATION		
National Youth Sports Program	NONE	80,743
OTHER GRANTS AND CONTRACTS		
Various Agreements	NONE	797,242
Subtotal Southern University and A&M College (Baton Rouge)		<u>26,971,882</u>
SOUTHERN UNIVERSITY AT NEW ORLEANS		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Historically Black Colleges and Universities Program	14.237	103,935

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SOUTHERN UNIVERSITY AT NEW ORLEANS (CONT.)		
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION Technology Transfer	43.002	\$22,025
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES Promotion of the Humanities - Education Development and Demonstration	45.162	27,908
U.S. DEPARTMENT OF EDUCATION Federal Supplemental Educational Opportunity Grants	84.007	465,447
Higher Education - Institutional Aid	84.031	1,471,606
Federal Work-Study Program	84.033	266,095
TRIO - Student Support Services	84.042	306,430
TRIO - Talent Search	84.044	218,752
TRIO - Upward Bound	84.047	248,312
Federal Pell Grant Program	84.063	5,242,951
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Child Welfare Services Training Grants	93.648	822
NATIONAL COLLEGIATE ATHLETIC ASSOCIATION National Youth Sports Program	NONE	56,866
OTHER GRANTS AND CONTRACTS Various Agreements	NONE	160,785
Subtotal Southern University at New Orleans		<u>8,591,934</u>
SOUTHERN UNIVERSITY AT SHREVEPORT-BOSSIER CITY		
U.S. DEPARTMENT OF EDUCATION Federal Supplemental Educational Opportunity Grants	84.007	63,298
Higher Education - Institutional Aid	84.031	959,629
Federal Work-Study Program	84.033	247,811
TRIO - Student Support Services	84.042	212,736
TRIO - Talent Search	84.044	249,265
TRIO - Upward Bound	84.047	233,603
Federal Pell Grant Program	84.063	1,478,978
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Minority Biomedical Research Support	93.375	65,858

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SOUTHERN UNIVERSITY AT SHREVEPORT-BOSSIER CITY (CONT.)		
OTHER GRANTS AND CONTRACTS		
Various Agreements	NONE	\$52,285
Subtotal Southern University at Shreveport-Bossier City		<u>3,563,463</u>
UNIVERSITY OF NEW ORLEANS		
U.S. DEPARTMENT OF COMMERCE		
Economic Development - State and Local Economic Development Planning	11.305	98,981
Public Telecommunications and Information Administration	NONE	111,266
U.S. DEPARTMENT OF DEFENSE		
Basic and Applied Scientific Research	12.300	135,587
Gulf Coast Region Maritime Technology Center	NONE	5,805,610
Naval Research Laboratory - Fixed Price Contract	NONE	4,500
Various Agreements	NONE	798,322
JEFFERSON PARISH		
Job Training Partnership Act	17.250	9,947
ORLEANS PRIVATE INDUSTRY COUNCIL		
Job Training Partnership Act	17.250	42,965
U.S. SMALL BUSINESS ADMINISTRATION		
Business Development Assistance to Small Business - Fixed Price Contract	59.005	2,413
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Solid Waste Disposal Research	66.504	123,728
U.S. DEPARTMENT OF ENERGY		
Basic Energy Sciences - University and Science Education	81.049	108,181
Various Agreements	NONE	181,035
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	649,020
Undergraduate International Studies and Foreign Language Programs	84.016	63,446
Special Education - Personnel Development and Parent Training	84.029	221,013
Federal Work-Study Program	84.033	409,909
Federal Perkins Loan Program - Federal Capital Contributions	84.038	114,430

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	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
UNIVERSITY OF NEW ORLEANS (CONT.)		
U.S. DEPARTMENT OF EDUCATION (CONT.)		
TRIO - Student Support Services	84.042	\$198,553
TRIO - Talent Search	84.044	250,423
TRIO - Upward Bound	84.047	405,376
Federal Pell Grant Program	84.063	6,432,395
Special Education - Program for Severely Disabled Children	84.086	311,477
Secondary Education and Transitional Services for Youth with Disabilities	84.158	146,166
Urban Community Service	84.252	240,907
Drug Prevention Program	NONE	53,362
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Scholarships for the Undergraduate Education of Professional Nurses	93.182	2,856
Mental Health Research Grants	93.242	19,295
Research for Mothers and Children	93.865	47,989
Synthesis of Cocaine Analogs	NONE	108,050
LOYOLA UNIVERSITY		
Community Development Block Grant Evaluation	NONE	1,352
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Various Agreements	NONE	168,127
NATIONAL SCIENCE FOUNDATION		
Various Agreements	NONE	684,111
U.S. DEPARTMENT OF AGRICULTURE		
Various Agreements	NONE	18,654
Various Agreements - Fixed Price Contracts	NONE	23,375
U.S. DEPARTMENT OF THE INTERIOR		
Various Agreements	NONE	106,500
U.S. DEPARTMENT OF JUSTICE		
Various Agreements	NONE	134,651
U.S. NUCLEAR REGULATORY COMMISSION		
Various Agreements - Fixed Price Contract	NONE	646
Subtotal University of New Orleans		<u>18,234,618</u>

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
UNIVERSITY OF SOUTHWESTERN LOUISIANA		
U.S. DEPARTMENT OF DEFENSE		
Procurement Technical Assistance for Business Firms	12.002	\$287,873
Basic and Applied Scientific Research	12.300	41,231
Mathematical Sciences Grants Program	12.901	9,527
Various Agreements	NONE	206,074
NATIONAL SCIENCE FOUNDATION		
Computer and Information Science and Engineering	47.070	52,667
Social, Behavioral, and Economic Sciences	47.075	126,711
Various Agreements	NONE	687,935
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Environmental Education and Training Program	66.950	58,529
U.S. DEPARTMENT OF EDUCATION		
Federal Supplemental Educational Opportunity Grants	84.007	500,000
Higher Education - Institutional Aid	84.031	132,367
Federal Work-Study Program	84.033	714,177
TRIO - Student Support Services	84.042	363,079
TRIO - Talent Search	84.044	327,021
TRIO - Upward Bound	84.047	598,196
Federal Pell Grant Program	84.063	9,452,031
Business and International Education	84.153	38
McNair Post-Baccalaureate Achievement	84.217	79,720
National Science Scholars	84.242	2,856
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Comparative Medicine	93.306	1,018,212
Academic Research Enhancement Award	93.390	11,763
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	127,800
Various Agreements	NONE	511,837
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
Various Agreements	NONE	134,628
U.S. DEPARTMENT OF AGRICULTURE		
Various Agreements	NONE	162,308

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
UNIVERSITY OF SOUTHWESTERN LOUISIANA (CONT.)		
U.S. DEPARTMENT OF COMMERCE Various Agreements	NONE	\$8,125
U.S. DEPARTMENT OF THE INTERIOR Various Agreements	NONE	265,360
Fixed Price Contracts	NONE	56,972
OTHER GRANTS AND CONTRACTS Corporation of Public Broadcasting	NONE	79,587
Subtotal University of Southwestern Louisiana		<u>16,016,624</u>
REGIONAL MANAGEMENT CENTER 1, NEW ORLEANS		
CITY OF NEW ORLEANS Employment and Training Assistance - Dislocated Workers	17.246	131,545
JEFFERSON PARISH OFFICE OF MANPOWER Job Training Partnership Act	17.250	27,150
U.S. DEPARTMENT OF VETERANS AFFAIRS Veterans Reporting Fees	NONE	196
Subtotal Regional Management Center 1, New Orleans		<u>158,891</u>
REGIONAL MANAGEMENT CENTER 2, BATON ROUGE		
TANGIPAHOA PARISH SCHOOL BOARD Job Training Partnership Act	17.250	51,422
U.S. DEPARTMENT OF VETERANS AFFAIRS Veterans Reporting Fees	NONE	364
Subtotal Regional Management Center 2, Baton Rouge		<u>51,786</u>
REGIONAL MANAGEMENT CENTER 3, HOUMA		
TERREBONNE PARISH CONSORTIUM Job Training Partnership Act	17.250	34,885

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
REGIONAL MANAGEMENT CENTER 3, HOUMA (CONT.)		
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans Reporting Fees	NONE	\$119
Subtotal Regional Management Center 3, Houma		<u>35,004</u>
REGIONAL MANAGEMENT CENTER 4, LAFAYETTE		
ST. LANDRY PARISH POLICE JURY		
Job Training Partnership Act	17.250	187,390
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans Reporting Fees	NONE	378
Subtotal Regional Management Center 4, Lafayette		<u>187,768</u>
REGIONAL MANAGEMENT CENTER 5, LAKE CHARLES		
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans Reporting Fees	NONE	224
Subtotal Regional Management Center 5, Lake Charles		<u>224</u>
REGIONAL MANAGEMENT CENTER 6, ALEXANDRIA		
U.S. DEPARTMENT OF EDUCATION		
Federal Pell Grant Program	84.063	517,687
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans Reporting Fees	NONE	840
Subtotal Regional Management Center 6, Alexandria		<u>518,527</u>
REGIONAL MANAGEMENT CENTER 7, SHREVEPORT		
COORDINATING AND DEVELOPMENT CORPORATION - SHREVEPORT		
Job Training Partnership Act	17.250	475,034

(Continued)

See accompanying Notes to the Schedule of Federal Financial Assistance.

**STATE OF LOUISIANA
Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996**

	<u>CFDA NUMBER</u>	<u>ACTIVITY</u>
REGIONAL MANAGEMENT CENTER 7, SHREVEPORT (CONT.)		
U.S. DEPARTMENT OF VETERANS AFFAIRS		
Veterans Reporting Fees	NONE	<u>\$574</u>
Subtotal Regional Management Center 7, Shreveport		<u>475,608</u>
REGIONAL MANAGEMENT CENTER 8, MONROE		
UNION PARISH COMMUNITY ACTION AGENCY		
Job Training Partnership Act	17.250	<u>15,547</u>
Subtotal Regional Management Center 8, Monroe		<u>15,547</u>
TOTAL STATE OF LOUISIANA		<u><u>\$5,292,081,742</u></u>

(Concluded)

See accompanying Notes to the Schedule of Federal Financial Assistance.

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STATE OF LOUISIANA**Notes to the Schedule of Federal Financial Assistance
For the Year Ended June 30, 1996****A. PURPOSE OF THE SCHEDULE**

Office of Management and Budget Circular A-128, *Audits of State and Local Governments*, requires a schedule of federal financial assistance showing total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance and for other federal financial assistance that has not been assigned a catalog number. To comply with this requirement, the Executive Department, Division of Administration required each state agency, hospital, and university to prepare a schedule of federal financial assistance. These schedules were combined to form the Schedule of Federal Financial Assistance for the State of Louisiana.

B. REPORTING ENTITY

The accompanying Schedule of Federal Financial Assistance includes all federal financial assistance received directly from federal agencies, local governments, and other states that was disbursed, expended, or issued by the State of Louisiana during the year ended June 30, 1996. In addition, the schedule includes other federal financial assistance provided by private organizations and establishments that certain agencies and universities disbursed or expended during the year then ended.

C. BASIS OF ACCOUNTING

The Financial Accountability and Control System of the State of Louisiana is not designed to accept detailed information on all individual federally assisted programs of the state and does not have the capacity to provide federal assistance expenditures for each program in accordance with generally accepted accounting principles. Therefore, except as explained in the following paragraphs, assistance activity presented in the Schedule of Federal Financial Assistance represents cash disbursements of the individual programs. Consequently, certain expenditures (activity) are recognized when paid rather than when obligations are incurred. Accordingly, the information presented in the schedule is not intended to present assistance program expenditures in conformity with generally accepted accounting principles.

Indirect Costs - Certain costs, such as those associated with budgeting, accounting, personnel administration, et cetera, benefit more than one program but are not readily assignable to the programs receiving the benefits. Some agencies, hospitals, and universities apply a federally approved indirect cost rate to direct program costs to recover a portion of these indirect costs from federal grants or contracts. Indirect costs charged to federal grants and contracts by means of approved indirect cost rates are recognized as disbursements or expenditures (activity) in the accompanying Schedule of Federal Financial Assistance.

STATE OF LOUISIANA**Notes to the Schedule of Federal Financial Assistance****(Continued)**

Department of Labor - Significant transactions of the Department of Labor are processed through the department's electronic data processing cost accounting system, which produces information on the modified accrual basis of accounting, rather than through the state's Financial Accountability and Control System. Therefore, the information presented in the Schedule of Federal Financial Assistance for the Department of Labor was derived from the department's cost accounting system and represents federal financial assistance activity on the modified accrual basis of accounting. Consequently, expenditures (activity) are recognized when the related liability is incurred.

Public Institutions of Higher Education - Except as explained in the following paragraph, federal financial assistance activity for the public institutions of higher education is presented on the modified accrual basis of accounting. Consequently, expenditures (activity) are recognized when the related liability is incurred.

Fixed Price Contracts - These contracts provide that a specified amount of funds will be paid upon delivery of a product, generally, a report on the results of a research study. As a result, the amount of federal financial assistance that may be expended under fixed price contracts is limited to the amount of funds received from the contracts, regardless of the amount of costs incurred to perform the contracts or the period in which those costs were incurred. Therefore, the information presented in the Schedule of Federal Financial Assistance for fixed price contracts represents federal funds received on the cash basis of accounting. Consequently, expenditures (activity) are recognized when the related asset is received and in the amount of the asset received, rather than when the obligation is incurred and in the amount of the obligation.

Deletions - Deletions (activity) of the Donation of Federal Surplus Personal Property Program are reported in the Schedule of Federal Financial Assistance at historical cost to the federal government when the property is issued to public agencies, nonprofit institutions, or agencies of other states; sold or destroyed; or put into use by the State of Louisiana.

Issues - Issues (activity) of the Food Stamp Program are reported in the Schedule of Federal Financial Assistance at the dollar value of the food stamp coupons when the coupons are issued to local governing authorities for distribution to food stamp recipients. Issues (activity) of the commodities program are reported in the Schedule of Federal Financial Assistance at the federally assigned value of the commodities when they are issued to public and private school systems and nonprofit organizations.

STATE OF LOUISIANA

Notes to the Schedule of Federal Financial Assistance
(Continued)

D. TRANSFERS OF FEDERAL FUNDS AMONG STATE AGENCIES, HOSPITALS, AND UNIVERSITIES

The accompanying Schedule of Federal Financial Assistance presents activity for the state agencies, including hospitals and universities, that initially received the assistance. In some instances, assistance received by one agency is transferred to a subrecipient state agency to be expended for the original program or, when allowed by the original program, to be expended for other federal programs. In those instances, assistance activity is reflected for the agency that initially received the assistance from a federal, local, or other state government.

E. FEDERAL FAMILY EDUCATION LOANS

The Office of Student Financial Assistance (OSFA) guarantees 100 percent of the loans made to students under the Federal Family Education Loans Program (CFDA 84.032). The federal government reimburses the OSFA a percentage of the principal on certain defaulted loans, and when defaulted loans are collected, the OSFA returns a percentage of the amount collected to the federal government. During the year ended June 30, 1996, the OSFA paid lending institutions \$22,470,440 for defaulted student loans, and the average federal participation in these default payments was 99.5 percent. New loans made to students during the year ended June 30, 1996, which are guaranteed by the OSFA, amounted to \$155,059,650. As of June 30, 1996, the outstanding balance of all loans made under the Federal Family Education Loans Program guaranteed by the OSFA amounted to \$831,202,201.

F. HEALTH EDUCATION ASSISTANCE LOANS

Certain lending institutions make loans under the Health Education Assistance Loans Program (CFDA 93.108) to graduate students who are enrolled in eligible health profession educational programs. The loans are insured by the federal government, which pays lenders the amount of losses incurred when borrowers default on the loan payments. During the year ended June 30, 1996, loans totaling \$2,392 were made to students at Louisiana State University Medical Center (New Orleans).

G. PETROLEUM VIOLATION ESCROW FUNDS

Petroleum Violation Escrow Funds are monies that were provided to the state by the U.S. Department of Energy (DOE). These distributions were the result of legislative, administrative, and judicial actions involving violations of DOE's price and allocation controls in effect from August 1973 through January 1981. These controls applied to the allocation and pricing of crude oil and refined petroleum products. The funds include Warner Amendment funds, Exxon funds, and Multi-District Litigation (M.D.L.) Number 378 "Stripper Well" funds and are sometimes referred to as Federal Energy Settlement funds. Court orders and consent decrees relative to the lawsuits that resulted in these distributions imposed restrictions on the way the state can administer and use these monies.

STATE OF LOUISIANA

Notes to the Schedule of Federal Financial Assistance
(Continued)

**H. NURSING STUDENT LOANS AND HEALTH
PROFESSIONS STUDENT LOANS, INCLUDING
PRIMARY CARE LOANS/LOANS FOR
DISADVANTAGED STUDENTS**

Public institutions of higher education receive federal capital contributions under the Nursing Student Loans Program (CFDA 93.364) and the Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students Program (CFDA 93.342) to make low-interest loans to eligible students to assist them in meeting their educational needs. The amount of new loans made during the year and the outstanding balances of loans made under these programs as of June 30, 1996, are presented in the following schedule.

<u>Hospital/University</u>	<u>Nursing Student Loans</u>		<u>Health Professions Student Loans</u>	
	<u>Loans Made During the Year Ended June 30, 1996</u>	<u>Outstanding Balance June 30, 1996</u>	<u>Loans Made During the Year Ended June 30, 1996</u>	<u>Outstanding Balance June 30, 1996</u>
Grambling State University	\$27,781	\$345,877		
LSU and A&M College (Baton Rouge)				\$13,662
LSU at Eunice		5,832		
LSU Medical Center (New Orleans)	139,550	573,140	\$924,006	5,785,175
LSU Medical Center (Shreveport)			33,555	926,548
Medical Center of Louisiana at New Orleans		89,336		
Nicholls State University		8,494		
Northeast Louisiana University		82,080	184,497	1,097,888
Northwestern State University		218,285		
Southeastern Louisiana University		49,747		
University of Southwestern Louisiana	42,108	258,389		
Total	\$209,439	\$1,631,180	\$1,142,058	\$7,823,273

**I. FEDERAL PERKINS LOAN PROGRAM -
FEDERAL CAPITAL CONTRIBUTIONS**

Public institutions of higher education receive federal capital contributions under the Federal Perkins Loan Program - Federal Capital Contributions (CFDA 84.038) to make low-interest loans to eligible students to assist them in meeting their educational needs. The amount of new loans made during the year and the outstanding balances of loans made under this program as of June 30, 1996, are presented in the following schedule.

STATE OF LOUISIANA
Notes to the Schedule of Federal Financial Assistance
(Continued)

<u>University</u>	<u>Perkins Loans</u>	
	<u>Loans Made During the Year Ended June 30, 1996</u>	<u>Outstanding Balance June 30, 1996</u>
Delgado Community College		\$21,900
Grambling State University	\$217,216	1,952,165
LSU and A&M College (Baton Rouge)	1,848,842	11,141,914
LSU at Eunice	86,151	409,891
LSU Medical Center (New Orleans)	494,030	2,118,592
LSU Medical Center (Shreveport)	198,710	918,777
Louisiana Tech University	1,106,751	6,595,828
McNeese State University	319,967	1,842,987
Nicholls State University	11,665	74,661
Northeast Louisiana University	719,381	4,061,107
Northwestern State University	398,728	2,439,245
Southeastern Louisiana University	207,209	1,899,353
Southern University and A&M College (Baton Rouge)		2,431,116
Southern University at New Orleans		84,814
Southern University at Shreveport-Bossier City		695,119
University of New Orleans	378,825	4,206,591
University of Southwestern Louisiana	514,533	8,251,443
Total	\$6,502,008	\$49,145,503

J. FEDERAL PERKINS LOAN CANCELLATIONS

Students who received National Defense or Perkins Loans may have a portion or all of their loan balance cancelled if they meet certain military or teacher service requirements. Under the Federal Perkins Loan Cancellations Program (CFDA 84.037), the federal government restores the total amount of cancelled principal and interest to the universities' loan funds. The amounts cancelled under this program during the year ended June 30, 1996, are presented in the following schedule.

STATE OF LOUISIANA

Notes to the Schedule of Federal Financial Assistance

(Continued)

<u>University</u>	<u>Principal and Interest Cancelled</u>
Grambling State University	\$3,779
LSU and A&M College (Baton Rouge)	34,711
LSU at Eunice	3,631
Louisiana Tech University	76,658
McNeese State University	86,624
Nicholls State University	832
Northeast Louisiana University	92,670
Northwestern State University	70,180
Southeastern Louisiana University	37,439
Southern University and A&M College (Baton Rouge)	300
Southern University at Shreveport-Bossier City	170
University of New Orleans	22,653
University of Southwestern Louisiana	128,616
	<hr/>
Total	\$558,263
	<hr/> <hr/>

K. COLLEGE HOUSING AND ACADEMIC FACILITIES LOANS

Public institutions of higher education receive loans from the federal government under the College Housing and Academic Facilities Loans Program (CFDA 84.142). These funds may be used to finance the construction, acquisition, and rehabilitation of student and faculty housing and related dining facilities or to finance the renovation or reconstruction of older undergraduate academic facilities. The outstanding balances of loans made under this program as of June 30, 1996, are presented in the following schedule.

<u>University</u>	<u>Outstanding Balance June 30, 1996</u>
Delgado Community College	\$445,000
Grambling State University	3,275,000
LSU and A&M College (Baton Rouge)	5,487,000
LSU Medical Center (New Orleans)	760,000
Louisiana Tech University	184,000
McNeese State University	414,000

STATE OF LOUISIANA
Notes to the Schedule of Federal Financial Assistance
 (Continued)

<u>University (Cont.)</u>	<u>Outstanding Balance June 30, 1996</u>
Nicholls State University	\$142,000
Northeast Louisiana University	686,000
Southeastern Louisiana University	442,000
Southern University and A&M College (Baton Rouge)	195,000
University of New Orleans	<u>78,000</u>
Total	<u><u>\$12,108,000</u></u>

**L. DEPARTMENT OF EDUCATION - HOUSING
 ACT OF 1950 "TITLE IV" LOAN**

The University of Louisiana System Board of Trustees for State Colleges and Universities has signed a loan agreement, on behalf of Grambling State University, with the U.S. Secretary of Education for \$3,500,000. These funds are to be used for financing the construction of four new dormitories pursuant to Title IV of the Housing Act of 1950. The loan shall bear interest at the rate of 3 percent per annum on the unpaid balance. The principal and interest shall be payable in semi-annual installments of \$88,877 over a term of 30 years. The payments are to commence at the point any of the new dormitories become revenue-producing. As of June 30, 1996, the outstanding loan balance is \$3,312,576. Payments totaling \$76,648 were made during the year.

**M. SPECIAL SUPPLEMENTAL NUTRITION
 PROGRAM FOR WOMEN, INFANTS,
 AND CHILDREN (WIC PROGRAM)**

During the fiscal year ended June 30, 1996, the Office of Public Health received cash rebates from infant formula manufacturers, for \$27,896,266, on sales of formula to participants in the WIC Program (CFDA 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enabled the Office of Public Health to extend program benefits to 664,197 more persons than could have been served this fiscal year in the absence of the rebate contract.

STATE OF LOUISIANA

Notes to the Schedule of Federal Financial Assistance
(Continued)**N. MAJOR FEDERAL FINANCIAL
ASSISTANCE PROGRAMS**

The State of Louisiana's major federal financial assistance programs for the year ended June 30, 1996, were determined based on program activity, as described in note C (page A-59) and the outstanding loan balances as of and for the year ended June 30, 1995. The state's major federal financial assistance programs for the year ended June 30, 1996, were all federally assisted programs for which program activity was equal to or greater than \$19 million during the year ended June 30, 1995, and all federally assisted loan programs for which the federal government's risk in the outstanding loan balances as of June 30, 1995, was equal to or greater than \$19 million. The major programs are as follows:

CFDA Number	Program Name
10.550	Food Distribution
10.551	Food Stamps
10.553	School Breakfast Program
10.555	National School Lunch Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
10.561	State Administrative Matching Grants for Food Stamp Program
14.228	Community Development Block Grants/State's Program
17.225	Unemployment Insurance
17.250	Job Training Partnership Act
20.205	Highway Planning and Construction
66.458	Capitalization Grants for State Revolving Funds
83.516	Disaster Assistance
84.010	Title I Grants to Local Educational Agencies
84.027	Special Education - Grants to States
84.032	Federal Family Education Loans
84.038	Federal Perkins Loan Program - Federal Capital Contributions
84.048	Vocational Education - Basic Grants to States
84.063	Federal Pell Grant Program
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.560	Family Support Payments to States - Assistance Payments
93.563	Child Support Enforcement
93.658	Foster Care - Title IV-E
93.667	Social Services Block Grant

STATE OF LOUISIANA
Notes to the Schedule of Federal Financial Assistance
(Concluded)

<u>CFDA Number</u>	<u>Program Name</u>
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.994	Maternal and Child Health Services Block Grant to the States
96.001	Social Security - Disability Insurance

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Appendix B

Management's Responses to the Findings and Recommendations



LEGISLATIVE AUDITOR

Appendix B

STATE OF LOUISIANA

Management's Responses to the
Findings and Recommendations

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STATE OF LOUISIANA

Management's Responses to the
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BOB ODOM
COMMISSIONER

Louisiana Department of Agriculture & Forestry

Office of Management and Finance

Post Office Box 3481

Baton Rouge, Louisiana

70821-3481

(504) 922-1255



RICHARD ALLEN
ASSISTANT COMMISSIONER

November 19, 1996

Dr. Daniel G. Kyle
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Agriculture and Forestry concurs in part with the finding and recommendation concerning audits of Federal subrecipients. It is important to note that these thirteen agencies fall in the category of charitable institutions, and that the audit requirement is only for subrecipients which receive over \$25,000 in food commodities for a fiscal year. None of the charitable institutions ever exceeded the \$25,000 amount except in 1995. Because of this fact, there was an oversight by our personnel in monitoring the tracking system for receipt of audits. However, we have personnel who do periodic reviews of the subrecipients, and while no audit received from a subrecipient has ever resulted in a finding that addressed the commodity program, our personnel have identified in excess of 100 findings annually. It is obvious that these reviews are much more valuable in monitoring the use of commodities by subrecipients than the audits they would obtain themselves. All findings by our personnel are addressed immediately, and corrective action is required in all cases.

All subrecipients are current at the time of this response, and the Department will more closely monitor our audit receipts tracking program to ensure that all required audits are submitted timely.

Very truly yours,

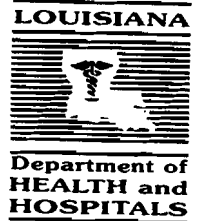
Richard Allen
Assistant Commissioner

RA:sw



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

April 16, 1996

MEMORANDUM

TO: Daniel G. Kyle, Ph.D., CPA, CFE
State of Louisiana
Legislative Auditor

FROM: Gary S. Grand *Gary S. Grand*
Chief Executive Officer

RE: MEAL COUNTS

Following an audit of meal counts, it was recommended by legislative auditors that "hospital management require reconciliations be made between counts at point of service and counts made on the units to ensure that accurate counts are made and reported". In order to accomplish this, the Dietary Department has developed a two-phase plan of corrective action, as follows:

Phase I - Procedures for ensuring the accuracy of meal counts were revised and implemented on April 1, 1996.

Phase II - As an additional control measure to ensure accurate meal counts and eliminate any possibility of duplicate trays for patients, procedures for a meal tray card system will be implemented on May 1, 1996.

B-4



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

October 18, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

The Department of Education (SDE) concurs with the finding related to the SDE failure to comply with the Cash Management Improvement Act (CMIA) agreement during fiscal year 1995-96.

As noted in part one of the finding, seventeen of the early draws anticipated the federal furloughs which occurred from December 18, 1995, to January 5, 1996. The Superintendent decided to draw sufficient funds during the shut-down period to avoid a layoff of SDE employees and related effects upon local school district federally funded employees and programs. This was based on advice received in a meeting between the Superintendent, State Treasurer, Division of Administration, and SDE's legal counsel in Washington, DC. In addition, at the time of the shut-down, the SDE had five pending draw requests at the United States Department of Education (USDOE) which were not honored for approximately thirty days. The SDE believes these five requests represent an off-set against any liability to the USDOE.

Regarding part two, the SDE has revised procedures to require the Revenue Supervisor to review CMIA reports for accuracy and correctness prior to the Director signing the reports. In addition, the organization processing for the Revenue Section has been restructured to provide cross-training and a more equitable workload distribution which will permit the SDE to meet required draw-down time-frames.

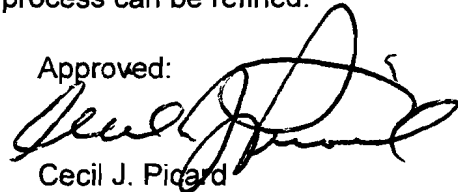
Regarding part three, the SDE has provided draw and check clearance data to the Office of Statewide Reporting and Accounting Policy for the development of a clearance pattern to calculate interest for fiscal year 1995-96.

Finally, regarding the statement that processing and reporting of draw-downs is hampered by a complex use of cost center and project numbers: the SDE is required by various federal laws and regulations to sufficiently isolate accounting transactions to enable financial reporting by individual federal grant to the federal grantor agencies. Under the state accounting system which previously existed, cost center and project number usage was the only means to collect this information. Under the new state accounting system, the SDE believes this process can be refined.

Sincerely,


Marilyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:


Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

December 23, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education (SDE) concurs with the finding related to the Church-Based Tutorial Program (CBTP). The SDE offers the following specific comments related to the finding:

- The SDE is currently seeking an opinion from its general counsel to clarify whether it is legal to fund nonpublic schools from CBTP funds as approved in Act 16 of the 1995 Regular Session of the Legislature.
- In the future, the CBTP will neither suggest nor require tutoring sites to make purchases from a specific vendor.
- The CBTP has developed, with the help and input of the Department of Social Services (DSS), a registration form for those sites which must be registered. Alternative nonpublic school sites are not required to be licensed per the DSS. The remaining Referral Centers must meet appropriate licensing requirements by March 1997 or face the possibility of removal from the program.
- The SDE will make every effort to ensure movable property items are not improperly transferred from the custody of the SDE. The SDE will adhere to movable property regulations.
- Student enrollment documents have been revised to ensure all required items relative to determining student eligibility are included.
- The CBTP discontinued this practice as of June 1996. Advance payments will no longer be made.

The CBTP issued a new Administrative Manual in September 1996 with guidelines addressing several of the above items. We believe these new procedures will reduce the risk of future occurrences such as those in your finding.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

October 18, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education concurs with the finding related to inadequate audit resolution. In order to more effectively address audit resolution, the IASA, Title I Bureau has implemented a new process for audit resolution control. This process which has been implemented in September 1996 is effective for Fiscal Year 1996-97. We believe these new procedures will reduce the risk of future occurrences such as those in your finding.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "Marlyn J. Langley".

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

A handwritten signature in cursive script that reads "Cecil J. Picard".

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

February 4, 1997

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education concurs with the finding related to no verification of work performed for hours billed. Due to the complexity of some issues raised in the finding, the Office of Special Educational Services and Bureau of Internal Audit are currently researching and investigating these matters. The Department will inform your representatives of the results of the investigation.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "Marlyn J. Langley".

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

A handwritten signature in cursive script that reads "Cecil J. Picard".

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

October 11, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education concurs with the finding related to inadequate uniform payroll system controls. For your information, the Department does have an ongoing program for auditing time and attendance records, which is performed by the Bureau of Personnel in cooperation with the Bureau of Internal Audit. Problems similar to those noted in your finding have also been identified in the same bureaus by the Personnel Bureau audits. In both instances, the Personnel Bureau audit results were reported to the appropriate Assistant Superintendent and Bureau Directors.

In order to more effectively address this issue, the following steps will be taken:

1. The frequency of time and attendance audits by the Bureau of Personnel will be increased from annually to semiannually or quarterly.
2. Bureau Directors are responsible for the proper maintenance of time and attendance records in their bureaus. Accordingly, this duty will be included as part of the Bureau Director's duties in the Department's new Performance Evaluation system. This will result in a Bureau Director's ratings being based on properly maintaining time and attendance records.
3. In the future, the results of all time and attendance audits by the Bureau of Personnel will be reported to the Superintendent of Education for appropriate administrative action when necessary.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

Handwritten signature of Marlyn J. Langley in black ink.

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

Handwritten signature of Cecil J. Picard in black ink.

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

November 15, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education concurs with the finding related to the advance payment of a lease. The Office of Special Educational Services (OSES) is negotiating with the Louisiana School for the Deaf (LSD) to amend the lease to a monthly payment basis rather than annual. The annual payment due October 1, 1996, has already been processed but the Bureau of Accounting has contacted the LSD Business Manager to return the portion of the lease which is not due. Advance lease payments such as this will no longer be made. The OSES is establishing procedures related to the review of contracts to ensure compliance with applicable State and Federal laws and regulations. We believe these new procedures will reduce the risk of future occurrences such as those in your finding.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "Marlyn J. Langley".

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

A handwritten signature in cursive script that reads "Cecil J. Picard".

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

November 4, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education concurs with the finding related to the submission of inaccurate federal financial reports. Effective immediately, the Bureau of Accounting Revenue Supervisor will verify future financial data reports prepared by unit staff members before those reports are submitted for signature. We believe this new procedure will reduce the risk of future occurrences such as those in your finding.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "Marlyn J. Langley".

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

A handwritten signature in cursive script that reads "Cecil J. Picard".

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

December 12, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle,

The Department of Education concurs with the finding related to the failure to maintain time distribution records for federal grant programs. It is perhaps coincidental, but, in fact, the Department began researching this very issue several months ago as a result of the reissue of OMB Circular A-87. The Department recognized at that time changes in the maintenance of time-distribution records would be necessary. It was decided such changes would take effect in FY 1996-97, the first fiscal year affected by the changes in the reissued circular A-87.

Effective September 1996 the Department began to require all employees whose labor is allocated across federal cost centers and/or charged to different federal fund sources to use "Personnel Activity Reports." This report is patterned after an example provided recently by the U.S. Department of Education and will aid the Department in complying with the requirements of the circular regarding time distribution.

In addition, employees who work on a single federal award or cost objective will be required to support charges for their salaries and wages. This will be done by completing a semiannual certification signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

December 24, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education (SDE) concurs with the finding entitled Title 1 Funds Improperly Distributed to Public Schools. The SDE offers the following specific comments related to the finding:

- The Director of Compensatory Education Programs for the United States Department of Education, Mary Jean LeTendre, addressed the LA. Association of School Administrators of Federally Assisted Programs at the group's spring 1995 meeting. In her address, Mrs. LeTendre stressed the reauthorized Title I law, Public Law 103-382, emphasizes school-level decision making, and this law was written to enable schools to have flexibility to do whatever is necessary to provide children the opportunity to learn and succeed, a concept endorsed by then Superintendent Raymond G. Arveson. Mrs. LeTendre stated a school-wide plan did not have to receive approval from the SDE. The concept stating approval was unnecessary was distributed to all states in two documents: *IASA, Twelve Major Changes*, prepared by Mary Jean LeTendre, and *Policy Guidance* by the USDOE. The above is what led to the approval of the Claiborne Parish, Summerfield High School school-wide program.
- The Franklin Parish School Board was considering closing the particular school skipped. This was due to a court-order to consolidate all parish schools. The local educational agency had been targeting and serving only grades kindergarten through five. In addition, Mrs. LeTendre's position, referred to above, also entered into our decision.
- The two schools funded out-of-rank received the funding because the two schools above them in the ranking would have been eligible for funding only in 1995-96. We felt the expense of setting up and dismantling two programs for only one year was an unwise use of Title 1 funds. The SDE therefore funded the next two schools in the ranking.

Procedures are now in place which should preclude this kind of occurrence in the future. We believe, however, these exceptions were in the best interests of the children and communities served by these schools. Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

December 23, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education (SDE) concurs with the finding entitled Unallowable Costs for Title 1 Sponsored Conference. The SDE offers the following specific comments related to the finding and future IASA Title 1 sponsored conferences:

- Federal funds and/or program income will not be used to pay for entertainment.
- Contractual agreements will be executed in accordance with state regulations.
- Program income and expenditures will be properly documented.
- Conference planning will be adequate and timely in order to minimize excessive costs.
- IASA Title 1 staff will receive instruction regarding compliance with Federal regulations and state travel policy. IASA Title 1 administrators will ensure staff members comply with applicable laws and regulations.
- All travel claims will be properly documented before being approved for payment.
- Some of the eleven employees reimbursed for lunch on the day of the luncheon were setting up afternoon break-out sessions and, therefore, unable to attend while some others were on special diets ordered by their physicians.
- Title 1 staff are normally required to car-pool to conferences when possible. In this case, however, there were a large number of boxes of materials as well as signs, easels, and equipment for break-out sessions and registration. This required almost all staff members to drive their personal vehicles in order to transport these items to the conference.

It is the intent of the SDE to adhere strictly to state and federal guidelines in the future to ensure prudent and efficient use of federal funds. Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

December 4, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education concurs with the finding related to unauthorized long-distance telephone calls. The employee referred to in the finding has reimbursed the Department for the entire cost of the personal calls. The employee has also been counseled on the correct procedure for maintaining a telephone log and proper use of the telephone. In addition, the Department is developing a revised policy related to personal and long-distance telephone calls. We believe the new procedure will reduce the risk of future occurrences such as those in your finding.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "Marlyn J. Langley".

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

A handwritten signature in cursive script that reads "Cecil J. Picard".

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

December 4, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education concurs with the finding related to unreported bank accounts. In order to correct this, the Director of Internal Audit will coordinate a meeting with representatives of the Offices of Academic Programs, Special Education, and Vocational Education and the Bureau of Accounting. The meeting will be held to develop procedures to ensure all bank accounts are properly reported in the future. We believe the procedures developed as a result of this meeting will reduce the risk of future occurrences such as those in your finding.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

A handwritten signature in cursive script that reads "Marlyn J. Langley".

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

A handwritten signature in cursive script that reads "Cecil J. Picard".

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



STATE OF LOUISIANA
DEPARTMENT OF EDUCATION

P. O. BOX 94064
BATON ROUGE, LOUISIANA 70804-9064

September 30, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Education concurs with the finding related to the failure to reconcile on a timely basis four bank accounts maintained by the Department. The reconciliations have not been performed in a timely manner due to staffing shortages over the last twelve months amounting to approximately one-third of the existing eighteen member staff in the Bureau of Accounting. The Department had the option of allowing the individuals issuing checks from these accounts to perform the monthly bank reconciliations. This would, however, have violated the internal accounting control related to adequate segregation of duties. The Department felt the potential for errors, irregularities, and misappropriation of state and federal funds would have increased to an unacceptable level under these circumstances. The Department decided to keep these functions separate even though the duties would not necessarily be performed in a timely manner.

The Bureau of Internal Audit (BIA) has assumed the responsibility of reconciling the Federal Pell Grant, Teacher Certification, and travel imprest accounts effective July 1, 1996. The BIA has reconciled these accounts through August 1996. The Job Training Partnership Act imprest account was closed effective June 30, 1996, and the seed money returned to the State Treasury. This account will no longer be used.

Should you have any questions concerning this response, please contact me at your earliest convenience.

Sincerely,

Marlyn J. Langley
Deputy Superintendent
Office of Management and Finance

Approved:

Cecil J. Picard
State Superintendent of Education

MJL:DJGJr:djgjr



NUNEZ COMMUNITY COLLEGE

3700 LaFontaine Street Chalmette, LA 70043 • (504) 278-7440 • FAX: (504) 278-7463

August 16, 1996

Dr. Daniel G. Kyle, CPA
Office of Legislative Auditor
P.C. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

This is in response to the audit findings regarding the coordination of financial aid.

The Financial Aid Office of Nunez Community College did not consistently coordinate the awarding of funds with other departments of the college. The Code of Federal Regulations (34 CFR Subpart A Section 674.14(a)(1), Subpart A Section 675.14(a)(1), and 676.14(a)(1)) states that an institution may not award financial aid to a student if the aid, when combined with other resources, exceeds the student's financial need. Although a form titled "Financial Plan-Coordination of Benefits" exists for this purpose, the college did not complete this form for all students receiving financial aid during the fiscal year ended June 30, 1996. As a result, one student was awarded \$1,322 in financial aid in excess of her documented need of \$9,411. In addition, we did not find Financial Plans in 11 of 14 (78%) files of students who are receiving aid from department other than the Financial Aid Office. Failure of the college to consider all available resources resulted in the over-awarding of financial aid and questioned costs of \$1,332.

After being informed of a discrepancy in the coordination of benefits, Ms. Caruso and Mr. Burton have taken immediate steps to insure that over awarding to students will not occur. The following procedures were implemented:

- ◆ We scheduled a meeting with Mr. Corne to implement a more comprehensive coordination of JTPA benefits.
- ◆ The financial aid counselors have begun to emphasize to students that they must disclose any and all sources of aid.
- ◆ Ms. Caruso has implemented procedures with our software to accurately report other sources of aid on the students award letter.
- ◆ The financial aid staff has reviewed all financial aid policies to insure compliance.
- ◆ We have implemented procedures for including Presidential Scholarship award letters in the students financial aid folder. The same is being done for Carl Perkins and Lamp.

I am confident the financial aid staff will do everything possible to ensure that all available resources are considered prior to the awarding/disbursement of any federal funds.

Sincerely,

Carol S. Hopson

Carol S. Hopson, Ph.D.
President



NUNEZ COMMUNITY COLLEGE

3700 LAFONTAINE STREET CHALMETTE, LA 70043 • (504) 278-7440 • FAX: (504) 278-7463

August 16, 1996

Dr. Daniel G. Kyle, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

This is in response to the audit findings regarding the Drug-Free Schools and Campuses.

Nunez Community College failed to comply with the following federal Drug-Free Schools and Campuses Regulations amending the Drug-Free Schools and Communities Act.

1. The college does not distribute written materials on the health risks associated with the use of illicit drugs and the abuse of alcohol and the rehabilitation options available to its employees and students on an annual basis. 34 CFR 86.100(a) requires the annual distribution of this program in writing to each employee and to each student taking one or more classes for credit. This program should contain the college's standards of conduct, descriptions of legal and disciplinary sanctions, the hazards of drug and alcohol abuse, and treatment options available.
2. The college does not conduct biennial reviews of the program. 34 CFR 86.100(b) requires biennial reviews evaluating the program's effectiveness, suggesting changes, and insuring consistent enforcement of the disciplinary sanctions.

With respect to our students we have published in our catalog and student handbook sections on our drug free campus policy. In the 95-96 catalog on p. 38, we state that Nunez Community College prohibits the abuse of drugs, including alcohol, on campus, or at any activity sanctioned by the college. We also discuss the college's legal sanctions and programs that are available for self-help. On pages 25 through 28 in our student handbook, we have published the identical information with the addition of specific agencies listed and programs for student self-help.

In addition, we have published in the fall 1996 schedule our drug policies and sanctions to further ensure each and every student will receive the necessary information. Therefore, the drug free schools and campuses information is published in three documents which every student receives: the annual college catalog, student handbook, and the semester schedule (published three times a year).

Nunez Community College has on file for all employees a signed copy of our drug policy and procedures. To comply on an annual basis, every employee will be required to sign a yearly appointment letter which will contain the required drug policy information. In addition, we have charged the ADA committee with the responsibility of federal compliance which will include the appropriate annual and biennial reviews of appropriate programs.

Sincerely,

Carol S. Hopson, Ph.D.
President



NUNEZ COMMUNITY COLLEGE

3700 LAFONTAINE STREET CHALMETTE, LA 70043 • (504) 278-7440 • FAX: (504) 278-7463

August 16, 1996

Dr. Daniel G. Kyle, CPA
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

This is in response to the audit findings regarding the need to submit required loan reports.

Nunez Community College did not prepare and submit the required monthly reconciliation reports associated with the Federal Direct Loan Program (FDLP - CFDA 84.268). The Code of Federal Regulations (34 CFR 685.308(g)) requires the institution to submit these reports for the FDLP Program to the Direct Loan Servicing Center for the United States Department of Education (FDLP Servicer) on a monthly basis. These reports include the Cash Summary Record, Cash Detail Record, and Loan Detail Record. The college began participation in the FDLP loan program during the fiscal year ended June 30, 1996, and was not aware of the new reporting requirements. As a result, accurate and timely information on the outstanding FDLP loans at the college was not available to the FDLP Servicer.

After being made aware of this discrepancy, Ms. Kelly Caruso, the Financial Aid Officer, immediately instituted procedures, such as, having the financial aid accountant provide the financial aid office with a monthly copy of disbursement checks for Direct loans, to insure a monthly reconciliation of Direct loans. Furthermore, she has reconciled the award year through June 30, 1996 and has submitted electronically to the Department of Education the required reports.

Sincerely,

Carol S. Hopson

Carol S. Hopson, Ph.D.
President



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

November 27, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box
Baton Rouge, Louisiana 70804

Dear Dr. Kyle:

Re: Audit Finding-Division of Administration Carry Over of Funds

We do not concur with the finding that the Division of Administration is not in compliance with Louisiana law relating to carry-over of funds.

In accordance with procedures promulgated by the Office of Planning and Budget, agencies were required to submit a BA-7 for carry-forward funds on, or before, July 15, 1996. The Office of Finance and Support Services prepared and submitted a BA-7 dated July 10, 1996, in the amount of \$ 1,422,678. This amount represented the balance remaining on professional services contracts as of that date. Therefore, the Division of Administration did have bona fide obligations totaling \$ 1,422.678, and did consider invoices received and/or paid through July 10, 1996 in the determination of the balances to be requested for the carry-over.

In addition, it should be noted these funds were budgeted specifically for professional services related to the Integrated Statewide Information Systems (ISIS). Further any residual balance, for which bona fide obligations do not exist at June 30, 1996, will revert to the General Fund. However, pursuant to the audit request we will submit a BA-7 to reduce the funds carried over in fiscal year 1996-97 by \$178,532 representing the amount paid between July 10, 1996 and August 13, 1996 that was for services provided on or before June 30, 1996, and therefore, charged to fiscal year 1995-96.

Sincerely,

Whitman J. Kling, Jr.
Deputy Undersecretary

B-21



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF PLANNING AND BUDGET

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

October 14, 1996

Mr. Daniel G. Kyle, Ph.D, CPA
Legislative Auditor
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, La. 70804-9397

Dear Mr. Kyle:

The Office of Planning and Budget (OPB) does not concur with the finding that OPB does not have a standardized procedure in place to compare budget to actual expenditures by program, on a quarterly basis.

The Office of Planning and Budget has since 1993 had in place a formalized budget monitoring system, reviewed by representatives of the Legislative Auditor's Office during prior years' examinations. See our attached letter dated December 9, 1993. This process requires Budget Analysts to monthly or quarterly, compare budget expenditures by program as reported on the Financial Accountability Control System, Program Responsibility Reports (PPRs) to the OPB Account Tracking System (BOATS).

OPB analysts were, and still are required to file this report in the central agency files after notifying the appropriate senior OPB personnel of significant deviations and/or notifying the agencies of the deviation. Although some analysts did not fulfill the requirements of this procedure, the OPB procedure is in place, and the referenced analysts have either been counseled, or they are no longer employed by OPB.

OPB has, with the initiation of Governmental Financial Systems (GFS), re-emphasized its formalized comparison process to all OPB budget analysts, and the need for senior level OPB personnel to ensure the timely completion and accuracy of this procedure. Management, in fact, has established standardized procedures and forms for the program budget reviews that confirm the reviews have been performed on a quarterly basis.

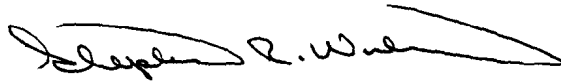
Mr. Daniel G. Kyle, Ph.D, CPA

Page 2

October 14, 1996

If additional information is required, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen R. Winham". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Stephen R. Winham
Director

SRW/BR/sl

Attachment

State of Louisiana



**PATIENTS' COMPENSATION FUND
OVERSIGHT BOARD
OFFICE OF THE EXECUTIVE DIRECTOR**
650 NORTH SIXTH STREET
BATON ROUGE, LA 70802
(504) 342-6052
FAX (504) 342-6053

Dr. Daniel Kyle
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

September 18, 1996

RE: Legislative Audit Finding: Non-Compliance with Fund Balance Requirement

Dear Sir:

The Board concurs that the Fund remains below the statutory surplus requirements. As was noted previously, we continue to gradually correct this problem of many years by increasing surcharge rates and building excess into our surplus account. (We have also created an investment account at the Treasury which generates nearly \$500,000 per month for this purpose). We remain short of what is needed, and in fact fell short of our original projections for this year because the Insurance Rating Commission refused to approve our requested 15% rate increase. With that increase, our ending balance would have been between \$70 and \$75 million. However, even without that increase, we were still able to improve upon last year's total of \$58 by \$8 million. We will be requesting a rate increase to be effective January 1, 1997, which will enable us to continue our improvement in this area. While it is too early to say exactly how much that increase will be, I am fairly sure that it will be sufficient to bring our ending balance above \$75 million by the end of this fiscal year.

I hope you find this helpful. Please let me know if you need anything else.

Yours truly,


Suanne Grosskopf
Executive Director

PS: Calculations of balances are attached

Revenues as of 6-30-96:	\$ 58,361,003
Reserves/Liabilities*:	445,054,000
Expenses:	905,267
SUBTOTAL:	504,320,270
	X .50
INDICATED NEED:	252,160,135
less fund balance	- 66,330,127
INDICATED SHORTFALL:	185,830,008

*Liabilities at ULTIMATE. Our actual current reserves are only \$210,579,345.



State of Louisiana
DIVISION OF ADMINISTRATION

LOUISIANA FEDERAL PROPERTY ASSISTANCE AGENCY

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

September 11, 1996

Dr. Daniel G. Kyle
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In connection with the audit of the Executive Department, Louisiana Federal Property Assistance Agency, for the fiscal year ending June 30, 1996, by the Office of the Legislative Auditor, we concur with your audit finding and recommendation regarding Subrecipient Monitoring and Audit Resolution.

We have attempted to comply with the audit finding and recommendation, however, this is difficult to do due to lack of personnel. The Office of Information Services promised to develop a system that would provide our agency with information in order to satisfy these requirements. The system would be developed to insure that subrecipients who receive \$25,000 or more federal property annually from the program are audited and reports received for resolution in a timely manner. This system was to be completed in May 1996. OIS was unable to meet this deadline but they have assured us the system is very close to completion.

If you require further information, please do not hesitate to contact me at 504/342-7860.

Sincerely,

A handwritten signature in cursive script that reads "Jack V. Liuzza".

Jack V. Liuzza
Acting Director

JVL:ph



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

October 29, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Re: CDBG Non Compliance-Cash Management Act Audit Finding

We concur with the finding that the department requested federal funds in excess of its immediate needs during the fiscal year ended June 30, 1996. However, it should be noted that there were mitigating circumstances, created by the federal government itself, which required the state to draw federal funds in a manner that was not in accordance with the standard clearance pattern.

Grantee payments through the Community Development Block Grant Program are funded 100% with federal funds. Due to the impending, and resulting actual, shutdown of the Federal Government, it was in the best interest of the grantees, the federal government, and the State to have the federal funds on hand in the State Treasurer's account when grantee checks cleared the account. Failure to draw the federal funds would have not only resulted in the State Treasury covering 100% of federally funded program payments with State dollars, thereby depriving the State of interest on State funds used to cover these payments, it would have also prevented grantees from receiving funds due and owing to them.

It should be noted that the Executive Department has had, and continues to have established procedures to ensure that federal funds are drawn in compliance with the CMIA agreement. However, as stated above, the actions taken were the direct result of the federal shutdown, which in our opinion, required us to take mitigating steps outside of established procedure.

Sincerely,

Mark C. Drennen
Commissioner of Administration

MCD/WJK

B-27



Grambling State University
OFFICE OF THE VICE PRESIDENT FOR FINANCE
Grambling, Louisiana 71245

Long-Jones Hall, Room 219
P. O. Drawer 605
100 Founder Street

(318) 274-3100
FAX: (318) 274-3299

October 10, 1996

Dr. Daniel Kyle
Legislative Auditor
1600 Riverside North
P. O. BOX 94397
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the finding regarding Grambling State University Foundation, Incorporated's delinquent account receivable, Grambling State University (GSU) submits the following:

- 1) GSU will actively pursue collection of the \$50,000 annual payment based upon the agreement dated April 28, 1989, with the Foundation.
- 2) GSU, after exhausting all avenues of collection, will, if necessary, set up an allowance for bad debts.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cynthia Lemelle".

Cynthia Lemelle
Interim Vice President for Finance

vc

c: Dr. Raymond A. Hicks
President



Grambling State University
OFFICE OF THE VICE PRESIDENT FOR FINANCE
Grambling, Louisiana 71245

Long-Jones Hall, Room 219
P. O. Drawer 605
100 Founder Street

August 21, 1996

(318) 274-3100
FAX: (318) 274-3299

Dr. Daniel G. Kyle, CPA
Office of the Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the finding regarding internal control over Athletic Events, Grambling State University submits the following:

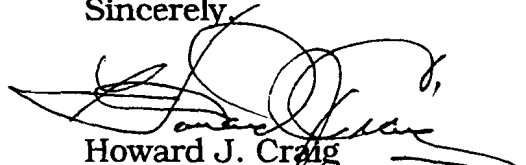
1. We are in agreement with the auditor's finding regarding the absence of unsold tickets. Although, this situation is not typical of our normal standards, we have strengthened internal controls to verify and routinely monitor all financial aspects of Athletic Events. Similar circumstances should not reoccur.
2. The University will reasonably eliminate all risk of loss revenue in issuing tickets on consignment. The University will issue tickets only if paid in advance or if the consignor will provide adequate bond insurance coverage to indemnify the University.
3. The University engaged a certified public accounting firm to assist in collecting a portion of the revenue and paying specified expenses associated with a particular game. Although, we did not have copies of the specific invoices in our files, the Athletic Business Manager had in fact reviewed the detail supporting documentation collected by the accounting firm and agreed with the financial report as valid. In the future, we will secure all detail documentation and maintain for subsequent review.

Letter to Dr. Kyle
August 21, 1996
Page 2

4. Grambling State University has discontinued the practice of netting athletic revenue with expenditures. This situation should not reoccur.

Grambling State University will reinforce the requirement that each athletic event be reconciled to actual supporting documentation, all documentation will be secured and maintained for review, and every effort will be made to reduce the risk of loss revenues and the total financial activity will be reflected in the accounting records.

Sincerely,



Howard J. Craig
Vice President for Finance

HJC/ml

c: Dr. Raymond A. Hicks
President



Grambling State University
OFFICE OF THE VICE PRESIDENT FOR FINANCE
Grambling, Louisiana 71245

Long-Jones Hall, Room 219
P. O. Drawer 605
100 Founder Street

(318) 274-3100
FAX: (318) 274-3299

September 19, 1996

Dr. Daniel G. Kyle, CPA
Office of the Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the finding regarding theft of air conditioners, we respectfully submit the following:

The University Police Department will continue to try to recover the stolen units and identify persons responsible for the theft. The Internal Auditor will continue to review procedures and controls over the repair and maintenance of the air condition units and make recommendations to strengthen controls. The University will continue to work with the District Attorney's Office regarding this matter.

The auditor's recommendation will be implemented.

Sincerely,

Cynthia Lemelle
Interim Vice President for Finance

CL/ml

c: Dr. Raymond A. Hicks
President



Grambling State University
OFFICE OF THE VICE PRESIDENT FOR FINANCE
Grambling, Louisiana 71245

Long-Jones Hall, Room 219
P. O. Drawer 605
100 Founder Street

October 16, 1996

(318) 274-3100
FAX: (318) 274-3299

Dr. Daniel Kyle
Legislative Auditor
1600 Riverside North
P. O. BOX 94397
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the finding regarding three computers and two color monitors, missing from the Mathematics and Computer Science Department at Grambling State University (GSU), GSU submits the following:

The University has responded to its staff reporting of stolen computers by initiating investigations by the University's Police Department and Internal Auditor. When these investigations are complete, the District Attorney and other appropriate officials will be notified by the University's President. The controls over movable property will be strengthened to avoid losses in the future.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cynthia Lemelle".

Cynthia Lemelle
Interim Vice President for Finance

vc

c: Dr. Raymond A. Hicks
President



Grambling State University
OFFICE OF THE VICE PRESIDENT FOR FINANCE
Grambling, Louisiana 71245

Long-Jones Hall, Room 219
P. O. Drawer 605
100 Founder Street

(318) 274-3100
FAX: (318) 274-3299

September 19, 1996

Dr. Daniel G. Kyle, CPA
Office of the Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the finding regarding unauthorized use of a credit card, we respectfully submit the following:

We concur with the Legislative Auditor's finding and will cooperate with the District Attorney in prosecuting this case.

The Auditor's recommendation will be implemented.

Sincerely,

A handwritten signature in cursive script that reads "Cynthia Lemelle".

Cynthia Lemelle
Interim Vice President for Finance

CL/ml

c: Dr. Raymond A. Hicks
President



Grambling State University
OFFICE OF THE VICE PRESIDENT FOR FINANCE
Grambling, Louisiana 71245

Long-Jones Hall, Room 219
P. O. Drawer 605
100 Founder Street

August 21, 1996

(318) 274-3100
FAX: (318) 274-3299

Dr. Daniel G. Kyle, CPA
Office of the Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the finding regarding the violation of the Scholarship Criteria, Grambling State University submits the following:

1. The University concurs with the finding pertaining to the lack of a recommendation letter from the student's high school principal.

Review procedures will be strengthened to insure compliance with established criteria.

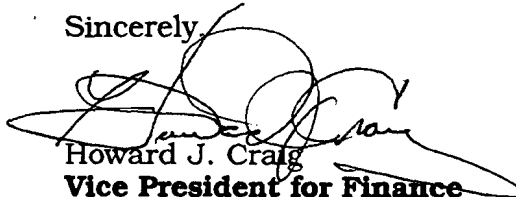
2. We concur with the finding regarding students meeting the criteria for High Ability Scholarships.

Review procedures will be strengthened to insure compliance with established criteria.

3. University policy does not vest sole responsibility for making the High Ability Scholarship awards with the Director of Admissions/Recruitment. The responsibility for this process is shared with the Coordinator and the Head Recruiter.

Grambling State University concurs with the audit finding and will comply with the auditor's recommendation.

Sincerely,



Howard J. Craig
Vice President for Finance

HJC/ml

c: Dr. Raymond A. Hicks
President

B-34



December 5, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Transmitted for your information are the responses to Bruno & Tervalon's audit for our Federal Grants for the year ending June 30, 1996.

1. College Work-Study Conflicts

Response

We concur with the findings of the auditors.

The University will take the necessary action to comply with College Work-Study Program regulations.

The College Work-Study Program will be reimbursed in the amount of the questioned costs.

2. Federal Family Education Loan Application

Response

We concur with the finding of the auditors.

The Student Financial Aid Office will use the most current data submitted to report the expected family contribution amount.

3. Notification To Lenders Between Submission of Student Confirmation Reports

RESPONSE

We concur with the finding of the auditors.

The University has contracted with the National Student Loan Clearinghouse (Clearinghouse) to assist with ensuring timely compliance with this regulation. The Clearinghouse will act as the University's agent for reporting purposes, with regard to its obligation to report to lenders, guarantee agencies and the U.S. Department of Education and other participants in qualifying programs information on the enrollment status of University students who have received qualifying program loans.

The University will provide an electronic listing in the required format to the Clearinghouse containing the enrollment status of its students on a mutually agreed upon schedule.

4. Federal Family Education (FFEL) and Perkins Loan Programs

RESPONSE

We concur with the finding of the auditors.

The University has contracted with the National Student Loan Clearinghouse to assist with ensuring timely compliance with this regulation.

5. Federal Family Education Loan (FFEL) Confirmation Reports

RESPONSE

We concur with the finding of the auditors.

The University has contracted with the National Student Loan Clearinghouse to assist with ensuring timely compliance with this regulation.

6. Monitoring Students' Enrollment Status - Perkins Loans

RESPONSE

We concur with the finding of the auditors.

The University will take the needed action to comply with this regulation.

Letter to Dan Kyle
December 5, 1996
Page 3

7. Drug-Free Schools and Communities Act Amendments of 1989

RESPONSE

We concur with the finding of the auditors.

Employees and students did not receive an annual distribution of information regarding the University's Drug-Free Program. The University will take the necessary steps to ensure full compliance with this regulation.

8. Nursing Student Loan Program

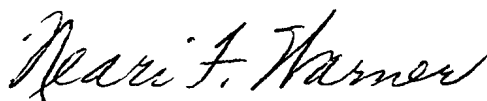
RESPONSE

We concur with the finding of the auditors.

The Default Prevention section of the Student Financial Aid Office is working closely with administrators of the University's School of Nursing to locate students who have gone into default status to make payment arrangements in an effort to get students removed from default status to repayment/good standing status. These efforts should over time lessen the default rate to the required 5% or less.

Grambling State University is committed to being in full compliance with regulations governing Federal Financial Assistance Programs for which we are a participant.

Sincerely,



Neari F. Warner

Interim Vice President For Student Affairs

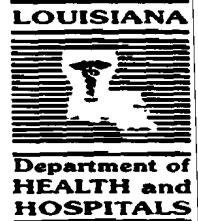
NFW/be

c: Dr. Raymond A. Hicks, **President**
Mr. Charles Hill, **Internal Auditor**
Mrs. Dyann Moses, **Director of Student Financial Aid**



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

September 23, 1996

Dr. Daniel Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to Margaret W. Bumm's correspondence dated September 18, 1996, relative to the audit finding "Audits of Federal Subrecipients and State Contractors Not Obtained", the Department concurs with the finding. The Undersecretary has written a letter to Departmental staff reaffirming the Department's policy regarding audits.

Should you have any questions, please advise.

Sincerely,

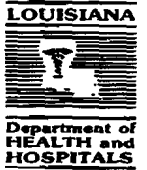
Stan Mead, Director
Division of Fiscal Management

SM/jbm

B-38



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



September 10, 1996

M.J. "Mike" Foster, Jr.
GOVERNOR

MEMORANDUM

Bobby P. Jindal
SECRETARY

TO: Dr. Daniel Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

FROM: Richard C. Lippincott, M.D.
Assistant Secretary
Office of Mental Health

RE: **Legislative Audit of Family Support Cash Subsidy Case Records**

In response to the above referenced legislative audit the Office of Mental Health is in the process of implementing the following action plan:

1. On July 12, 1996, at our Regional Children's Coordinators Meeting the audit results were discussed and the coordinators were informed that an official request for corrective action would follow. Written confirmation of this discussion was included in the minutes and sent to each of the coordinators.
2. On August 23, 1996, the official request was made, (see attached memorandum) to OMH Regional Managers, Regional Children's Coordinators, and Regional Cash Subsidy Coordinators. (Although we officially have no authority over the Jefferson Parish Human Services Authority, as a courtesy this information was also forwarded to them.)
3. On October 26, 1996, at the next Regional Children's Coordinators meeting we will survey the regions to see what corrective actions have been implemented to ensure that each Family Support Cash Subsidy Case is monitored in accordance with department policy and program guidelines contained in the Louisiana Administrative Code.

Thank you for bringing this matter to our attention and should you have any questions or concerns about the plan of correction, please contact Dr. Ron Boudreaux (342-2548) or Linda Groce (342-1936).

The accompanying enclosures describe some possible confusion in responding to your letter to Mr. Mead.

RCL/sc

enclosures

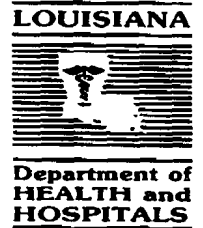
c: Stan Mead



M.J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS

August 14, 1996



Bobby P. Jindal
SECRETARY

Dr. Daniel Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 9437
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

This letter comes in response to Margaret Bumm's letter of July 19, 1996. The Office for Citizens with Developmental Disabilities (OCDD) concurs with the Legislative Audit Finding that not all OCDD Regional Offices monitored the status of each child receiving a cash stipend by quarterly telephone contact of the family.

At the time of the audit, case management agencies shared responsibility for completing these contacts, and in the regions cited, there was either limited, or no, case management involvement available to perform this function. Regions who had active case management did not fail to complete this contact.

Since the audit, case management was suspended, effective July 1, 1996, except for Waiver recipients. OCDD has been made responsible for administration of an additional 373 cash stipends formerly allocated to the Office of Public Health (OPH), in addition to the 481 cases for which OCDD has had continuing responsibility. Case management services remain unavailable and no additional OCDD staff has been added to assist in this effort.

Corrective action was initiated at the time the audit findings were shared with this office. Region V, Region VI, and Region VII were identified as failing to make appropriate contacts. These regions were instructed to make the required contacts without reliance on case management agencies. On July 23, 1996, at a meeting of all Family Support/Cash Stipend Coordinators, these regions reported completing contacts as required.

As a further corrective action, all regional offices will be notified of this finding and instructed to complete the quarterly contact as mandated by Louisiana Administrative Code (LAC 48:16-121) and internal policies and procedures.

OFFICE FOR CITIZENS WITH DEVELOPMENTAL DISABILITIES
1201 CAPITOL ACCESS ROAD • P.O. BOX 3117 • BATON ROUGE, LOUISIANA 70821-3117
PHONE # 504/342-0095 • FAX # 504/342-8823

"AN EQUAL OPPORTUNITY EMPLOYER"

Letter to Mr. Kyle
Page 2
August 14, 1996

Also, in response to reports that many families receiving the cash stipend do not have telephones, the Community and Family Support Task Force will be asked, by letter this date, to amend the promulgation of the cash stipend program to include provisions for return mail confirmation of the status of the child receiving the cash stipend.

If I may be of further assistance, please contact me.

Sincerely,



Bruce C. Blaney *for*
Assistant Secretary

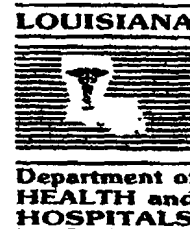
BCB:BB:jwv

c Bobby Jindal
Stan Mead
Margaret W. Bumm



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

September 18, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

We have received your audit finding "Cost Allocation Errors". Although the Department concurs with the findings that the regional costs were placed in pools other than the one established for regional administrative costs, we think that the approved cost allocation plan has been followed since the regional administrative cost pool was established to capture and allocate cost for planning, implementation and evaluation of the programs in the regions. While the regional managers have different functions than the clinic administrators, they have direct oversight of treatment and prevention programs including state operated and contract programs.

To clarify this situation, we will establish another cost pool for the regional administration staff which will be treated as allocated costs. We will continue to carry the existing regional administration pool that will be treated as indirect cost.

Should you have any questions regarding this, please advise.

Sincerely,

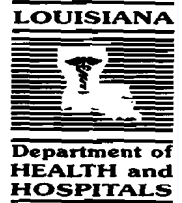
Stan Mead, Director
Division of Fiscal Management

SM:KC:aud96:costall



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

November 13, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North 3rd Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Legislative Audit Finding
"Improper Contract Monitoring"

Dear Dr. Kyle:

This correspondence is our official response to the above named finding for FYE 6/30/96.

A. Statement of Concurrence with Finding:

1. We concur that the Office of Alcohol and Drug Abuse contracted with Office of Alcoholic Beverage Control and Office of Alcoholic Beverage Control did not have full authority to conduct the stings. The authority to conduct stings requires approval by the local law enforcement authority. However, OABC is the agency with appropriate training for this purpose.
2. We concur that Office of Alcohol and Drug Abuse did not properly monitor the results of the sting operations to determine if the activities of the board met federal requirements.
3. We concur that compensation to the OABC Board was not related directly to the services rendered for the Department of Health and Hospitals. There were no costs allocated to the number of stings.
4. We concur DHH did not adequately monitor billings from the board.

B-43

Dr. Daniel G. Kyle, CPA, CFE
November 13, 1996
Page 2

B. Plan for Corrective Action

1. Office of Alcohol and Drug Abuse has contracted with Dr. Ruth Jiles, Epidemiologist, to develop a research design for this project. This design will identify an appropriate sample according to federal regulations.
2. The contract with OABC Board for 1996-97 will be a professional services contract specifying the number of stings and cost of each sting. This will eliminate problems with compensation.
3. The Office of Alcohol and Drug Abuse will continue to contract with OABC for these services because OABC has trained staff for this purpose. Murphy Painter, Assistant Secretary, OABC, has assured Office of Alcohol and Drug Abuse of cooperation with local law enforcement agencies.
4. The monthly billings will be monitored to assure appropriate payment for services.
5. Dr. Jiles will make progress reports to federal authorities, which will assure compliance with federal regulations.

Please call me at (504) 342-6717 if you have further questions.

Sincerely,

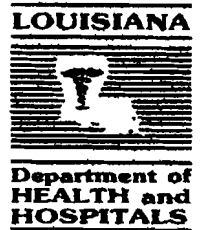

Alton E. Hadley
Assistant Secretary

AEH:jb



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

November 26, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

We have received your audit finding "Inaccurate Accounting for Block Grant Expenditures". The department concurs with your finding that procedures for tracking expenditures for the Block Grants for the Prevention and Treatment of Substance Abuse (SAPT Block Grant) should be enhanced to ensure accurate reporting.

In addition to placing more emphasis on existing procedures, we have already taken steps to reconcile the grant balances, both state and federal year, with the Office of Alcohol and Drug Abuse (OADA). The monthly reporting to OADA will also be enhanced to provide more detail on the status of both SAPT expenditures and maintenance of effort. OADA is analyzing the contract process to ensure that grant funds are obligated in accordance with grant regulations.

Should you have any questions regarding this, please advise.

Sincerely,

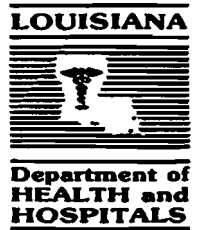
Stan Mead, Director
Division of Fiscal Management

SM:KC:aud96:saptrptg



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

July 25, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397


Dear Dr. Kyle:

We have received your audit finding "Medicaid Cash Management Errors". The Department concurs with the findings and has the following comments :

1. Each of the findings resulting in the overdraw of federal funds were independent of each other and would have been identified in our reconciliation process. As indicated in our response to previous findings, we have implemented procedures to identify these errors as quickly as possible; however, when making draws on this program on a daily basis, it is very difficult to catch them all at the time of the draw. We continue to strive toward that goal.
2. The original CMLA Agreement did not specify the manner in which funds were to be drawn for holidays, and the Department did not receive a copy of the Agreement specifying the procedure. We have made the appropriate changes to our procedures and requested copies of all subsequent changes to the Agreement.

Should you have any questions regarding this, please advise.

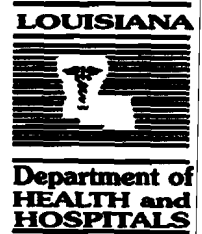
Sincerely,


Stan Mead, Director
Division of Fiscal Management

SM:KC:aud96:medcmgt



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M. J. "Mike" Foster, Jr.
GOVERNOR

Bobby P. Jindal
SECRETARY

October 22, 1996

Dr. Daniel G. Kyle, CPA, CFE,
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Please refer to correspondence from Ms. Margaret W. Bumm, CPA, dated October 8, 1996 relating to the recent audit of medicaid files in our Department.

RESPONSE TO FINDING NUMBER 1

We have reviewed the case files included in this review and concur with the audit findings. Additionally, we agree that failure to correct these errors could potentially result in misspent funds.

Since November, 1994, a majority of the Department's corrective efforts have been focused on satisfying the demands of the Blanchard vs. Forrest Consent Judgement. We have accomplished our goals in regards to the lawsuit and feel confident that we can now successfully expand that focus to include these additional areas. In an effort to address the deficiencies noted, we will implement the following Corrective Action initiatives effective November, 1996.

Case Monitoring

First level supervisory staff will be mandated to conduct before-the-fact reviews on a significant percentage of all eligibility determinations. Eligibility Examiners will be required to correct the errors before the eligibility determinations are finalized.

We are also mandating second level after-the-fact case reviews of the cases reviewed by the first level supervisors. These reviews will be conducted by the Assistant Medicaid Regional Administrators and the Medicaid Program Specialists. They will be used to gauge the extent of first level supervisors knowledge and the thoroughness of their review activities.

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Dr. Daniel G. Kyle, CPA, CFE
October 22, 1996
Page 2

The results of case monitoring activities will be compiled at the regional level on a quarterly basis and will be furnished to State Office where they will be analyzed and used to establish training priorities.

Training

Each region will be required to conduct a minimum of one in-service training session per quarter. The subject matter of these sessions will be derived primarily from the quarterly case monitoring analyses and will also consider the findings from Quality Control and other reviews.

Medicaid Application Centers

We recognize the importance of securing good quality information during an individual's initial contact for assistance. Since the majority of new medicaid applications are initiated at Medicaid Application Centers, we feel that we must focus additional attention in this area.

Beginning in November the Department will initiate its annual statewide audit of Application Centers. During this review equal focus will be placed on Application Center and field staff responsibilities. Problem centers will be identified and given an opportunity through remediation to correct deficiencies. Following the remediation period those centers that are unable to demonstrate the ability to produce quality work over a sustained period will be decertified.

Redeterminations

In general, staff will be requested to place greater emphasis on timely completion of redeterminations; the type of emphasis customary prior to November, 1994.

Since Long Term Care Assistance is one of our most complex and costly programs we have opted to conduct in person interviews on a percentage of all redeterminations. We feel the in person interviews will allow for a more thorough redetermination process.

Medicaid Application System (MAS)

The automated eligibility determination system which is presently being piloted in several parishes throughout the state will be implemented as soon as possible in as many locations as it is technologically feasible. This system provides for a simplification of work with increased accuracy and uniformity.

RESPONSE TO FINDING NUMBER 2.a.

We do concur that the Quality Control reviewer should have reported the change in QMB status to the parish office if the error was known. We do not concur with the finding of ineligible premiums paid of \$524. All MQC findings are correct and reported correctly. The technical errors reported have no impact on the individual eligibility and payment decisions for the Quality control review month.

It is true that the Medicare premium should not have been paid through the Buy-In program due to loss of QMB status, however, the loss of QMB status means that the premium is, effective with the month after the month of loss of QMB status, deductible from the recipients income in computing patient liability. Therefore, the premiums paid were paid through the wrong payment source for those months but the necessary adjustments can and will be done to correct the technical error in claiming the payment.

The legislative auditor should remember that a change in QMB status cannot be handled except through retroactive adjustment of premiums and claims since the Social Security Administration change of status from QMB to non-QMB takes several months to come through on the Buy-In system thereby effecting a change in the premium payment status of the recipient. It is true that a notice from the QC reviewer would have alerted the parish to start the process, however, no matter the notice date the process is driven by the inherent time lags of computer interfaces and individual premium reconciliation.

We believe that our policy in this area is clear, however we will alert the Quality Control Reviewer to the Legislative Auditor's concern and ask that they give special attention to this area when reporting to the local office.

RESPONSE TO FINDING NUMBER 2.b.

The findings cited are considered technical errors in the Quality Control process. Refer to the response to finding Number 1 which addresses the needed monitoring and corrective action for an expired redetermination.

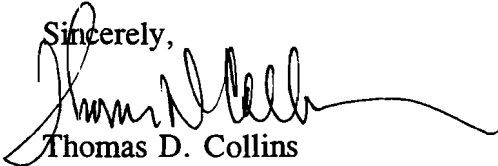
RESPONSE TO FINDING NUMBER 3.

According to our records State Office eligibility staff reexamined 20 of the 95 cases reviewed. Errors were cited in fifteen of the twenty cases. These errors were brought to the attention of the Field Operations Section of the Bureau. Refer to response to Number 1 for proposed corrective action.

Dr. Daniel G. Kyle, CPA, CFE
October 22, 1996
Page 4

These audit findings will be treated as an opportunity to review and update the agency approach to corrective action. Since the lessening of the Quality Control requirements for submitting an annual corrective action plan and with the added pressure of meeting the timeliness requirements for the Blanchard lawsuit, we have perhaps let the need for corrective action regular planning become a second priority. We share your concerns for correct payments based on accurate and complete work. Thank you for your reminder. We will try to use it well.

Sincerely,

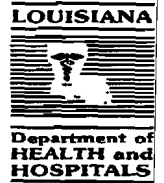
A handwritten signature in black ink, appearing to read "Thomas D. Collins", with a long horizontal flourish extending to the right.

Thomas D. Collins
Director BHSF

TDC:DA:mc
cc: Stan Mead



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M. J. "Mike" Foster, Jr.
GOVERNOR

Bobby P. Jindal
SECRETARY

October 22, 1996

Dr. Daniel Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

In response to Margaret W. Bumm's correspondence to Stan Mead relative to the audits of long-term care and pharmacy providers, I submit the following:

The department concurs with the finding relative to audits of Medicaid providers and will institute steps in the RFP process to insure timely issuances of audit contracts.

PHARMACY AUDITS

Actions to be taken to prevent a recurrence of this situation include the following:

- The department is performing retrospective audits for the entire calendar year 1995. Any identified overpayments will be recouped.
- The time frame to address desired changes in future pharmacy audit RFPs will be accelerated.

LONG-TERM CARE AUDITS

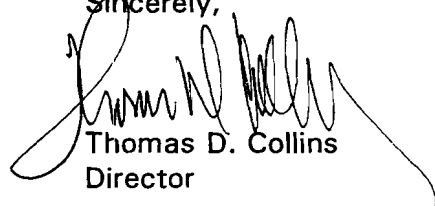
Actions to be taken to prevent a recurrence of this situation include the following:

- Time frame to address desired changes and issuance of the RFP will be accelerated.
- Subdividing scope of desired services by programs and issuance of multiple RFPs for provision of services included in this single contract will allow for more potential bidders. The scope and size of this contract severely limited the competitive process. Expanding the ability to participate should eliminate the three months of negotiating which was required for this RFP.
- Because the current contract in effect will audit five years of cost reports within the three year contract period and being us up to current year, only one year of cost reports will have to be audited in each year of the succeeding contract, again reducing the scope and allowing for more competition in the RFP process.

Dr. Daniel Kyle, CPA, CFE
October 22, 1996
Page 2

The above actions will prevent the detection of overpayments or underpayments from being delayed.

Sincerely,

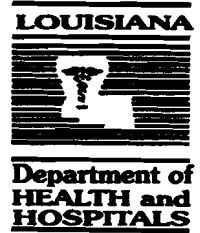
A handwritten signature in black ink, appearing to read "Thomas D. Collins". The signature is fluid and cursive, with a large initial "T" and "C".

Thomas D. Collins
Director

c: Stan Mead



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

M. J. "Mike" Foster, Jr.
GOVERNOR

October 16, 1996

*Daniel G. Kyle, PhD., CPA, CFE, Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397*

*RE: FY 95-96 Louisiana Single Audit Findings
Medicaid Third Party Liability Review*

Dear Dr. Kyle:

This is in response to the FY 95-96 Medicaid Third Party Liability Louisiana Single Audit Findings dated October 4, 1996, which cited Medicaid Program TPL errors (42 CFR Ch. IV, 433.135 - 433.154 and La. Revised Statute 46:153 (E)).

Finding #1: Twenty DSS-OFS determinations were reviewed and all determinations lacked documentation that the recipients were informed of the federal regulation and state statute requiring assignment of third party benefits. Additionally, the DSS-OFS AFDC application for eligibility has been revised to exclude a statement indicating that assignment of TPL rights is automatic in accordance with Louisiana law.

One case of the twenty examined included information pertaining to health insurance coverage for two of the recipients; however, the TPL information was not transmitted to the MMIS claims processing system.

Response: We concur with the auditors observation pertaining to assignment of rights. DSS has been contacted with the request to add the appropriate language back into the application form and we have asked for a timeframe for effecting the update. We will advise you of DSS's response.

We have also brought it to the attention of DSS that TPL information was in the case record; however, not transmitted to MMIS and have asked for a report as to the measures to be implemented to avoid such errors.

October 16, 1996
Daniel G. Kyle, PhD., CPA, CFE, Legislative Auditor
FY 95-96 Louisiana Single Audit Findings
Medicaid Third Party Liability Review
Page 2

Finding #2: Forty-five DSS-OFS cases were reviewed and one case indicated health insurance coverage for the father but DSS-OFS follow-up was not initiated in order to determine whether or not the child was included in the policy. This case also did not include any indication that the recipient had been informed of the assignment of rights federal regulation and state law.

Response: We concur with the finding and have notified DSS of the error and have asked for notification of the measures to be implemented to avoid such errors. We have attached is a copy of our correspondence to DSS.

In response to the comment stating that DHH should update the Memorandum of Understanding, the Medicaid Program is in the process of negotiating an updated Memorandum of Understanding with DSS. Questions or additional clarifications should be addressed to Georgia Stokes, Manager, Third Party/Medicaid Recovery Unit, telephone 342-9250.

Sincerely,


Thomas D. Collins, Director
Bureau of Health Services Financing

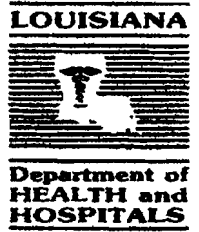
TDC:DA:CS:GS:wp

*cc: Stan Mead, Director
Division of Fiscal Management*



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

July 25, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of the Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

We are in receipt of your audit finding "Medical Assistance Trust Fund". The department concurs with your finding that adequate monitoring procedures should provide for the audit of the providers' records to assure that providers reported and remitted the correct fees.

The department has now contracted for audit services. As you indicated the contract for pharmacy audits was effective in January, 1996. The contract for Long Term Care audits was effective in June, 1996.

Should you have any questions concerning this, please contact me.

Sincerely,

Stan Mead, Director
Division of Fiscal Management

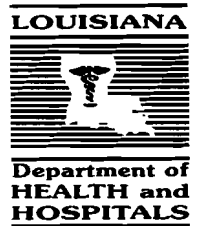
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B-55



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

MEMORANDUM

TO: Dr. Daniel Kyle, CPA, CFE
Legislative Auditor

FROM: Mary Anne Manley, DHH
Human Resource Director

RE: Legislative Audit Finding

DATE: September 4, 1996

With regard to the finding regarding the Drug-Free Workplace policy, this is to advise that after last year's finding, this office took appropriate steps and implemented procedures to insure to the best of our ability that all new employees were provided a copy of DHH's Drug-Free Work Policy.

In addition, we met with all human resource offices in DHH to communicate the procedural change as well as provided them with a checklist to insure that this was covered as new employees are brought on board.

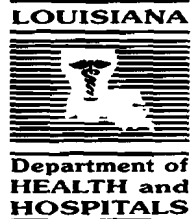
The one incident found with regard to this was in a location where a new human resource director was hired after the above mentioned meeting. Please be assured that this requirement has been thoroughly explained to the new human resource director and we do not anticipate this problem again.

Should you need additional information, please feel free to call on me.



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

August 1, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9597


**RE: On-Line Time and Leave Entry System and
Associated Time and Attendance Records**

Dear Dr. Kyle:

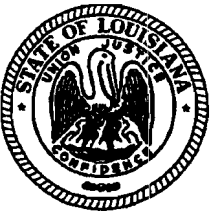
Reference is made to your letter of July 19, 1996 to Stan Mead, regarding the above-cited reportable audit finding "On-Line Time and Leave Entry System and Associated Time and Attendance Records". The Department concurs with your finding. We have, again, reminded employees that it is absolutely essential to follow Department and Civil Service rules and regulations regarding time and attendance reporting. Additionally, we have reinstated the auditing of time and attendance records by the Division of Fiscal Management.

Should you have any questions, please feel free to contact my office.

Sincerely,

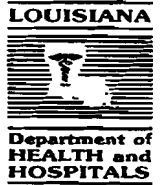

David W. Hood
Undersecretary

DWH/jbm



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

November 15, 1996

Dr. Daniel Kyle, CPA,CFE
Legislative Auditor
1600 North Third St.
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: FYE 6/30/96
Audit Findings

Dear Dr. Kyle:

This correspondence is in response to your letter dated November 04, 1996 to Stan Mead regarding audit findings relating to non-inpatient laboratory procedures for calendar year 1995. Our responses to these findings are as follows:

FINDING ONE:

Of 50 claims sampled for automated chemistry billings, 41 claims (82 percent) resulted in potential overpayments totaling \$609.00. When statistically projected to the population of 31,325 claims totaling \$919,314, the potential overpayment to providers is \$453,981 or 49.38% of the population dollars.

Also included was a review of an estimated 5,967 instances in which only two automated chemistry tests were performed and were billed separately. Had these tests been billed as a single procedure (a panel code), the department could have saved an additional \$47,639.

AGENCY RESPONSE:

We concur with your finding as presented. As previously reported in our correspondence to you dated June 30, 1995, we concur that edits in place at the Medicaid fiscal intermediary were not sufficient to assure proper bundling of automated laboratory tests. A user request was sent to Unisys to update edits tables and the user was completed in November, 1995. The new edits were not in place for the entire review period therefore, claims processed prior to the edit changes were processed incorrectly.

AGENCY RESPONSE CONTINUED:

Our Surveillance and Utilization Unit staff will review the list of providers included in this finding to determine if a SURS case is open, needs to be opened or if a system recovery is feasible.

FINDING TWO:

Of 50 claims sampled for automated hematology procedure codes, 11 resulted in potential overpayments totaling \$53. When statistically projected to the population of 12,404 claims totaling \$111,691, the potential overpayment to providers is \$13,176 or 11.8 percent of the population dollars. During the review it was noted that two specific hematology procedure codes, which may be billed together under certain circumstances, but generally would not be, were billed a total of 1,285 times, comprising 10.36 percent of the total population of 12,404 claims. Our review disclosed that 1,018 of these instances, 8.21 percent of the total population, were billed by one provider.

AGENCY RESPONSE:

We concur with your finding; however due to the nature of the services and the fact that exceptions are permissible in certain circumstances, we believe that the current detection procedures in place are sufficient. We have examined our SURS subsystem exception reporting parameters/criteria and have determined that the one provider mentioned in the finding with 1,018 billings, did except out for review and that a review case has been opened by the SURS staff. All of the other providers involved in this particular finding will be reviewed for feasibility of recovery even though their volume of billing did not warrant a system exception.

FINDING THREE:

Of 50 claims sampled for automated urinalysis billings, all items resulted in potential overpayments totaling \$177. When statistically projected to the population of 1,541 claims paid totaling \$12,582, the potential overpayment to providers is \$5,449 or 43.31 percent of the population dollars.

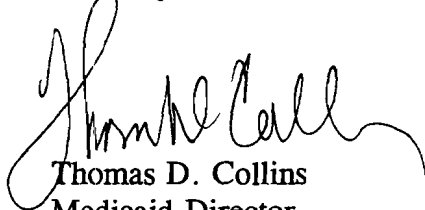
Daniel G. Kyle, CPA, CPE
November 15, 1996
Page 3

AGENCY RESPONSE:

We will examine the edit tables for the urinalysis codes and make whatever changes are needed. A system recovery of overpayments will be made after determining the exact problem.

If clarifications or further information is needed, please advise. Contact either Carol Simpson or Susan Taskin at 342-3855.

Sincerely,



Thomas D. Collins
Medicaid Director

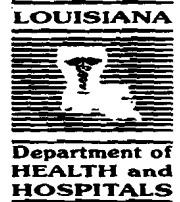
TDC/CS/wp

cc: Dexa Alexander
Ben Beardon
Bruce Gomez
Don Gregory
Bob Patience
Susan Taskin



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

June 28, 1996

Dr. Daniel Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Public Hearings


Dear Dr. Kyle:

This is in response to your letter concerning a finding on public hearings for the Office of Alcohol and Drug Abuse.

1. I concur that public hearings were not held to solicit input on the block grant for years 1994, 1995, 1996. The last public forums were held in 1993. There appears to be some confusion as the Office of Alcohol and Drug Abuse believed hearings were being held by DHH on a department wide basis.
2. A plan to correct this finding is already in place. All Regional Managers will be instructed at the next Regional Managers meeting on July 9th and 10th to hold hearings. These hearings will be conducted in each region prior to submission of the 1996-97 block grant. The Deputy Assistant Secretary, Office of Alcohol and Drug Abuse, will be assigned the responsibility of monitoring for compliance.
3. The Deputy Assistant Secretary will implement policy so that hearings will be held no later than August 31 of each year.

Thank you for your consideration of this response. Please advise if you need further information.

Sincerely,



Alton E. Hadley
Assistant Secretary

AEH:jb

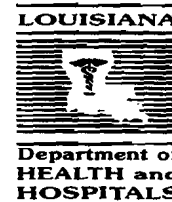
cc: Bobby P. Jindal
John LaCour
Stan Mead

B-61



M. J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

June 28, 1996

Dr. Daniel Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Recovery Loan Program

Dear Dr. Kyle:

This is in response to your letter concerning a finding on Recovery Home Loans developed by the Office of Alcohol and Drug Abuse.

1. I concur that procedures were not set for collecting the loans in default. I do not concur that lack of these procedures caused lack of repayment of these loans. The Recovery Loan Program is a current requirement of the federal block grant. The loans are made to high risk clients following recovery and results in a high rate of defaults.
2. The plan of correction includes revision of the loan program. Any future loans will be delayed until the new regulations are in place. Development of the new regulations will be assigned to the Deputy Assistant Secretary, Office of Alcohol and Drug Abuse. The target date for completing the revision is September 1, 1996. The revised regulations will also include orientation and training for new applicants. It will also include training for regional managers who are responsible for monitoring the loans.
3. Revision of these policies will also be coordinated with DHH Legal and DHH Fiscal Management to assure that appropriate policies are developed for collection of the loans.

Thank you for your consideration of this response. Please call me if you need further information.

Sincerely,

Alton E. Hadley
Assistant Secretary

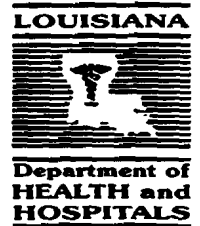
AEH:jb

cc: Bobby P. Jindal
John LaCour
Stan Mead

B-62



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M. J. "Mike" Foster, Jr.
GOVERNOR

Bobby P. Jindal
SECRETARY

September 19, 1996

**Dr. Daniel Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397**

Dear Dr. Kyle:

In response to Margaret W. Bumm's correspondence dated September 10, 1996, relative to the audit finding "Uncollected Loans", I submit the following:

The Department concurs with the finding and recommendation of the legislative auditor. Although the Institutional Reimbursement Unit received a copy of the Attorney General opinion two days after it was issued, along with instructions from the DHH General Counsel on how to proceed (see attached), no action was taken by the former head of that unit for two years. Upon her replacement, the new head of that unit undertook to compute the differential between old and new rates in order to determine the loan repayment amount.

The Department is preparing to send demand letters to the facilities who have not repaid the loans. If payments are not made, the matter will be referred to the Department's Bureau of Legal Services for recovery. Please see the attached letter from Secretary Jindal to the Chairmen of the Joint Committee on Health and Welfare requesting the Committee's guidance in the matter.

Should you have any questions regarding this, please advise.

Sincerely,


Stan Mead, Director
Division of Fiscal Management

SM/jbm

Attachment



JAMES H. "JIM" BROWN
COMMISSIONER OF INSURANCE
STATE OF LOUISIANA

P.O. Box 94214
BATON ROUGE, LOUISIANA 70804-9214
(504) 342-5900

December 9, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Office of Legislative Auditor
State of Louisiana
1600 N. Third Street
Baton Rouge, Louisiana 70802

Dear Dr. Kyle:

Please find attached the Department's revised response to the revised findings report issued by your office in regards to the Inadequate Monitoring of Statutory Deposits.

If you need additional information, please contact me at 342-5350.

Sincerely,

Brenda St Romain

Brenda St. Romain
Assistant Commissioner
Office of Management and Finance

BSR/thm

cc: A. Kip Wall
Patrick J. Frantz
Lonnie Richardson
Karen Noto

Attachments

Department's Response:

Finding: Inadequate Monitoring of Statutory Deposits

Response: The Office of Financial Solvency has established procedures for monitoring statutory deposits and the employee that failed to follow these procedures is no longer responsible for this function.

In regards to the surety bonds, it is the department's opinion that there is no violation of statutory mandates in regards to the surety bonds on deposit with the department. This is pursuant to (LSA-R.S.) 22:1023 which states "...the last bond filed shall always remain in effect until a new bond is filed or a deposit is made as a substitution thereof" and also pursuant to (LSA-R.S.) 22:1027 which states "...withdrawal of any bond or deposit required by (LSA-R.S.) 22:1021, 22:1023 or 22:1025 may be made only upon approval by the Commissioner of Insurance". However, in regards to the two companies that did not have the required deposits this is in the process of being corrected.

The automated system utilized for this function has been enhanced to provide additional reports which will provide a better check and balance system to assure that all insurers have a current statutory deposit on file with the department.



JAMES H. "JIM" BROWN
COMMISSIONER OF INSURANCE
STATE OF LOUISIANA

P.O. Box 94214
BATON ROUGE, LOUISIANA 70804-9214
(504) 342-5900

October 14, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Office of Legislative Auditor
State of Louisiana
1600 N. Third Street
Baton Rouge, Louisiana 70802

Dear Dr. Kyle:

Please find attached the Department's response to a findings report issued by your office.

If you need additional information, please contact me at 342-5350.

Sincerely,

Brenda St. Romain

Brenda St. Romain
Assistant Commissioner
Office of Management and Finance

BSR/thm

Attachment

Department's Response:

Finding: Undersecured Bank Deposits

The Department of Insurance, Office of Receivership, did not ensure that adequate securities were pledged for all deposits in its bank accounts. Louisiana Revised Statute (LSA-R.S.) 49:321(C) provides in part that the market value of securities held by any depositing authority together with government deposit insurance (FDIC) shall be equal to 100 percent of the amount on deposit. Although LSA-R.S. 49:321(D) provides a grace period of five days for collateralization, frequent, short period of uncollateralized balances results in the risk of loss due to bank failure. Our examination disclosed that, at different times during the year, uncollateralized demand deposits ranging in amounts from \$18,829 to \$698,831 were held by Hancock Bank. This condition occurred because the Office of Receivership has not developed adequate monitoring procedures for securities pledged by banks to guarantee deposits.

The Office of Receivership should establish adequate procedures to monitor the adequacy of securities pledged by banks on deposit balances.

Response: Effective October 5, 1995, the Office of Receivership operated under the control and administration of the Nineteenth Judicial District Court pursuant to an order signed and issued by Judge A. Foster Sanders.

The Office of Receivership has established procedures to monitor the adequacy of securities pledged by banks on deposit balances. The employee that failed to follow these procedures is no longer with the Department.



M.J. "MIKE" FOSTER, JR.
GOVERNOR

State of Louisiana

DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
POST OFFICE BOX 94094
BATON ROUGE, LOUISIANA 70804-9094
(504) 342-3011

ROBIN M. HOUSTON
SECRETARY

September 4, 1996

Daniel G. Kyle, Ph.D., CPA,CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

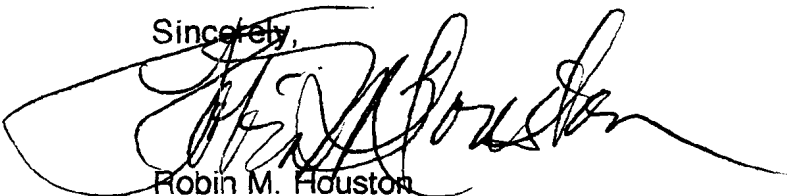
Dear Dr. Kyle:

In response to your finding and recommendation regarding the Cash Management Improvement ACT (CMIA) agreement, we concur with your finding.

For the Fiscal Year beginning July 1, 1996, procedures have been established to ensure that funds are drawn in compliance with the CMIA agreement.

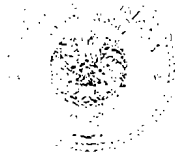
If I can be of further service, please advise.

Sincerely,



Robin M. Houston
Secretary of Labor

RMN/GS/jl



State of Louisiana

Gaming Control Board
November 19, 1996

M. J. "MIKE" FOSTER, JR.
GOVERNOR

HILLARY J. CRAIN
CHAIRMAN

Dr. Daniel G. Kyle
Legislative Auditor,
State of Louisiana
1600 North Third Street
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

By letter (10/30/96) and at a meeting on (11/12/96) with members of your staff, the Louisiana Gaming Control Board was requested to prepare an audit and control review program for the proposed land based casino in New Orleans. Our response is contained in the appended document. In our opinion it meets the test of acceptable audit standards. However, if you have any reservations or recommendations please feel free to discuss this with us.

Respectfully,

Hillary J. Crain, Chairman
Louisiana Gaming Control Board

HJC/lt

Enclosures

B-69

AUDIT FUNCTION OF THE LANDBASED CASINO AUDIT STAFF

A. AUDIT OBJECTIVES:

To conduct periodic audits, in accordance with the statements of auditing standards, of the books and records of the landbased casino.

Net Gaming Revenue Audits: to determine if the licensee has properly reported net gaming revenues and timely remitted the proper amount of related state gaming fees to the state's bank account.

Compliance Audits: to determine if the licensee is operating in conformance with the landbased casino's written system of internal controls and the state's gaming regulations and statutes relative to gaming operations.

Fraudulent Activity: to determine if any fraudulent activity has occurred relative to the gaming operations of the landbased casino.

B. OBTAINING AUDIT OBJECTIVES:

1. Review the methods and procedures used in recording and accounting for daily business activities of the casino - to determine if transactions are recorded as necessary to permit proper recordation to maintain accountability for assets.
2. Review and observe methods and procedures used in counting and handling of cash and cash equivalents, such as, chips, tokens or other evidences of value taken in, paid out, transferred or transported in connection with gaming activities - to determine if assets are safeguarded by way of proper segregation of duties and sound practices conducted by qualified personnel, and to determine if access is permitted only in accordance with management authorization and state regulations.
3. Examine and inspect records and procedures related to recording and conducting credit transactions with gaming patrons - to determine if assets are safeguarded by way of proper segregation of duties and sound practices conducted by qualified personnel.
4. Observe and review internal control procedures - to determine if the casino's internal controls are practiced in actual daily operation and if the system of internal control is operating efficiently and effectively to provide reasonable assurance that: assets are safeguarded; financial records are reliable; transactions are executed in accordance with management's authorization; transactions are recorded as necessary to permit proper recordation and to maintain accountability for assets.
5. Examine and inspect all other phases of the accounting and bookkeeping system; analyze all ledger accounts having a direct or indirect connection with gaming activities or financing of the enterprise, including but not limited to, accounts involving the recording of: gaming revenue; bad debt deductions; cash; loans to or from the casino; capital accounts surplus accounts; undivided profits and any other accounts, regardless of how titled, that might be used in recording transactions with individual or prospective ownership - to determine the relevance of the financial records.
6. Conduct special, specific purpose, investigations or examinations of the books and records of the casino when conditions indicate the need or upon the request of the Board.

**AUDIT FUNCTION OF THE
LANDBASED CASINO AUDIT STAFF**

Every audit and inspection referred to in paragraphs A & B above shall be conducted in conformity with the statement of auditing standards and shall be of sufficient scope to accomplish the purpose for which it was performed.

1. An appropriate report shall be prepared at the conclusion of each audit and inspection as documentary evidence of the procedures performed and the results of the audit or inspection.
2. The reports shall contain a statement of the authority for conducting the audit or inspection, the purpose of the audit/inspection, the scope of the audit/inspection and the opinion of the auditor as to the reliability of his findings.
3. The report shall also set forth the findings of the audit/inspection, noting in appropriate detail all violations, omissions or other inconsistencies with the requirements of the law or gaming regulations.

(11/04/96)



**LOUISIANA
PUBLIC
BROADCASTING**



7860 Anselmo Lane • Baton Rouge, LA • 70810-1199 • Phone (504) 767-5660/1-800-272-8161 (LA) • Fax (504)767-4299

October 15, 1996

Ms. Celeste Viator, C. P. A.
Hannis T. Bourgeois & Co., L. L. P.
2322 Tremont Drive, Suite 200
Baton Rouge, LA 70809-1487

RE: Louisiana Educational Television Authority Audit ending June 30, 1996; indirect cost.

Dear Ms. Viator:

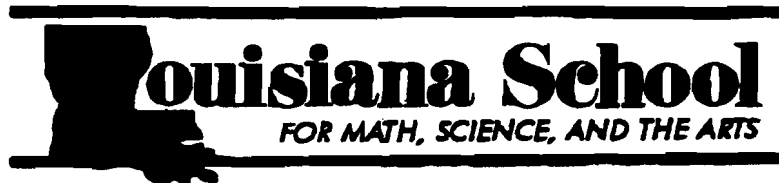
LETA management concurs with the auditor that all cost recoveries allowed under state and federal grants should be pursued. As such, LETA requires employee time-sheets to be maintained where such in-kind services are recoverable.

Further, in the absence of a negotiated state indirect cost-ratio, LETA utilizes for all federal grants, the official 8% federal EDGAR recovery percentage. Currently, LETA does not have any state grants that provide for the recovery of indirect costs.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Rougeou', written over a horizontal line.

Cynthia Y. Rougeou
Chief Administrative Officer



MEMORANDUM

TO: Marsha V. Guedry, CPA
Federal Audit Coordinator

FROM: Bill Ebarb, Ph.D. ⁶⁵
Fiscal Affairs Director

RE: Audit Finding

DATE: January 7, 1997

This is the Louisiana School's response to your follow-up inquiry relative to movable property records at the school.

- (a) The school does not reconcile purchases of movable property per the accounting records to the amount of acquisitions reported to LPAA.

This specific task has been assigned to the Supervisor of Physical Plant who will reconcile such reports on a monthly basis and summarize such activity in his annual report.

- (b) The school does not have formal policies or procedures to ensure that all movable property purchased, donated, or self-constructed is recorded, processed, summarized, and reported as required by state property regulations.

The school is developing such policies and should implement them by February. The Supervisor of Physical Plant shall be required to maintain such records. The continuing problem the school has experienced has not been with property currently acquired, but with property that was acquired several years ago and for which proper records were not kept. The new policy will involve many more persons in the taking of physical inventory. One of its foci will be the locating of any items which are not properly recorded and the developing of proper records for such items.



- (c) The property control manager initiates and processes transactions, performs the physical inventory, and reports to LPAA without any review or supervision.

The new policy will involve many more persons in the taking of the physical inventory. The report by the Supervisor of Physical Plant will be reviewed by the Director of Fiscal Affairs before being submitted to LPAA.

- (d) The school has not canceled the input and approval authorization of two employees that have been transferred to other duties for more than three years.

This authorization was canceled several months ago.

- (e) The actual cost of 11 of 15 acquisitions examined were not correctly reported to LPAA.

The new policy will require more sharing of cost information between the Supervisor of Physical Plant, fiscal officer, and comptroller to better facilitate accurate reporting of cost information. It will be necessary for the Supervisor of Physical Plant to amend his reports from time to time.

- (f) The actual acquisition date of all 15 acquisitions examined were incorrectly reported to LPAA.

The new policy will require that the Supervisor of Physical Plant receive all information concerning the arrival of acquisitions, and he shall establish the date of arrival.

- (g) Of the 15 acquisitions examined, 14 were not reported to LPAA within the required 45 days, but were reported from 50 to 110 days after being received.

The new policy will specify the reporting period, and the Supervisor of Physical Plant shall be responsible for submitting such reports timely.

Marsha Guedry Memo
January 7, 1997
Page 3

- (h) School generated funds were used by the Parents Association to purchase a printer that was not reported as property belonging to the school.

The new policy will require that all acquisitions be routed through the Supervisor of Physical Plant. Previously, other members of the faculty and staff removed items before the Supervisor of Physical Plant was advised of their arrival and before he had an opportunity to "tag" and report them.

- (i) The school does not monitor insurance coverage to determine that adequate coverage is maintained for its movable property.

The school's insurance coverage for movable property was updated several months ago for the first time in several years. That coverage is current.

If you require any additional information, please let me know.

Cc: Brother David Sinitiere
Mr. Chuck Stoker



LOUISIANA STATE UNIVERSITY
AND AGRICULTURAL AND MECHANICAL COLLEGE
Office of the Vice Chancellor for Business Affairs and Comptroller

December 17, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
Baton Rouge, LA 70804

Dear Dr. Kyle:

Enclosed for your review are the University's responses to several preliminary audit findings relating to the audit of LSU and A&M College for the fiscal year ended June 30, 1996.

If you wish to meet for further discussion, please call me at 388-3386.

Sincerely,

Jerry J. Baudin
Vice Chancellor for Business Affairs
and Comptroller

Enclosure

xc: Mr. William L. Silvia, Jr.



Louisiana State University and A&M College
Management Response to Legislative
Preliminary Audit Finding

Fiscal Year Ended June 30, 1996

Failure to Adequately Document Additional Compensation Hours

Finding

The Louisiana State University and A&M College - Baton Rouge Athletic Department (LSU) could not provide support for payments of additional compensation as follows:

- \$56,347 for 19 Athletic Department staff performing duties for the 1995 Independence Bowl
- \$3,172 for two baseball staff members performing duties for the 1996 College World Series
- \$10,713 for five track staff members performing duties for the 1996 Women's Outdoor Track Championship

Office of the Chancellor Policy Statement 43 (PS-43) provides that a fiscal year employee may earn additional compensation for performing work outside the scope of the employee's normal duties as reflected on his/her position description form. However, if the work to be performed falls within the employee's normal workweek, then the employee must be charged for annual leave or leave without pay for the hours spent on the activity. Finally, the personnel action forms authorizing the payment of the additional compensation for post-season competition included the statement that annual leave or leave without pay must be taken for any time spent away from regular duties to participate in this activity. Since the employment contracts for head coaches, assistant coaches for football and baseball, and the athletic director include a provision for additional compensation for post-season participation, the provisions of PS-43 related to additional compensation are not applicable to those employees.

The 26 employees receiving additional compensation to which PS-43 applies were not required to provide documentation to LSU for the time spent away from regular duties for post-season participation, and no leave was taken by any of the 26 employees during the four weeks preceding the competition or the two weeks subsequent to the competition in connection with post-season activities. We also noted that 24 of the 26 employees received the maximum additional compensation allowable, or 7 percent of base pay, totaling \$69,777, and the remaining two employees received less than 2 percent of base pay, totaling \$455. Relative to the 1995 Independence Bowl, the LSU Board of Supervisors approved amounts to be paid to employees on December 8, 1995, prior to the December 29 bowl game, and those specific amounts were paid, which may be an indication that the amounts paid were not directly related to the level of additional work performed.

Recommendation

LSU should obtain documentation for all payments of additional compensation as required by PS-43. In addition, LSU should ensure that annual leave, or leave without pay, is taken as required by PS-43 and related personnel action forms.

Management's Response

On November 13, 1987, the LSU Board of Supervisors authorized the payment of additional compensation to coaches and other Athletic Department staff for extra work performed in connection with football bowl games and certain other post-season athletic events. The Athletic Director was authorized to determine the persons to receive the additional compensation and the amounts to be paid, within certain limitations, and to submit recommendations for such payments through the Chancellor and the President for approval by the LSU Board of Supervisors.

Relative to the 1995 Independence Bowl, the Athletic Director recommended additional compensation payments, within the limits established by the Board in 1987, to the football coaches and certain other Athletic Department staff, based on additional work duties assigned. The additional compensation so recommended was specifically approved by the Chancellor, the President, and the LSU Board of Supervisors. With respect to the 1996 College World Series and the Women's Outdoor Track Championship, extra compensation was paid to the baseball and track coaches and the team coordinators who participated in these post-season events in accordance with the Board authorization provided in 1987.

PS-43 does not require detailed reporting of actual hours worked by unclassified employees relative to extra compensation properly authorized for performing duties outside the scope of normal duties. Thus, the University did not require the Athletic Department to provide such documentation for the compensation properly authorized for participation in post-season activities. Moreover, the policy for authorizing compensation paid for the 1995 Independence Bowl was essentially the same as for the 1988 Hall of Fame Bowl, the last bowl game in which LSU participated. However, the University recognizes that our policy for handling compensation for post-season competition needs to be clarified. We believe PS-43 was incorrectly applied, and that the employment contracts for all eligible Athletic employees should have included a provision for compensation for post-season participation, as authorized by the Board of Supervisors. The University is currently revising the contracts of the affected employees to properly reflect this provision.



LOUISIANA STATE UNIVERSITY
AND AGRICULTURAL AND MECHANICAL COLLEGE
Office of the Vice Chancellor for Business Affairs and Comptroller

November 25, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
Baton Rouge, LA 70804

Dear Dr. Kyle:

Enclosed for your review are the University's responses to several preliminary audit findings relating to the audit of LSU and A&M College for the fiscal year ended June 30, 1996.

If you wish to meet for further discussion, please call me at 388-3386.

Sincerely,

Jerry J. Baudin
Vice Chancellor for Business Affairs
and Comptroller

Enclosure

xc: Mr. William L. Silvia, Jr.



**Louisiana State University and A&M College
Management Response to Legislative
Preliminary Audit Finding**

Fiscal Year Ended June 30, 1996

Inadequate Controls Over Scholarships and Noncompliance

Finding

Louisiana State University and A&M College (Baton Rouge) (LSU) distributed the Chancellor's Incentive Awards (CIAs) in violation of the criteria established by the LSU Board of Supervisors (the Board). In addition, the University has not established adequate controls over the awarding of the CIAs and other scholarships not reviewed by the Office of Student Aid and Scholarships.

The original Board resolution passed at the August 23, 1991, meeting directed the CIAs to be given on the basis of "...demonstrated financial need, with emphasis on the recruitment of minority students who do not otherwise qualify for scholarships presently awarded by the University...." On March 2, 1995, as part of an on-going internal audit, the LSU Internal Audit department informed Mr. V. David Devillier, Special Assistant to the Chancellor, that he was not following the Board's established guidelines in distributing the CIAs. On March 27, 1995, Mr. Devillier sent a memorandum to the Assistant Vice President of the LSU System, requesting that a resolution to change the criteria of awarding the CIAs be placed on the next Board meeting agenda. The Board changed the requirements to "...with emphasis for each based on the recruitment of exceptional students to the University, for the recognition of academic and/or other exemplary accomplishments of students enrolled in the University, and for such other cause deemed appropriate to the Chancellor...." The language referring to "minority students who do not otherwise qualify for scholarships" was removed. This resolution was passed at the April 21, 1995, Board meeting with no objections. The LSU Internal Audit Department issued a report dated August 23, 1996, outlining findings related to the CIAs. Mr. Devillier, in response to the LSU Internal Audit report, stated that he was not aware of the criteria established by the Board. He further stated that it was his understanding that the awards could be made purely on a discretionary basis.

As a result of the internal audit findings, on October 15, 1996, the Louisiana Legislature's House Committee on Education directed the Legislative Auditor to examine LSU's CIA program and related financial issues. Our examination and report disclosed the following:

1. As was disclosed in the Internal Audit report, the award checks were distributed by the Special Assistant to the Chancellor and were not processed by the Bursar's Office or the Office of Student Aid and Scholarships (OSAS). As a result, the OSAS could not assess the financial needs and eligibility of the students.
2. Of the 98 students receiving the CIAs for the fiscal years 1994, 1995, and 1996, seven (7 percent) were minorities and 33 (34 percent) belonged to or joined Lambda Chi Alpha fraternity, to which the Special Assistant to the Chancellor was affiliated.
3. Ninety of the 98 (92 percent) CIA recipients received \$282,514 in other financial assistance, in addition to the CIAs.
4. In fiscal year 1996, 17 of the 56 recipients (30 percent) of the CIAs also received some type of Title IV assistance. Five of those 17 recipients received more student loan proceeds than they would have received if the OSAS had been notified of the CIAs before packaging the students' awards.
5. Six of the CIA recipients in fiscal year 1995 and four in fiscal year 1996 also received the Louisiana Honors Scholarship. One of the criteria for this scholarship is that the student cannot receive other gratuitous financial assistance from LSU if the total cost of the student's tuition is provided by scholarship. These ten students received a total of \$3,625 in CIAs and \$13,264 in tuition exemptions under the Louisiana Honors Scholarship.



**Louisiana State University and A&M College
Management Response to Legislative
Preliminary Audit Finding**

Fiscal Year Ended June 30, 1996

Inadequate Controls Over Scholarships and Noncompliance

Finding (continued)

6. The award focus was changed to "exceptional students" by the April 21, 1995, meeting of the Board. The overall grade point average of the CIA recipients after the focus was changed to exceptional students was 2.995. Twenty-four of the 57 students had below a 3.0 grade point average.
7. Several checks issued to students for the CIAs were voided and reissued to other students without a sufficient explanation in the file.
8. We could not determine why students were awarded the amounts they were awarded, i.e., \$250, \$375, \$500, et cetera.
9. The Tiger Athletic Foundation funded \$12,500 in CIAs in fiscal year 994. Of the 28 students receiving these awards, three (11 percent) were minorities and eight (29 percent) belonged to or joined Lambda Chi Alpha fraternity.

We were informed in a representation letter dated November 11, 1996, from the Athletic Department, of another scholarship distributed by the Special Assistant to the Chancellor. This was a one-time, privately funded scholarship program of \$22,965 to be used exclusively by the Chancellor at his discretion to recruit and assist students enrolled at LSU in the pursuit of their education. The \$22,965 of scholarships were distributed to 31 students. Of these 31 students, 14 (45 percent) were members of Lambda Chi Alpha fraternity and 12 (39 percent) also received the CIAs. This representation letter also disclosed a violation of National Collegiate Athletics Association (NCAA) regulations, which the University has reported to the Southeastern Conference and the NCAA.

Recommendations

LSU should consider the following recommendations:

1. We concur with the LSU Internal Audit Department's recommendation to require the OSAS to be notified of all cash awards. The CIAs should be processed through OSAS for review and approval.
2. LSU should either credit the student's fee bill for the CIAs or find another appropriate method of award distribution.
3. Guidelines should be established to document the calculation of the individual award amounts.
4. Since the CIAs are now given to "exceptional students," there should be guidelines as to what constitutes an exceptional student.
5. Although not previously included on the system, the CIAs should not be included and monitored on the Financial Aid Database (FAD) system.
6. LSU should determine and properly resolve amounts awarded to students who are subsequently determined ineligible because of their acceptance of conflicting scholarships.

Management's Response

The University concurs with this finding. New guidelines have been established for the administration of the Chancellor's Incentive Awards program, and all recommendations made by the Legislative Auditor have been implemented.



LOUISIANA STATE UNIVERSITY
AND AGRICULTURAL AND MECHANICAL COLLEGE
Office of the Vice Chancellor for Business Affairs and Comptroller

November 25, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
Baton Rouge, LA 70804

Dear Dr. Kyle:

Enclosed for your review are the University's responses to several preliminary audit findings relating to the audit of LSU and A&M College for the fiscal year ended June 30, 1996.

If you wish to meet for further discussion, please call me at 388-3386.

Sincerely,

Jerry J. Baudin
Vice Chancellor for Business Affairs
and Comptroller

Enclosure

xc: Mr. William L. Silvia, Jr.



**Louisiana State University and A&M College
Management Response to Legislative
Preliminary Audit Finding**

Fiscal Year Ended June 30, 1996

Inadequate Documentation for Louisville Slugger Scholarship

Finding

Louisiana State University and A&M College (Baton Rouge) (LSU) did not have adequate documentation to support the awarding of the Louisville Slugger Scholarship. The Louisville Slugger Scholarship is a national award of \$20,000 (\$2,500 per semester) given to an incoming freshman at the school of the current national champion baseball team, and is designed by the company to be given to financially needy students. Nominees were sent in by the Special Assistant to the Chancellor. Good internal controls require an adequate audit trail to determine if proper policies and procedures were followed. The Office of Student Aid and Scholarships (OSAS) selected six students from the pool of applicants for the Chancellor's Leadership Awards Program to be nominees for the Louisville Slugger Scholarship. Financial need was not a consideration in determining which students would be recommended for the scholarship.

The OSAS copied the applications but failed to compile a list of the students' names. The Chancellor's Office did not have a copy of the applications and did not maintain a list of the students' names. Because the auditor could not compare the list of names the OSAS sent to the Chancellor's Office to be nominees of the Louisville Slugger Scholarship, we could not determine, with any certainty, if the winner of the scholarship was one of the six applicants chosen by the OSAS. The student selected was a member of the Lambda Chi Alpha fraternity, as was the Special Assistant to the Chancellor. Subsequently, the Board of Supervisors, on November 8, 1996, voted to rescind the scholarship because of the recent controversy surrounding the Special Assistant to the Chancellor and the handling of the Chancellor's Incentive Awards.

Recommendation

LSU should ensure that there is adequate documentation to support the awarding of all student financial assistance.

Management's Response

The University concurs with this recommendation. Specifically, with respect to the Louisville Slugger Scholarship, changes have already been implemented such that should LSU be the recipient of this scholarship award again in the future, the award will be administered by the Office of Student Aid and Scholarships and the selection will be made in accordance with the criteria established by the donor.



LOUISIANA STATE UNIVERSITY

AND AGRICULTURAL AND MECHANICAL COLLEGE

Office of the Vice Chancellor for Business Affairs and Comptroller

November 7, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
Baton Rouge, LA 70804

Dear Dr. Kyle:

Enclosed for your review are the University's responses to several preliminary audit findings relating to the audit of LSU and A&M College for the fiscal year ended June 30, 1996.

If you wish to meet for further discussion, please call me at 388-3386.

Sincerely,

Jerry J. Baudin
Vice Chancellor for Business Affairs
and Comptroller

Enclosure

xc: Mr. William L. Silvia, Jr.



**Louisiana State University and A&M College
Management Response to Legislative
Preliminary Audit Finding**

Fiscal Year Ended June 30, 1996

Inadequate Grant Reporting and Monitoring

Finding

The Louisiana State University and A&M College (LSU) Division of Continuing Education did not ensure that accurate information was reported by its Office of Governmental Programs (OGP) to the Governor's Office of Rural Development (ORD) and, in addition, allowed the OGP to overspend its budget. An adequate internal control structure includes procedures to ensure that accurate information is submitted to grantors and that grant activities remain within available resources.

On April 25, 1996, OGP submitted a report to ORD to support the expenditure of a \$100,000 grant received in fiscal year 1996, and a \$50,000 grant received in fiscal year 1995. The report also provided a summary of programs from October 13, 1994, through May 1, 1996, and allocated costs among the programs. However, we were unable to reconcile this report to the accounting records of the LSU Division of Continuing Education. In addition, OGP's financial records indicate that the account had a deficit of \$36,746 for the year ended June 30, 1996.

The inaccuracies in the report were due to OGP personnel preparing the report by reconstructing financial data without review by the business office of the LSU Division of Continuing Education. The failure to submit accurate reports to grantors and the failure to monitor grant expenditures could result in misspent funds and the loss of future funding.

Recommendation

The LSU Division of Continuing Education should ensure that all reports required by grantors contain accurate information and that grant activities remain within available resources.

Management's Response

The University concurs with the finding. Steps have already been taken to ensure that all grant funds are properly monitored within the Division of Continuing Education and accurate information is reported to grantors.



LOUISIANA STATE UNIVERSITY
AND AGRICULTURAL AND MECHANICAL COLLEGE
Office of the Vice Chancellor for Business Affairs and Comptroller

December 17, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
Baton Rouge, LA 70804

Dear Dr. Kyle:

Enclosed for your review are the University's responses to several preliminary audit findings relating to the audit of LSU and A&M College for the fiscal year ended June 30, 1996.

If you wish to meet for further discussion, please call me at 388-3386.

Sincerely,

Jerry J. Baudin
Vice Chancellor for Business Affairs
and Comptroller

Enclosure

xc: Mr. William L. Silvia, Jr.

B-85



**Louisiana State University and A&M College
Management Response to Legislative
Preliminary Audit Finding**

Fiscal Year Ended June 30, 1996

Inadequate Payroll Controls - Job Training Partnership Act (JTPA)

Finding

Louisiana State University and A&M College - Baton Rouge (LSU) did not ensure that time and attendance records were signed by student employees working on the Job Training Partnership Act grant (JTPA) (CFDA 17.250). In addition, LSU did not require transient (seasonal) employees working on the JTPA grant to sign time and attendance records. Louisiana State University's Policy Statement (PS) 33 requires timesheets to be signed by the student and be maintained in the employing unit for at least three years, but the policy is silent with respect to transient employees. An adequate internal control structure would require transient employees to sign time and attendance documents and supervisors to approve those documents to provide a record of hours worked and an indication of supervisory approval.

Of the eight employees tested for certification, six (75 percent) did not certify their hours worked. Five of the six employees were student workers and the other employee was a transient employee.

Because the department has not placed sufficient emphasis on compliance with University policy, and because the policy is silent with respect to transient employees, payroll-related errors and irregularities could occur and not be detected in a timely manner.

Recommendation

LSU should re-emphasize the need for all student employees to follow PS-33 regarding the certification and verification of time and attendance records. Also, LSU should institute payroll certification policies regarding transient employees.

Management's Response

The University is currently implementing specific procedures to ensure that the time and record keeping process for employees working on the JTPA grant complies with all applicable University policies. The University's current written policy for timekeeping requirements is silent on transient employees due to an oversight, and this policy will be revised to formalize the payroll certification procedures for such employees.

By means of annual seminars, monthly newsletters, and one-on-one training, the Payroll Office regularly educates departmental employees having time and attendance responsibilities relative to compliance with applicable University policies and procedures. During 1996-97, the University administration intends to present a special seminar for all departmental business managers and all assistant deans. Timekeeping and time and attendance certification will be reviewed at this seminar, and these key employees will be instructed to make certain all applicable University policies and procedures are in place in their units.



OFFICE OF THE VICE CHANCELLOR, BUSINESS AFFAIRS

August 20, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the fiscal year 1995-96 audit finding regarding the LSU Internal Audit on Electronic Data Processing (EDP) General Controls, we respectfully submit the following:

Management's response to the weakness described in the LSU internal audit on EDP General controls are as follows:

1. The organizational chart has been redesigned to accurately reflect the segregation of duties and responsibilities between each functional area.
2. The current manual will be reviewed in detail and any out-of-date sections will be deleted; sections not sufficiently detailed will be enhanced, and any area not covered will be added. Periodic updates to the procedures manual will also be implemented.
3. The Director of Computing Services will work with the Director of Human Resources to develop and implement formal annual evaluations of each position in the Office of Computing Services.
4. Due to budgetary constraints and continued reduction of staff in the Business Affairs Division, it has become necessary to reassign duties and even add additional duties to our existing staff. The key statement of "do more with less" is the irony that we face with today's budgetary constraints. Due to restrictions in providing our employees with additional compensation for additional workload and/or responsibilities that are placed (voluntary/ involuntary) on them, we try to rearrange the workload assignments among our staff so that we do not overburden a single individual. Such is the case with the duties/responsibilities of the Associate Director of Computing Services position which have been temporarily altered to assist with the escalating workload in the Vice Chancellor for Business Affairs office. The Associate Director of Computing Services still reports directly to the Director of Computing Services and is still considered to be a full-time member of the Computing Services staff and is still considered to be allocating overall more than 50% of his efforts to the Computing Services Department. His additional assignment/reassignment is that of Property Control Manager for the University. He has been assigned the responsibility for the proper tagging, recording, inventory, and disposal duties of all moveable equipment on our campus. This temporary reassignment of duties for the Associate Director of Computing Services position will continue until the budgetary constraints are lifted and additional personnel are provided in the Business Affairs division.

5. Documentation will be developed for each task necessary to perform the work in the various technical areas including system and application programming, network administration, and operations.
6. An entrance door or other means to limit access to authorized personnel will be implemented.
7. We are very cognizant of the security nature of the operations room, and we have given it considerable thought. In response to our review, the operations door will be rekeyed to eliminate the key access to this room by our custodial staff and computer services personnel who do not have a specific business need for access to the operations room. The personnel who hold or have access to a great grand master key will retain access to this room. Our campus is small and the requirements of access to this room are dissimilar to that of a large computing services department/organization. Those keys are issued to those personnel whom we deem to "need access to" all parts of the campus for emergencies, disasters, and maintenance.

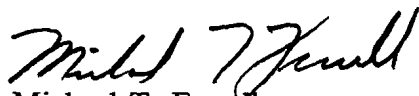
Another issue regarding "access" and/or security of any room is the safety of our personnel who occupy these work spaces after normal business hours. Since we have several departments across our campus who have single staff members working alone, we have asked the University Police to visit these areas to ascertain the safety of our personnel. The Computer Services operations room is one of the departments that have a single staff member working after normal business hours. We believe that it is our responsibility to check on the safety of our staff during their shift and have assigned this task to the University police.

8. Either a security glass or a peephole will be installed in the door.
9. A sign-in log will be implemented for individuals who are non-essential services personnel.
10. The bin for recyclable scrap paper has been removed from the operations area.
11. Copies of requests and authorization given will be maintained. Additionally, the Director of Computing Services will work with the director of Human Resources to develop a formal process to review and update this authorization whenever personnel changes occur.
12. Management will review computer resource management packages that are available for our type of mainframe and determine which package would best meet our needs.
13. The Director of Computing Services will work with the Shreveport Regional Vocational-Technical School to insure that the quarterly back-up tapes are stored in a secure location.
14. The Director of Computing Services will work with the Caddo Parish School Board to evaluate the current disaster recovery plan and make changes where appropriate.

Dr. Daniel Kyle
August 20, 1996
Page 3

These responses were submitted to Mr. William Wells, Director, LSU System Internal Audit Department on May 9, 1996. The University is committed to correcting any deficiencies noted on these findings.

Respectfully,



Michael T. Ferrell
Vice Chancellor for Business Affairs

MTF:cw



OFFICE OF THE VICE CHANCELLOR, BUSINESS AFFAIRS

August 20, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the fiscal year 1995-96 audit finding on Dr. Vaughn Langman's Biological Science Field Trip in Africa, we respectfully submit the following:

The University does concur with the finding; however, the following should be noted:

1. The Chancellor's office brought this matter to the attention of the LSU Internal Auditor and the Legislative Auditor.
2. The University has asked for the return of \$2,314 which represents the funds used to purchase the airline ticket for Dr. Vaughn Langman's daughter. We understand that Dr. Langman has requested a review of additional receipts to substitute for his daughter's airline ticket. We will request the Legislative Auditor and the LSU Internal Auditor to review all documents provided to us for this substitution.
3. The University understands that Dr. Langman has issued his response to the LSU Internal Audit report and that the Legislative Auditor has this document.
4. Dr. Langman will continue this program in the future as a private business. LSU in Shreveport will not participate in the program. Dr. Langman has been notified not to use LSUS staff or equipment in the development and implementation of this program or the LSUS name or telephone number in any advertisement regarding his African program.
5. In the future all programs similar to this one will be coordinated by the LSUS Division of Continuing Education and Public Service for approval and administering as required by Policy Statement 2 05.02. All University policies and regulations, in addition to any State laws and regulations will be adhered to in offering similar programs in the future.

Respectfully,

Michael T. Ferrell
Vice Chancellor for Business Affairs



OFFICE OF THE VICE CHANCELLOR, BUSINESS AFFAIRS

August 20, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the fiscal year 1995-96 audit finding regarding the Louisiana Procurement Code, we respectfully submit the following:

The University does concur with the finding; however, the following should be noted:

In response to Items 1,2, and 3 in the audit finding, we have reminded all departments of the importance of adhering to all State purchasing laws and regulations. Corrective action has been taken to insure that the Purchasing Office staff closely reviews purchase requisitions, especially those requesting similar products so that no violations of any State purchasing laws or regulations occur again.

In response to Item #4 in the audit finding, the networking project was not considered a "project" by the University because no funds were directly appropriated nor was there an "organized effort" by the University for networking. What occurred was intermittent requests by various departments over the entire fiscal year for network hardware for new individual department sites or replacements for damaged/worn out hardware. The individual requests from the departments did not require bidding because they were less than \$2,000; however, if you tally all the requisitions in total they exceed \$28,000. Because these requisitions were received and processed intermittently throughout the year, we do not consider that these purchases were in violation of any State purchasing laws or regulations. However, to eliminate any confusion over this matter, we have decided to annually bid the hardware since additional departments may wish to purchase the needed hardware to participate in the University network.

We respectfully submit that Management's emphasis will be intensified in enforcing and abiding by all State laws and regulations regarding the procurement of goods and services.

Respectfully,

A handwritten signature in cursive script that reads "Michael T. Ferrell".

Michael T. Ferrell
Vice Chancellor for Business Affairs



OFFICE OF THE VICE CHANCELLOR, BUSINESS AFFAIRS

August 20, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the fiscal year 1995-96 audit finding on Library Procurement, we respectfully submit the following:

The University does concur with the finding; however, the following should be noted:

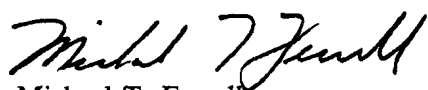
The University has strengthened the policies and procedures that govern the Library in ordering and paying for library acquisitions of books and periodicals as follows:

1. All pre-payments of library acquisitions must be approved by someone outside the library staff. This duty has been assigned to the Director of Accounting Services.
2. Non-descriptive generic invoices from vendors will not be accepted. All invoices must show the detailed information of what is being ordered or purchased, including the titles of item purchased, quantity, period of subscription (if applicable), and price.
3. All subscriptions ordered must begin their subscription period during the fiscal year the payment is made.
4. Pre-payments made for subscriptions that begin in future years or for prepaid orders that are to be received in other fiscal years will be documented by the Dean of the Library so that Accounting Services can process these requests as deferred expenditures to be expended in the year received.
5. Written requests will be made to the Director of Accounting Services for the setting up of new vendor numbers.
6. A document certifying that the library has received all materials on the invoices authorized to be paid will be a part of the required documentation sent to Accounting Services to authorize payment of invoices. This document will be signed by the library clerical employee responsible for assembling the invoice transmittal and also the Dean of the Library who is authorizing the expenditure.
7. The library staff is segregated as to separation of duties regarding the ordering and payment of library acquisitions.

Dr. Daniel Kyle
August 20, 1996
Page 2

We respectfully submit that management's emphasis will be intensified in enforcing and abiding by all State laws and regulations regarding the procurement of library acquisitions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael T. Ferrell". The signature is written in a cursive, flowing style.

Michael T. Ferrell
Vice Chancellor for Business Affairs

MTF:cw



OFFICE OF THE VICE CHANCELLOR, BUSINESS AFFAIRS

August 20, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the fiscal year 1995-96 audit finding on Permanent Memorandum 11, we respectfully submit the following:

The University does concur with the finding; however, the following should be noted:

1. The Chancellor requested that the Legislative Auditor look into this matter in conjunction with the investigation of Academic Employee Time and Attendance.
2. The Chancellor's office is requiring all employees to annually complete a PM-11 certification form. Information compiled from these documents will be used to complete an annual information report to the LSU President and the LSU Board of Supervisors.

The University is attempting to insure that all employees are in compliance with all University policies and regulations.

Respectfully,

Michael T. Ferrell
Vice Chancellor for Business Affairs



OFFICE OF THE VICE CHANCELLOR, BUSINESS AFFAIRS

August 20, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the fiscal year 1995-96 audit finding regarding Drug-Free Schools and Campuses, we respectfully submit the following:

The certification letter to the Secretary of the United States Department of Education was submitted with the signature of then Chancellor E. Grady Bogue. However, we cannot locate any copies of that document in our files. Numerous attempts to obtain a copy of that letter from the Department of Education have proved futile since they no longer collect the document. In answer to our request for a copy of the certification letter, the Department of Education instead sent copies of the annual Program Participation Agreement. This statement certifies that the University abides by the Drug-Free Workplace Act.

The drug prevention program documentation along with the description of the health risks associated with the use of illicit drugs and the abuse of alcohol and a description of the drug or alcohol counseling, treatment, rehabilitation or re-entry programs that are available to employees and students has been published annually in the Student Handbook. Although the Student Handbook is basically designed for our students, it is a multipurpose publication containing information such as the academic calendar, and it is distributed to all employees. Beginning immediately we will also publish this information in the faculty and staff telephone directory which is distributed to each faculty and staff employee.

The University is cognizant of its responsibility to provide a drug-free environment for our students and our employees.

Respectfully,

A handwritten signature in cursive script that reads "Michael T. Ferrell".

Michael T. Ferrell
Vice Chancellor for Business Affairs

MFT:cw



OFFICE OF THE VICE CHANCELLOR, BUSINESS AFFAIRS

August 20, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the fiscal year 1995-96 audit finding regarding Academic Employee's Time and Attendance, we respectfully submit the following:

The University does concur with the finding; however, the following should be noted:

1. The Chancellor brought this problem to the attention of the Legislative Auditor for your review and comments.
2. The Chancellor has written to all faculty reminding them of the requirement of reporting all absences. All deans and department chairs have been notified that they are required to fully document all faculty absences from the University.
3. This topic was fully discussed at the entrance conference. All deans and the president of the Faculty Senate were present at this meeting.

The University is attempting to insure that all employees are in compliance with State, LSU and LSU-S policies regarding work attendance of all employees.

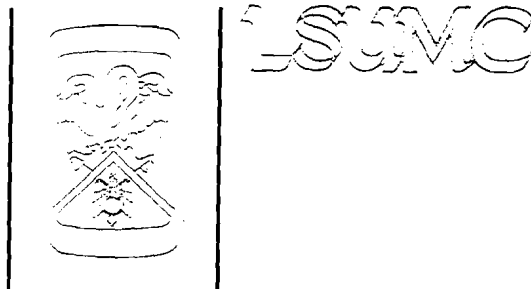
Sincerely,


Michael T. Ferrell
Vice Chancellor for Business Affairs

MTF:cw

**LOUISIANA STATE UNIVERSITY
MEDICAL CENTER**

Suite Number 811
433 Bolivar Street
New Orleans, LA 70112-2223
Telephone: (504) 568-5135
or: (504) 568-6300
FAX: (504) 568-7399



Office of the Vice Chancellor
for Administration and Finance
Daniel Kyle, Ph.D., C.P.A., C.F.E.
Legislative Auditor

RE: LSU Medical Center -- New Orleans
Audit Finding: Davis-Bacon Act

Dear Dr. Kyle:

LSUMC does not concur in the finding that we did not adequately monitor contracts involving federal funds used for construction to ensure the payment of the United States Department of Labor's prevailing wages on a construction contract funded through a cooperative agreement obtained from the U.S. Department of the Army (CFDA 12.420). The sources of funding for this project were clearly identified to all involved in the approval of this project, including the Federal Funds. Under state law, the Division of Administration, Office of Facility Planning and Control, is the office entrusted with the responsibility and authority to award and administer all construction contracts on behalf of state agencies. This responsibility would involve compliance with all applicable state and federal laws, rules and regulations. The federal requirement cited is not unique to this one particular project.

LSUMC, therefore, does not concur with the recommendation that LSUMC take the necessary steps to ensure compliance with the provisions of the Davis-Bacon Act. This is appropriately within the responsibilities of the Division of Administration, Office of Facility Planning and Control. LSUMC did not award the construction contract and would be unable to monitor such compliance.

If this is a compliance issue, LSUMC feels that the issue should be addressed to the Division of Administration, Office of Facility Planning and Control, for appropriate corrective actions on this and all other projects which might involve federal funding as part of the construction financing.

Sincerely,

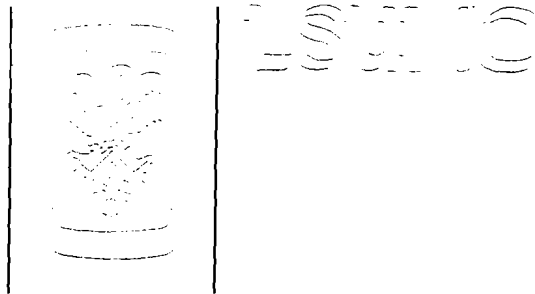
A handwritten signature in black ink, appearing to read 'Ronnie Smith', written over a white background.

Ronnie Smith
Vice Chancellor for Administration and Finance

B-97

**SCHOOL OF
MEDICINE IN NEW ORLEANS**

Louisiana State University
Medical Center
1542 Tulane Avenue
New Orleans, LA 70112-2822
Telephone: (504) 568-4006
FAX: (504) 568-4008



Office of the Dean

September 26, 1996

Daniel Kyle, PHD, CPA, CFE
Legislative Auditor

RE: Response to audit question, LSUMC Audit Report, Credit Balances

Dear Mr. Kyle,

I provide the following response to the audit question raised by the Legislative Auditor regarding credit balances recorded within the School's Professional Practice Association.

- Although our Credit Invoice balance is still high, it was lowered by over \$100,000 from the prior year. This is the first year we have seen a reduction, which is a good indication that we are moving in the right direction.
- New credits should be reduced by use of our 2 column statement. It identifies patient responsibility versus insurance responsibility, which should reduce patient overpayments.
- Credits do not equate to refunds. Our research indicates that only about 24% will be refunded. The other 76% will either be applied to open charges (54%) or be eligible for sending to the Department of revenue and Taxation (22%).
- Last fiscal year our credit invoices represented 3.5% of our total accounts receivable. As of June 30, 1996, this percentage dropped to 3.1%.

Please advise should further information in regard to this matter.

Sincerely,

Robert L. Marier, M.D.
Acting Dean
LSU School of Medicine N.O.

xc: Ronald E. Smith
David DiLoreto, M.D.
David Dotter

**SCHOOL OF
MEDICINE IN SHREVEPORT**

Louisiana State University
Medical Center

1501 Kings Highway

Post Office Box 33932

Shreveport, LA 71130-3932

Telephone: (318) 675-5285

Fax: (318) 675-5187

September 17, 1996

Daniel G. Kyle, PhD, CPA, CFE

State of Louisiana

P.O. Box 94397

Baton Rouge, LA 70804-9397

Re: Response to Legislative Audit Report on Internal Control Over Purchases

Dear Mr. Kyle:

First Sighting: Two procedural errors in the sighted file. The contract extended past the expiration date, and was not advertised. Both of these errors are acknowledged as human error. The errors caused the State no fiscal harm or misuse of public funds. The commodity is deemed to be noncompetitive and sole source. LSUMC takes an arm's length approach to "Sole Source Procurement" and employs the public competitive bid process whenever feasible, in order to establish firm contractual terms and pricing. Both administrative errors have been dealt with to assure non recurrence.


Second Sighting: The audit discovered the issuance of two blanket purchase orders to the same vendor. The orders were for the procurement of "Miscellaneous supplies and services which could not be determined ahead of time and which could not exceed \$500.00" The Purchasing Department has initiated measures to identify the reoccurring miscellaneous supply needs in order to establish a competitive price contract to support the use of these blanket purchase orders.

Third Sighting: The audit discovered two confirming purchase orders that were placed for identical commodities. The audit comment portrays this procurement file as a violation of the "Small Purchase Procedure", whereby a department artificially divided its needs so as to constitute a small purchase and thereby avoided the necessity of bidding. The Department Head responsible for the sighted transactions has denied artificially dividing the needs for his department. The Department Head ordered a small quantity of a commodity that was on back order from the contracted source. The Department Head deemed it in the best interest to order only a small quantity, in hopes that the back order would clear. However, the quantity obtained on the small order did not prove sufficient to last until the back order cleared, and the need for an additional order of a small quantity became imminent. Thus, the second order was placed. No artificial dividing of need was done. The Purchasing Department has discussed this matter in detail with the department and will provide further instructions to all departments to insure a clear understanding of the rules and regulations governing small purchases.

Fourth Sighting: The audit sighted the multiple use of Limited Purchase Orders by one department over a ten month period, for like items, which totaled approximately \$6,365. This pattern of use of the Limited Purchase Order was discovered by the Purchasing Department through its audit procedures, and corrective measures were implemented. The audit does not mention the previous discovery and correction of the sighted problem nor did it mention that a majority of the purchases made in this sighting were exempt from bidding by virtue of being devices for physical restoration. The Purchasing Department did initiate measures to identify the supply requirements of the sighted department in order for the establishment of competitive price contracts.

Fifth Sighting: The audit sighted the Internal Audit Report of the Accounts Payable Section of Accounting. This report pointed out several internal control weaknesses relating to the Limited Purchase Order Procedures, Confirmation Purchase Orders, and Blanket Purchase Orders. All of these sightings dealt with internal procedural matters that have been corrected as a result of the Internal Audit Report. The Internal Audit Report sighted no Procurement Code or Regulation violations.

Sincerely,



Richard H. Chandler, Director of Purchasing and Materials Management

School of Allied Health Professions
School of Dentistry

School of Graduate Studies
School of Medicine in New Orleans

School of Medicine in Shreveport
School of Nursing

**LOUISIANA STATE UNIVERSITY
MEDICAL CENTER**

1501 Kings Highway
Post Office Box 33932
Shreveport, LA 71130-3932
Telephone: (318) 675-5610

Human Resource Management

August 27, 1996

Mr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
State of Louisiana
1600 N. Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

LSUMC-S currently has a drug screen policy in effect that covers pre-employment as well as for "cause". The program being utilized covers several requirements of "The Drug Free Schools and Campuses Regulations" and has been well managed and successful.

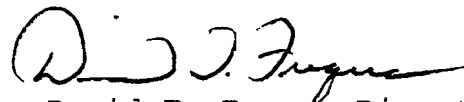
In order to fully comply with the regulations, we are in the process of developing the following for distribution:

Annual notification of each employee on the program,
which includes:

- A statement of the Act
- Legal sanctions for violation
- Standards of conduct
- Description of health risks
- Treatment programs available within the organization

When this program is completely in place, we will submit notification for certification to the Secretary of the United States Department of Education.

Sincerely,



David T. Fuqua, Director
Human Resource Management

DTF:11

**SCHOOL OF
MEDICINE IN SHREVEPORT**

Louisiana State University
Medical Center
University Hospital
1501 Kings Highway
Post Office Box 33932
Shreveport, LA 71130-3932
Telephone: (318) 675-5060
FAX: (318) 675-5666



LSUMC

Hospital Administration

Mr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
State of Louisiana
1600 Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

September 23, 1996

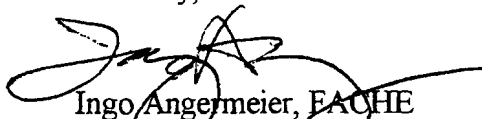
RE: Response To Reportable Item - Unrecorded Inventory

Dear Dr. Kyle:

For compliance with reporting regulations, University Hospital shall conduct a beginning inventory in all patient care areas that procure special order medical supplies that are not currently inventoried through the Shared Medical Systems (SMS) "On-line Materials Management System" (OMMS). Each respective area shall conduct the physical inventory and record the special order medical supply items located under their control. This physical count shall be used along with the first in, first out (FIFO) method of inventory valuation to determine the beginning value of the special order inventory. At year end a physical inventory count will be conducted to establish a valuation of the inventory on hand. In the Special Procedures and Cardiac Catheterization Laboratories, with the assistance of a new software system shall be installed in January, 1997, a perpetual inventory system will be maintained.

A Hospital Policy shall be established requiring each department obtaining medical supplies via special order to conduct a year ending inventory for their respective area. The value of these inventories shall be reported to the Medical Center's Accounting Department for inclusion in the year-end financial statements of the Medical Center.

Sincerely,


Ingo Angermeier, FACHE
Hospital Administrator

B-101

School of Allied Health Professions
School of Dentistry

School of Graduate Studies
School of Medicine in New Orleans

School of Medicine in Shreveport
School of Nursing



Pennington Biomedical Research Center
LOUISIANA STATE UNIVERSITY

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

May 29, 1996

Dear Dr. Kyle:

Re: Shortage in Petty Cash Fund

In response to the finding transmitted to me on May 17, 1996 by Ms. Bobbie Babbin, Senior Auditor, LSU audit, I concur with the finding. PBRC will conduct unannounced cash counts and will have Earl K Long employees conduct simultaneous counts of the cash that they keep in the same office.

I have again requested that Earl K Long obtain a copy of the Sheriff's report of its investigation but have not yet received a copy of the report.

Sincerely,

John J Farrell, Jr
Director of Fiscal Operations
(504) 763-2571

cc: William L. Silvia, Vice President, LSU System
William Wells, LSU System Director of Internal Audit
Bobbie Babbin, Senior Auditor

New Orleans
Louisiana 70148
(504) 286-7187

September 17, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Please find below the University's management response to the fiscal year 1995-1996 audit finding on the duties of cash receipts function not segregated.

Metropolitan College operates credit and non-credit programs out of its Downtown Center through the administration of the Division of Professional Development. The College's central accounting function (located at the lakefront office) oversees the Center's collection of funds, enrollments, etc. in a manner designed to provide adequate checks and balances. It is the opinion of the College that such oversight--involving cross checks of enrollments in a manner independent of Downtown Center staff--has been sufficient to insure adequate controls of funds.

Given the informed opinions of the auditors, however, the College will redesign the manner in which it records non-credit registrations and receives funds and will take the following steps:

1. The College will seek to establish an Accounting Clerk position at the Downtown Center to provide a centralized position for course revenues.
2. For walk-in registrations,
 - a. program clerks will register the student in a particular class, and generate a registration form to be taken to the account clerk. The program clerk will retain a copy of the form.
 - b. the account clerk will receive payment and provide proof of payment to the registrant.
3. For mail-in registrations,
 - a. the administrative clerk will receive the mail, separate checks, and provide a log of checks and payments by credit card.
 - b. registration forms will be sent to program clerks for class registration,
 - c. the account clerk will record payments as received.

Dr. Daniel G. Kyle
September 17, 1996
page two

4. For phone registration (i.e., credit card only),
 - a. program clerks will register students and take credit card information.
 - b. the accounting clerk will verify all charges and write out charge slips.
 - c. once charges are approved, student records will be updated by the accounting clerk.

5. For all forms of registration,
 - a. the program clerks will not be responsible for accepting payments.
 - b. the accounting clerk will receive payments and record revenue at the end of each registration day.
 - c. reports that summarize registration activity will be reconciled with the accounting clerk revenue records and with registration records retained by program clerks.

If you have any questions, please call me at (504) 280-7144. Thank you.

Sincerely,



Robert L. Dupont
Dean

Office of Financial Services and Reporting

New Orleans
Louisiana 70148
Phone (504) 280-6211
Fax (504) 280-5430

September 11, 1996

Dr. Daniel G. Kyle, CPA CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Please find below the University's management response to the fiscal year 1995-96 audit finding on refunds to the Title IV programs:

Position vacancies and hiring freezes have continued to hamper the University's effort to comply with the continuing changes in the Title IV Refund Regulations. However, with the hiring of an Assistant to the Director for Fiscal Operations in the Office of Financial Aid and an Accounting Specialist 1 in the Office of Financial Services, the University embarked upon a 100% review of all refunds, beginning with Fall 1995 semester, in order to ensure accuracy of refund calculations made during this period. This endeavor, which the University imposed upon itself, and the resultant corrective actions taken by the University, account for the untimely refund submissions cited in the finding.

The small refund amount differences cited in the finding were largely the result of a misinterpretation of the Federal Regulations regarding excludable costs. This misinterpretation has been resolved and the refund regulation clarified.

To further ensure more timely refunds, the University has scheduled Refund/Billing program updates to the Student Accounting System weekly beginning with the Summer 1996 Semester. Personnel from the Office of Student Financial Aid and Financial Services will meet each week in order to complete refund calculations and withdrawal worksheets.

Sincerely,



Leo P. LeBlanc
Director
Office of Financial Services and Reporting



Jocelyn Green
Director
Office of Student Financial Aid

Office of Financial Services and Reporting

New Orleans
Louisiana 70148
Phone (504) 280-6211
Fax (504) 280-5430

September 20, 1996

Dr. Daniel G. Kyle, CPA CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Please find below the University's management response to the fiscal year 1995-96 audit finding on Receivables:

The University Administration has recognized the fact that the uncollectible student account receivable problem must be attacked in three phases: at the point of creation (registration), before the student leaves school, and after the student leaves school. The main focus of this three phase plan is to increase the University's collection efforts and materially reduce the number of collection exceptions which are allowed in order to register students. Specific details of the plan are as follows:

The Office of Financial Aid has developed more stringent criteria for recommending pending financial aid deferments. Students with schedules in the registration system that have not completed student aid processing by the 14th class day will be purged from the registration system. These individuals have historically constituted the majority of the delinquent student account receivables. Likewise, the Bursar is more stringent in applying University deferment policy to students wishing to use extended payment plans. A basic minimum of 50% down payment is now generally required.

The Bursar has developed an aggressive collection plan focusing primarily on sharply reducing the amount of time allowed to the student before full payment is due. The Bursar has substantially decreased the time period allowed before referring delinquent accounts to contracted collection agencies, as well as substantially increased the number of accounts that will be referred to those collection agencies when required. Computer programming assistance has been requested to enhance or modify those aspects of our Student Accounting System which can be used to increase our Student Accounting Collection Activity. A new flat file, update fields, and update flags will be added to our current System in order to assist us in our collection pursuits.

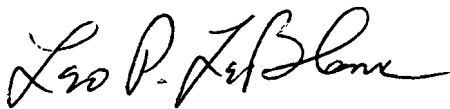
For all University receivables, the Bursar has developed a program to gather relevant support documentation on each account. Temporary employees have been hired to conduct the necessary detailed research required on old accounts, perform daily account filing and retrieval, assist with reporting and verification of agency statements, assist in preparation of write off lists, and placing of accounts selected for distribution to our collection agencies. These efforts will promote the completeness of each file, ensure the accuracy of addresses that are maintained by the University, and expedite the overall collection effort.

September 20, 1996

Page 2

Overall success of this plan is contingent upon the aggressive implementation of the strategies mentioned above by all University Offices and Departments that affect the establishment of University accounts receivables.

Sincerely,

A handwritten signature in black ink, appearing to read "Leo P. LeBlanc". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Leo P. LeBlanc
Director

New Orleans

Louisiana 70148

(504) 286-6207

September 26, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Please find below the University's management response to the fiscal year 1995-96 audit finding on employment practices and time and attendance records:

For intermittent employees, the University has requested and received authorization from the State Department of Civil Service for all employees campuswide.

With respect to timesheets not being signed, the Payroll Department has been instructed not to process paychecks for employees' timesheets that have not been duly signed by the employee and his authorized supervisor.

The citing of attendance-leave records not being signed by the fifth day after month's end by employees, timekeepers, and/or supervisors, is no longer an issue as we have replaced the old manual Attendance-Leave card with the automated Leave Tracking System. To address the issue of employees certifying their time worked and/or leave taken, the University has established new procedures, i.e., requiring employee and supervisor signatures on payroll timesheets for hourly employees, monthly Payroll Certification Forms for non-classified, non-academic employees, and specific procedures for all employees responsible for reporting, approving, entering, and maintaining leave.

To ensure that all employees are aware of their responsibilities, we have established an extensive and intensive campuswide training program. We have also established a new position and hired an Internal 'Attendance Leave' Auditor for the specific purpose of conducting these door-to-door training seminars. The program is designed to inform each employee of their specific responsibilities as a classified or unclassified employee, as a timekeeper, and/or as a supervisor, and we have developed an acknowledgement form for each employee to sign indicating that he/she understands his/her responsibilities. The Provost has issued a memo to all university employees informing them that attendance at the training sessions is mandatory. In that memo, the Provost also states that employees who do not follow University procedures will be subject

Dr. Kyle
September 26, 1996
Page 2 of 2

to disciplinary actions by their supervisors, and will not be allowed to pick up their paychecks until they are in compliance with University policies and procedures.

With regard to other areas that the Auditor was concerned about:

- The arithmetic errors the Auditor refers to should be eliminated this year as the automated Leave Tracking System has been implemented,
- Timekeepers are no longer allowed to maintain their own leave records,
- Payroll is now maintaining proper supporting documentation for deducts in their files,
- The University has developed a form to facilitate the maintenance of compensatory leave on the Leave Tracking System, and we are training employees and timekeepers on the proper procedures for maintaining compensatory leave.

Our thorough training program, along with upper management enforcement of University policies and procedures, including the use of disciplinary action when necessary, should ultimately resolve this long term finding to the Legislative Auditor's satisfaction.

Sincerely yours,



Daryl Hankel
Manager, Internal Auditing and
Systems Development

audit96.1



LOUISIANA TECH UNIVERSITY

OFFICE OF VICE PRESIDENT
FOR ACADEMIC AFFAIRS

August 7, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70801

Dear Dr. Kyle:

This response is in reference to entrance and exit counseling by the Financial Aid Office. The University concurs and provides the following information.

Entrance counseling for new borrowers at Louisiana Tech is being conducted with Fee Payment each quarter with additional sessions being held during the quarter for those students who paid early or who, for some reason, did not attend the entrance session at Fee Payment. Our ability to identify and track the status of new borrowers has improved significantly with the introduction of financial aid software. New borrowers without documentation of an entrance interview are now identified earlier in the award year through computer search and are contacted for interviews as soon as possible. During the coming quarters we will also review prior year 1994-95 loan recipients' records to insure that an entrance interview is documented therein. Those missing the documentation will be contacted and the interview provided in accordance with the regulation.

Exit counseling has received increased emphasis in the past quarters of this year. We schedule multiple exit interviews for graduating borrowers and utilize a resigning student checklist that insures that the student received the exit interview information prior to departure from the campus. We are able to track current borrowers (borrowed during the 1995-96 academic year) to determine if they "stopped out" (did not return in the next quarter) and have contacted borrowers to provide the requisite exit counseling information. The same action will be taken for prior year students (1994-95) who borrowed and did not receive an exit interview. We will contact them to the extent possible and obtain and provide the requisite information.

A MEMBER OF THE UNIVERSITY OF LOUISIANA SYSTEM

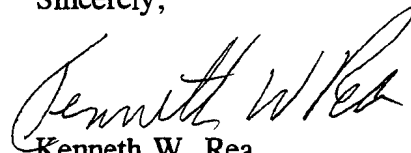
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AN EQUAL OPPORTUNITY UNIVERSITY

B-110

In the coming award year, we will continue to monitor the entrance and exit counseling to insure that all students are provided the appropriate information.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth W. Rea". The signature is written in a cursive style with a large, looping initial "K".

Kenneth W. Rea
Vice President



LOUISIANA TECH
UNIVERSITY

OFFICE OF VICE PRESIDENT FOR
RESEARCH AND DEVELOPMENT

August 30, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

re: Time and attendance records
Graduate Assistance or Adjunct Professors

Dear Dr. Kyle:

Louisiana Tech University will centralize the monitoring of time and attendance records for all graduate assistants and adjunct faculty within the office of the Vice President of Research and Development. A form similar to that required for all full-time faculty and staff will be developed for this purpose with the assistance of the Graduate Council and Research Council.

Sincerely,

Dr. Stuart Jay Deutsch
Vice President for Research and Development

SD/jm

B-112

A MEMBER OF THE UNIVERSITY OF LOUISIANA SYSTEM



LOUISIANA TECH
UNIVERSITY

OFFICE OF VICE PRESIDENT
FOR ACADEMIC AFFAIRS

August 7, 1996

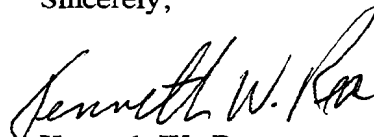
Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70801

Dear Dr. Kyle:

This response is in reference to notification to lender not made in a timely manner by the Financial Aid Office at Louisiana Tech University.

The University concurs. The University has, effective July 1, 1996, adopted the new reporting requirements as defined in the Title IV Wide Area Network (WAN) documentation. The University will report student status changes on a sixty (60) day cycle on a year-round basis so that individual changes in enrollment status will be reported to the lender within the required 60 days.

Sincerely,


Kenneth W. Rea
Vice President

B-113

A MEMBER OF THE UNIVERSITY OF LOUISIANA SYSTEM

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LOUISIANA TECH
UNIVERSITY

OFFICE OF VICE PRESIDENT
FOR ACADEMIC AFFAIRS

August 7, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70801

Dear Dr. Kyle:

This response is in reference to financial aid overaward to one student.

The University concurs. Since this incident there have been several procedural changes which will substantially minimize the possibility of such an occurrence in the future.

First, the office has been reorganized according to program responsibility. This permits specific employees to concentrate on the accurate awarding of aid in the program for which they are responsible.

Second, we have introduced a higher level of automation which loads the students' data directly from the federal processor, thus reducing the possibility of incorrect data being entered. We are restricting most loan awards to the academic year cycle which will further standardize awarding.

Third, as noted in the finding, we had begun a quality check and had noted the overaward and were beginning to resolve the problem. Our increased automation will maximize quality control checks in the awarding process.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth W. Rea".

Kenneth W. Rea
Vice President

B-114

A MEMBER OF THE UNIVERSITY OF LOUISIANA SYSTEM

POST OFFICE BOX 3188 • RUSTON, LA 71272-0001 • TELEPHONE (318) 257-4262 • FAX (318) 257-4153

AN EQUAL OPPORTUNITY UNIVERSITY



LOUISIANA TECH
UNIVERSITY

OFFICE OF VICE PRESIDENT
FOR ACADEMIC AFFAIRS

August 8, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70801

Dear Dr. Kyle:

This response is in reference to payment for indoor plant care.

The University concurs with questioning of this expenditure. The University will no longer pay for indoor plant care under this grant or under other grants.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth W. Rea".

Kenneth W. Rea
Vice President

B-115

A MEMBER OF THE UNIVERSITY OF LOUISIANA SYSTEM

POST OFFICE BOX 3188 • RUSTON, LA 71272-0001 • TELEPHONE (318) 257-4262 • FAX (318) 257-4153

AN EQUAL OPPORTUNITY UNIVERSITY

October 8, 1996

Daniel G. Kyle, Ph.D., CPA
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to audit Finding - Patient Charges
Medical Center of Louisiana from FYE June 30, 1996

Dear Dr. Kyle:

Timeliness of our patient billing system is affected by several factors which are essential elements in management's effort to increase cash flow, maximize collections and promote compliance with Legislative Audit guidelines and State regulations. These factors are as follows:

1. Physicians completing all medical records.
2. Reviewing of the medical records for diagnosis coding.
3. Determining financial eligibility for those patients applying for Medicaid, a process that takes approximately 3 to 6 months.

Timely retrieval of medical records is a problem for a medical center of the size, volume and complexity of the Medical Center of Louisiana. There are so many users and demands on medical records it is difficult for records to always be available for those requests that are essential to a timely billing process. The Hospital is still working toward establishing a system of electronic storage of medical records that will eliminate this problem by permitting simultaneous accessibility to all users and particularly those users complementing the billing process.

Management is now in the final stage of automating the charge capture function with the establishment of the Order Entry System (StatLan) which is now over 90% complete on the Charity Campus.

Response to Audit Finding - Patient Charges

We are concerned that the requirement that we consistently produce *flawless* bills that accurately reflect charges for services actually rendered is an unrealistic standard to apply to a hospital of our size and complexity. Particularly when these problems are not exclusive to MCLA but common to all hospitals, regardless of size and complexity.

We have studied other geographic areas, both statewide and nationally, to determine if our problems are exclusive or if they are, indeed, common to hospital situations such as ours. What we have found is this:

1. Statewide. We interviewed two (2) Nurse Auditors representing two separate, private audit firms in Louisiana. Both told us that they have *never* audited a patient bill which was error free.

Mr. John Jurivich of the Louisiana Hospital Association tells us that in his experience, "almost all bills have some form of error and that the audit process we had recently would not, in his opinion, be a valid test of billing accuracy". He also told us that most bills sent from hospitals are not paid for based on charges billed by the hospital, but on a per diem or a DRG basis, if they are paid at all. He guessed the overall error rate of patient billing to be in the 90 percentile area.

2. Nationally. Mr. Temple Cole of Grady Memorial, Atlanta, says that only 15 - 20% of their patient invoices are "perfect". Mr. Cole has supervisory responsibilities for patient billing at this very large hospital in Atlanta which is very similar to ours and says: "It is virtually impossible to get a clean bill".

We also learned of a General Accounting Office study dating to 1990, ordered by a United States Senate panel which was looking into inflated hospital bills, that reported billing errors in 99% of the cases audited. In the GAO study, four Los Angeles area hospitals were audited.

Our Nurse Auditors recognize and address trends in all over/under charging without exceptions; materiality is never a consideration. These over/under charges are common to the industry and in our case were not material in the net affect of total charges. Management however, regards all inaccuracies as important and will determine the cause and implement solutions.

Page 3

Daniel G. Kyle, Ph.D., CPA

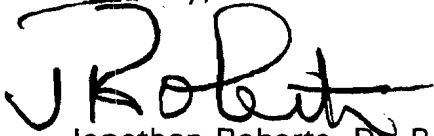
October 8, 1996

Response to Audit Finding - Patient Charges

The Health Care Authority has an on-going project to track the timeliness of billings at each LHCA hospital and to identify and correct problems related to timeliness and accuracy of patient bills. The objective of this project is to improve patient billing and establish reasonable criteria for setting procedures and policies.

We have contracted with a fiscal consultant to analyze all patient charge issues and make the necessary recommendations to minimize over/under charge issues and produce timely patient billings.

Sincerely,

A handwritten signature in black ink, appearing to read "J Roberts", written in a cursive style.

Jonathan Roberts, Dr. P.H.
Chief Executive Office

JR/hwjr/esc
attachment

cc: Michael Butler, MD
James Storer, MD
Henry Wallace, Jr., CFO

September 9, 1996

Daniel Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P. o. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to Audit Findings for the Year Ended June 30, 1996
Medical Center of Louisiana - Untimely Remittance of Unexpended
Appropriation - Hibernia Bank Account

Dear Dr. Kyle:

On July 1, 1995, MCLA officially merged the West Campus (University Hospital) and the East Campus (Charity Hospital). With this merger and the continued use of the State's Financial Accountability and Control System (FACS) by MCLA, all funds relating to MCLA after fiscal year 1995 were submitted directly to the State of Louisiana Treasury Department.

The closing of the Hibernia Operating Accounting this year was the final step in transferring all funds from MCLA control and custody. The \$3,655,152.29 in cash in the University Hospital account that was late in being returned to the State Treasurer was an isolated incident which will not recur. The reason for the delay was that the custodian of the fund was a former Hotel Dieu employee who was unaware of State regulations relating to Return of Unexpended Appropriation.

In fiscal 1994/95, University Hospital was only a quasi-FACS agency and, as such, did not process their expenditures through the State Treasurer's office. Instead they drew funds and deposited them in a separate bank account outside of the State's system from which their Accounts Payable disbursements were drawn. The last checks written against this account were dated August 14, 1995. The account remained open so that the outstanding checks could clear. Checks continued to clear until October 1995.

Among the outstanding checks was a \$900,000 check issued to Facility Planning and Control to transfer funds for a capital project for the Hospital. There was quite

a bit of discussion between the Hospital, LHCA and the Division of Administration in regard to whether Facility Planning and Control could accept the check. These discussions continued into calendar year 1996.

In March, 1996 we were told that the \$900,000 check would not be accepted by Facility Planning and Control and that we should close the account. We called Hibernia Bank to verify the current balance so that a check could be drawn to the State Treasurer's office to close the account. The account was closed at that time.

The summary explanation for the \$3,655,152.29 being in the account is as follows:

CHECK NUMBER	DATE	AMOUNT	EXPLANATION
032048	04/19/96	900,000.00	Funds designated for Facility Planning in Baton Rouge to cover the cost of the Special Children Program Clinic at University Hospital. Facility Planning refused to receive the check and refused to administer the project because the project had not been established at Facility Planning. (Account #23-0365-1)
		2,674,299.15	Excess cash warranted down for estimated expenditures
		<u>80,853.14</u>	Outstanding Checks
032049	04/19/96	<u>2,755,152.29</u>	(Account #23-0365-1)
TOTAL		<u><u>3,655,152.29</u></u>	

Page 3
Dr. Daniel Kyle, CPA
September 9, 1996

Now that University Hospital and Medical Center of Louisiana appropriations are combined and MCLA Cash Management procedures are currently directed through the Government Financial System (GFS), this type of incident will never occur again.

If additional information is needed and I can be of further assistance, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'J.R. Roberts', with a stylized flourish at the end.

Jonathan Roberts, Dr. P.H.
Chief Executive Officer

HWjr/esc

cc: Michael Butler, MD
James Storer, MD
Henry Wallace, Jr.



STATE OF LOUISIANA
MILITARY DEPARTMENT
OFFICE OF THE ADJUTANT GENERAL
JACKSON BARRACKS
NEW ORLEANS 70146-0330

M.J. "MIKE" FOSTER, JR.
GOVERNOR

A.M. STROUD, JR.
MAJOR GENERAL
THE ADJUTANT GENERAL

15 November 1996

Legislative Auditor
Dr. Daniel G. Kyle
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Audit Finding-Cash Management

Dear Dr. Kyle:

The following is agency response to subject audit finding:

Response:

Agency policy on the timing of transfer of federal funds from U.S. Treasury to the State of Louisiana is based on estimated processing time of expenditures and revenue classification. This policy has been established to avoid cash deficit situations. Emergency Management Funds are electronically transferred from FEMA to State Treasury Office. However, The State Treasury Office does not credit the agency account until deposit tickets are received and proper classification activities are completed. This revenue process could take from three to seven days. Agency request for expenditures in FY 96 could also vary from five to ten days. These processes make it extremely difficult to consistently achieve a three day variance between expenditures and revenue. The Military Department is in the process of revising procedures under FY 97 ISIS System to allow more consistency in processing expenditures and revenue.

Related to National Guard Military Operations and Maintenance Projects, corrections have been made to December 1995 and May 1996 reimbursement vouchers. Procedures are being established by this agency to accurately reconcile future reimbursement vouchers. The new State ISIS Accounting Software is currently being evaluated for utilization of appropriate reconciliation reports.

Sincerely,

A handwritten signature in cursive script that reads "Michael C. Appe".

Michael C. Appe
Colonel, Louisiana Army National Guard
Director, State Resources



STATE OF LOUISIANA

MILITARY DEPARTMENT
OFFICE OF THE ADJUTANT GENERAL
JACKSON BARRACKS
NEW ORLEANS 70146-0330

M.J. "MIKE" FOSTER, JR.
GOVERNOR

A.M. STROUD, JR.
MAJOR GENERAL
THE ADJUTANT GENERAL

15 November 1996

Legislative Auditor
Dr. Daniel G. Kyle
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Audit Finding-Federal Financial Reports

Dear Dr. Kyle:


The following is agency response to subject audit finding:

Response:

The Military Department prepared federal financial reports in error due to a misunderstanding with FEMA Region VI Financial Office. Some financial reports were submitted untimely due to personnel turnover and excessive workload. Quarterly Disaster Progress Reports were not prepared.

Effective with the quarter ending December 31, 1996, all Federal Financial Status Reports will be prepared on an accrual basis, and will include all Federal, State, and Local funds. These reports will be reviewed (signed) by Agency Financial Manager and submitted not later than twenty days after the end of each quarter. Quarterly Disaster Progress Reports will be prepared, and reviewed by Assistant Director, Office of Emergency Preparedness. These procedures will be in compliance with federal reporting requirements.

Sincerely,


Michael C. Appe
Colonel, Louisiana Army National Guard
Director, State Resources



STATE OF LOUISIANA
MILITARY DEPARTMENT
OFFICE OF THE ADJUTANT GENERAL
JACKSON BARRACKS
NEW ORLEANS 70146-0330

M.J. "MIKE" FOSTER, JR.
GOVERNOR

A.M. STROUD, JR.
MAJOR GENERAL
THE ADJUTANT GENERAL

15 November 1996

Legislative Auditor
Dr. Daniel G. Kyle
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Audit Finding-Weaknesses in Electronic Data Processing Controls

Dear Dr. Kyle:

The following is agency response to subject audit finding:

Response:

The Military Department was not aware of certain requirements related to electronic data processing controls. Conversion to On-Line ODES System and for ISIS purchasing activities in FY 96 caused some delays in establishing procedures for USER ID and validations. Training conditions caused some employees to have dual functions in new system. All dual functions have been eliminated as of this date. Written procedures are currently being prepared to accommodate issuance and deletion of USER ID validations processes.

Related to Automated Government Purchasing System, conversion to the new ISIS System caused lack to adequate controls. All system access to non-department personnel has been deleted. Receipt functions are currently being performed by receiving units utilizing proper receipt dates. All incompatible functions have been separated or eliminated.

Sincerely,

Handwritten signature of Michael C. Appe in cursive.

Michael C. Appe
Colonel, Louisiana Army National Guard
Director, State Resources



M.J. "MIKE" FOSTER, JR.
GOVERNOR

JACK C. CALDWELL
SECRETARY

DEPARTMENT OF NATURAL RESOURCES

October 17, 1996

Mr. Daniel G. Kyle, PH.D., CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana

Dear Mr. Kyle:

In accordance with the request of your staff dated October 1, 1996, we concur with your finding.

In the future all corrections of any credit balances in overriding royalties will be taken directly against distributions to the state. The staff of the Accounting Section has been so instructed and it is not the policy of the Department to do otherwise.

To insure that this does not occur again, a formal policy of requiring written approval from the Fiscal Officer of the Department for all revenue classification adjustments, regardless of nature, has been implemented.

Sincerely,

Robert D. Harper
Undersecretary

RDH/mg

c: Jack C. Caldwell
Secretary

Verlie Wims, Accountant Administrator
Fiscal & Budget Division

B-125



Nicholls State University

September 5, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Regarding the audit of Nicholls State University's Office of Financial Aid for fiscal year ended June 30, 1996, we submit the following management response to the audit finding and recommendation below.

FINDING:

Nicholls State University did not maintain documentation of entrance counseling interviews with all first-time Federal Family Education Loan borrowers. The audit, of 30 files for first-time borrowers, disclosed that Nicholls State University did not conduct and/or document an entrance counseling for one student.

RECOMMENDATION:

Nicholls State University should ensure that entrance counseling with all first-time FFELP borrowers is conducted and sufficient documentation is maintained in the borrower's files as required by federal regulations.

MANAGEMENT RESPONSE:

Nicholls State University agrees with the recommendation. We have made great strides in ensuring that all first-time borrowers do attend an entrance interview and that documentation of this interview is maintained in the students' files. The student mentioned in the finding has since received an entrance interview, and Nicholls State University now maintains signed documentation in the student's file. Beginning January 1, 1997, an automated system will be in place to support our efforts in this area.

Sincerely,


Allison A. Kleinpeter
Financial Aid Director

AAK/gec

B-126



Nicholls State University

September 9, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Regarding the audit of Nicholls State University for fiscal year ended June 30, 1996, we submit the following management response to your audit finding and recommendation regarding Student Payroll and Bookstore Irregularities.

RESPONSE:

The internal control structure in the Office of Student Publications and Printing and the Bookstore have been changed and improved to include additional segregation of duties, timeliness of deposits, a change in the manner in which refunds for returned books are issued, and separate cash drawers for each cashier. These changes, along with other improvements, should assure that assets of Nicholls State University are safeguarded and errors and/or irregularities are identified in a timely manner.

Please contact me if you need any additional information.

Sincerely,

Mike Naquin
Controller

dcb

cc Lionel O. Naquin, Jr.
Vice President of Business Affairs



**NORTHWESTERN
State University**

A Member of the University of Louisiana System
Natchitoches, Louisiana 71497

Office of the President

Telephone (318) 357-6441

LINC 527-6441

Fax (318) 357-4223

September 30, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: LEGISLATIVE AUDITOR FINDING: CONTROL WEAKNESSES OVER ENVIRONMENTAL LAWS AND REGULATIONS

Dear Dr. Kyle:

In response to the above referenced finding, Northwestern State University submits the following:

The University recognized this control weakness in November, 1993 and immediately initiated procedures to centralize duties and a filing system in the Plant Services area. This area has performed major campus clean-up projects and employee trainings. In early 1994, the University recognized that an independent multimedia environmental audit would identify potential problems. C.K. Associates was retained and performed an audit. Since the promulgation of the findings of the audit, the University has been addressing those concerns as funds became available.

A full time Environmental Health and Safety Officer was hired (EHS Officer) in March, 1995. Further progress has been made since this appointment. A comprehensive Environmental Health and Safety Policy and Procedures Manual was developed. It is scheduled for dissemination during the last week of September. This policy and procedures manual clearly designates responsibility and mandates lines of communication be opened to prevent violations of Environmental Laws and Regulations.

In the Spring of 1995, a position was created in the Physical Plant. The job description required that that person manage the University's liabilities in Asbestos Containing Building Materials. The Environmental Health and Safety Policy and Procedures Manual clearly mandates that the Physical Plant Director ensures that these tasks are carried out and reported to the EHS Officer in a timely manner.

The Corp. of Engineers has been asked to respond to the question as to whether the area where the sludge was dumped is a wetland. The University will make the necessary adjustments in trade-offs or whatever is required by the Corp. if it is found to be such.

The Vice President of University Affairs was appointed by then Governor Edwin W. Edwards in 1994 to serve on the newly formed Chaplin Lake Commission. At the time of his appointment, he was a principal in one of the elementary schools in the City of Natchitoches. In August of 1994, he was appointed Vice President of University Affairs at Northwestern State University. Two gatherings of the commission were called by President Robert Alost, but no meeting was formally held except in one, officers were determined but no minutes were created or taken. To avoid questions of conflict of interest, even though the Chaplin Lake is owned by the State of Louisiana and not by NSU, nor the City of Natchitoches, he has resigned from the Commission.

Sincerely,

Dr. Randall J. Webb
President

RJW/pc



June 25, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Electronic Data Processing Controls

Dear Dr. Kyle:

In response to the finding on Electronic Data Processing Controls, Northwestern State University submits the following:

- 1. Duties and responsibilities of EDP staff are not adequately defined in their job description.**
 - ◆ The job descriptions of the Computer Center staff are being updated to reflect more specific duties and responsibilities. These new job descriptions for all Computer Center employees will be completed by August 1, 1996.**
- 2. The University does not have an EDP internal audit function.**
 - ◆ On May 29, 1996, the University's Internal Auditor began an audit of the EDP function. It is currently in process.**
- 3. The University does not have a written systems development and documentation standards manual.**
 - ◆ The Computer Center has begun the process of writing a systems development and documentation standards manual. This will be complete by mid-October, 1996.**

4. The University does not have written procedures and/or modifications to the existing system and applications.
 - ◆ The Computer Center will provide written procedures for revisions and/or modifications to the existing system and applications. These will be complete by mid-October, 1996.
5. The University does not have written procedures in the event of a hardware failure or malfunction, nor does it log in the hardware failures/malfunctions with cause and resolution.
 - ◆ The Computer Center will write the procedures to be followed in the event of a hardware failure or malfunction. This will be complete by mid-October, 1996. Effective June 21, 1996, the Computer Center will maintain a written log of all Computer Center hardware failures/malfunctions with the cause and resolution of the problem.
6. The University does not have a written policy and procedure manual for its EDP Department.
 - ◆ The Computer Center will complete a written policy and procedures manual for the EDP Department by mid-October, 1996.

Weaknesses identified:

- ◆ The University is reviewing access to data files and job responsibilities to ensure there are no incompatible assignments.
- ◆ The University will take appropriate steps to ensure a terminated employee does not have access to the system after the last effective work day of the terminated employee.

Sincerely,



Randall J. Webb
President Elect

RJW/lm



June 18, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Title IV Refunds and Repayments

Dear Dr. Kyle:

In response to the finding on "Title IV Refunds and Repayments", Northwestern State University submits the following:

Response:

The university's Financial Aid Office has developed a plan to ensure that all refunds are done in a timely manner. A report has been established to be printed Friday of each week identifying all students who have resigned from the university. This report will ensure receipt of the Student Account Adjustment Worksheet from which the refund calculations are determined. These worksheets are being compared with the resignation list to ensure that all refunds are done timely and to ensure receipt from the Registrar's Office of all Student Account Adjustment Worksheets for students who are receiving Title IV aid.

Also, Fiscal Affairs has drafted specifications and submitted a request to the Computer Center to automate the refund process. Automation of this process will ensure a timely and correct calculation of refunds due to students. Until automation of this process can be completed, the Financial Aid Office will continue to manually process the worksheets and review the federal regulations to calculate refunds.

Sincerely,

Randall J. Webb
President Elect

RJW/lm



NORTHWESTERN
State University
A Member of the University of Louisiana System
Natchitoches, Louisiana 71497

Office of the President

Telephone (318) 357-6441

LINC 527-6441

Fax (318) 357-4223

May 21, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In response to the finding on Drug Free Schools, Northwestern State University submits the following:

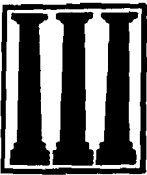
In the future, the university will distribute the university's drug prevention program to employees on an annual basis.

If you require additional information, please contact me.

Sincerely,

Randall J. Webb
President Elect

RJW/lm



August 21, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: STUDENT FINANCIAL AID

Dear Dr. Kyle:

In response to the above referenced finding, the University submits the following:

The Financial Aid Office has been working toward a fully automated financial aid system. This system will ensure that problems occurring due to manual packaging will be corrected. Responses for each finding are:

1. Overaward - Financial Need Exceeded

The University has implemented a new process with the SCT/IA PARS automated packaging program to award Pell Grants, SEOG Grants, and other federal aid programs. This program uses the student financial aid budget and federal index figures to award grants and loans according to federal guidelines.

2. Improper Student Budget/Cost of Attendance

SCT/IA PARS automated packaging program uses established budget to award grants and loans to each student. This will ensure that cost of attendance is not exceeded.

3. Satisfactory Academic Progress Standard Not Adequately Monitored

University academic standards have been adjusted to include all repeated courses in the overall GPA. All hours will determine academic progress with

repeated courses included in financial aid progress standards. The University will respond to final determination from the Department of Education in regard to this finding.

4. Application and Fiscal Operation Report Income Grid Information

University has begun using IA/SCT FISAP program to determine income grids for the fields on the FISAP. Program has the ability to produce backup data for each of the reporting areas.

5. Exit Interview Not Documented/Performed

University conducts exit interviews on all students resigning or leaving the University during the semester. All students must come to the Financial Aid Office to have a resignation form signed. These students receive an exit interview at that time and proper documentation is filed in the student's electronic file and the manual file.

6. FFEL Entrance Counseling Not Documented/Performed

Students that are required to receive an entrance interview must receive the interview prior to their student loan being transferred to the Cashier's Office for disbursement. Entrance interviews for incoming freshmen are conducted at Freshman Connection and students turn in interview forms and it is noted on the loan screens that the student has received the interview. Loan disbursement forms are printed for each check to be disbursed. It is indicated on this form that student either has or has not received an interview. If student was interviewed, checks are forwarded to cashiers for disbursement; if student has not been interviewed, student is notified to come to Financial Aid for the interview. This process will ensure that all students who are required to receive the interview do so.

7. FFEL Disbursed Prior to Completing Verification

Financial Aid is using the automated packaging program for packaging loans. The program looks to see if student has been chosen by the Department of Education for verification. If the verification flag on Screen 310 is not set to yes, the student will not be packaged by PARS. This will ensure that all students chosen for verification are verified prior to packaging of any student aid.

8. FFEL Proceed Not Delivered Within 45 Days

As indicated in the federal response, the Financial Aid Office now marks the checks with the date the check must be disbursed by. These dates are reviewed to ensure that the checks are disbursed within 45 days. If the student does not pick up their check, they are notified that the check will be returned if not claimed within 45 days. Future plans include Electronic Funds Transfers of student loan proceeds. This process will ensure that the funds are disbursed within the 45 day limit. These funds will be credited to the student account no sooner than 13 days prior to the first day of class. If the student does not attend, the funds will be returned to the lender.

9. Federal Pell Underaward

Automation will ensure correct calculation of Federal Pell Grant awards. We are also cross checking Pell Grant amounts to ensure the correct amount is disbursed according to federal guidelines.

10. Pro-Rata Refund Policy

The University is publishing the pro-rata refund policy under which it processes refunds. We have also included the policy in our student data forms for each student who applies for federal aid.

Sincerely,



Dr. Randall J. Webb
President

RJW/pc



June 14, 1996

Dr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Distribution of Student Payroll Checks

Dear Dr. Kyle:

In response to the finding on Distribution of Student Payroll Checks, Northwestern State University submits the following:

To strengthen internal controls, NSU will segregate the time report processing and the distribution of student payroll check duties. Duties will be reassigned as follows:

The Student Employment Coordinator will set up student payroll records for all student workers. An employee in the Student Financial Aid Office will receive the time reports, review, and submit these reports to the Computer Center for scanning. A separate employee in the Student Financial Aid Office will receive and distribute all payroll checks to the students, except for off-site campuses and any student working directly under the designated employee. Checks for students working under the designated employee disbursing checks will be distributed by this employee's supervisor. The checks are to be distributed in the Student Employment Office, under the direction of the Student Financial Aid Office employee assigned the disbursement duties. The Student Employment Coordinator will not disburse checks or collect and process time reports. Checks for students attending off-site campuses will continue to be mailed to the campuses for distribution by campus administrators or their designee. W-2 forms will continue to be mailed directly to student's current address by Fiscal Affairs - Accounting & Reporting Section. Returned W-2 forms will be routed to the Student Financial Aid Director for research and handling. Returns will not be handled by the Student Employment Coordinator.

The Student Financial Aid Director will be responsible for assigning the time report processing and the check disbursing duties to separate Financial Aid staff members.

If you require additional information, please contact me.

Sincerely,

Randall J. Webb
President Elect

RJW/lm



NORTHWESTERN
State University
A Member of the University of Louisiana System
Natchitoches, Louisiana 71497

Office of the President

Telephone (318) 357-6441
LINC 527-6441
Fax (318) 357- 4223

July 22, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: Political Activity

Dear Dr. Kyle:

In response to the audit finding on Political Activity, the University submits the following:

The University's Fiscal Policy and Procedure Manual includes a procedure specifically addressing prohibited activities by classified employees. This issue is also addressed in the University's Staff Handbook. The Staff Handbook also informs employees of University of Louisiana System Board of Trustees rules concerning the use of University equipment, materials or services. The University will continue to inform employees on these issues.

The University will develop a specific procedure in the Fiscal Policy and Procedure Manual addressing University of Louisiana System Board of Trustees Rules on the use of University equipment, materials or services.

The University will issue a policy statement to all employees specifically addressing the use of personal computer hardware and software.

Sincerely,

Randall J. Webb
President

RJW/lm



NORTHWESTERN
State University
A Member of the University of Louisiana System
Natchitoches, Louisiana 71497

Office of the President

Telephone (318) 357-6441

LINC 527-6441

Fax (318) 357- 4223

July 31, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Controls Over Scholarship Awards

Dear Dr. Kyle:

In response to the audit finding on Controls Over Scholarship Awards, the University submits the following:

The Student Financial Aid and Scholarship Office has established formal written policies in regard to the awarding of all scholarships through the University. All scholarships will be administered through the Department of Enrollment Service with direct control by the University Scholarship Coordinator. The Director of Admission and the Director of Financial Aid will be responsible for the development and implementation of procedures to assure compliance with the policies. Any exception to this policy will require the written approval of the Vice President for Student Affairs.

Sincerely,

Randall J. Webb
President

RJW/lm

The Board of Commissioners

OF THE

Orleans Levee District

SUITE 202 - ADMINISTRATION BUILDING
6001 SOUTH SHORE HARBOR BLVD.

New Orleans, La.

70126-8006

TEL: 504-243-4000

PROTECTING YOU
AND YOUR FAMILY

September 12, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Professional Services Contracts

Dear Dr. Kyle:

The Auditor's observations regarding the Orleans Levee District's (OLD) administration of professional services contracts and related legal references by Statute and Attorney General opinion will be called to the attention of the District's President and Acting General Counsel.

MANAGEMENT RESPONSE:

The Auditor has commented on several observations concerning professional services contracts (written contracts, documentation, authorization, contract terms, loan of public funds, Civil Service approval, Board approval) which will require responses in multiple parts by the same numbers indicated on the Auditor's comments, as follows:

1. In the instance observed regarding the lack of a contract, the legislative consultant and engineering firm were paid in accordance with letters of agreement signed by the President of the Board. The letters of agreement for both the legislative consultant and engineering firm indicated the terms of payment and the specific services required.

Furthermore, by Board Resolution #3-022896 adopted on February 28, 1996, the Board determined that there was no further need for the services of the legislative consultant. Additionally, by Engineering correspondence dated August 15, 1996, the engineering firm was advised that as a result of the lack of a formal contract, all work should be discontinued.

Board of Commissioners
Orleans Levee District

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
RE: Professional Services Contracts
September 12, 1996
page 2

2. In the instance observed regarding contract terms and the cancellation clause for the public relations consultant, the Acting General Counsel will be requested to review and comment on Louisiana Revised Statute (LSA-R.S.) 42:3 and Attorney General Opinion 92-52 as it applies to the Orleans Levee District. Furthermore, the Board adopted a resolution (#16-032096) on March 20, 1996 which provided guidelines for all consulting and professional services contracts. Item 2 of that same Board Resolution states, "All contracts must contain a thirty (30) day 'at will' cancellation clause." The OLD Legal Department, during the review and sign-off on all future professional services contracts, will ensure that the "at will cancellation clause" is included therein. Additionally, the Orleans Levee District cancelled the contract with its public relations consultant effective April 1, 1996 and full and final payment was made on August 30, 1996.
3. In the instance observed regarding payment to the public relations consultant prior to services being rendered, the Finance Department, considering the Auditor's observations of the previous fiscal year, instituted a working procedure during the month of August, 1995, which discontinued advance payments whereby all billings for services are paid at the end of the month.

As relates to the aviation services consultant being paid prior to the study being delivered, the aviation services consultant was paid in accordance with the terms of the contract which states in part, "Upon execution of this Contract, the District shall make payment of \$25,000.00 to the Consultant...the balance of \$25,000.00 will be due upon the delivery of the Consultant's final report..." Furthermore, the aviation services consultant was paid in accordance with supplemental agreement no. 1 which states in part, "Upon execution of this Amendment, the District shall make a payment to the consultant of thirty-three thousand dollars (\$33,000.00)..." Additionally, the District's Staff Attorney rendered an opinion on October 13 and 25, 1996, that these payments are "permitted since services have been rendered, and are on-going."

Board of Commissioners
Orleans Levee District

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
RE: Professional Services Contracts
September 12, 1996
page 3

4. In the instance observed regarding payment to the computer consultant on a new contract prior to the contract being signed, of the \$497,174 cited, \$160,840 was paid under the original computer consultant contract. The remaining \$336,334 was paid in accordance with Board Resolution #21-092095 which was adopted on September 20, 1996. In the future, the Orleans Levee District will endeavor to make payments after a formal contract is signed and not in accordance with a Board Resolution.
5. Regarding a contract having Civil Service approval prior to the effective date of the contract, the Orleans Levee District was unaware that Civil Service approval must be obtained prior to the effective date of the contract. The District will strive to assure that all future contracts obtain Civil Service approval prior to the effective date. Furthermore, the President and Legal Department will be notified of this Civil Service requirement.

As relates to obtaining Civil Service approval for a supplemental agreement for engineering services, Civil Service rule 3.1(o) states in part **"To review and approve or disapprove, in advance of their effective dates, contracts for personal services between the State..."**. The Orleans Levee District does not believe that a supplemental agreement to an original contract, which has previously been approved by Civil Service, requires Civil Service approval.

6. In the instance observed regarding professional services contracts not being approved by the Board, the Orleans Levee District is not aware of any law, regulation, rule, etc. which requires professional services contracts to be approved by the Board. According to Board Resolution #16-032096 which was adopted on March 20, 1996, all professional services contracts will require Board approval. However, the President can authorize contracts within the scope of authority provided in the District's by-laws and approved budget funding. Furthermore, in a memorandum dated December 12, 1995, then Acting General Counsel stated in part, **"...retaining professional services in a case where the Board has allocated and**

Board of Commissioners
Orleans Levee District

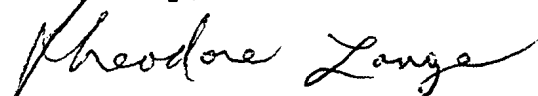
Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
RE: Professional Services Contracts
September 12, 1996
page 4

approved budget items for such services but has not indicated the party or parties to provide same. In such a case, the President, exercising his executive authority and in his best judgement, may obtain the authorized service(s)."

As relates to the lack of documentation supporting payments of an additional \$5,000 per month for the legislative consultant, the Orleans Levee District acknowledges the Auditor's observations. In the future, prior to payment, the District will make every effort to secure the appropriate documentation in accordance with the terms of the contract.

Thank you for your time and consideration in the foregoing.

Sincerely,



Theodore Lange
Orleans Levee District Director

TL/MEH/js

xc: The Honorable James Peter Huey, President
Gary G. Benoit, Acting General Counsel
Emile W. Schneider, Associate Legal Counsel
Mary E. Herbert, CPA, CGFM, Comptroller

The Board of Commissioners

OF THE

Orleans Levee District

SUITE 202 - ADMINISTRATION BUILDING

6001 STARS AND STRIPES BLVD.

New Orleans, La.

70126-8006

September 5, 1996

TEL. 504-243-4000

PROTECTING YOU
AND YOUR FAMILY



Daniel G. Kyle, Ph.D, CPA, CFE
Legislative Auditor
State of Louisiana
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Fiscal Year 1996 Audit Finding

Legal Services Contracts

Dear Dr. Kyle:

In response to the Auditor's observation concerning the Legal Services Contracts, the Orleans Levee District (OLD) provides the following:

MANAGEMENT RESPONSE: LEGAL SERVICES CONTRACTS

1. The Orleans Levee District has accomplished several of the Auditor's prior observations regarding discontinuing advance payments, requiring itemized billings and detail supporting documentation, improved adherence with prescribed hourly rates, etc.
2. The Orleans Levee District has initiated additional administrative controls by way of Board Resolution #16-032096 which provides in specific procedure the necessary requirements that must be met for engaging professional services. For the fiscal year 1997, the management will work diligently to inform and advise the new Board (installed in June, 1996.), of the specific procedure imposed by approved Resolution #16-032096.

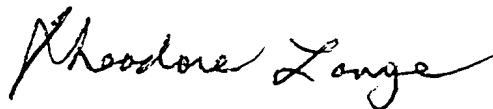
Board of Commissioners
Orleans Parish District

Daniel G. Kyle
September 5, 1996
Page -2-

3. The Legal Department has been advised of the Auditors most recent observation concerning absence of written agreements for legal services rendered by those law firms so engaged. The Legal Department has prepared a formal response as herein attached.

Thank you for your time and attention in this matter.

Awaiting your reply,



Theodore Lange
OLD Director

TWL/bnv

Enclosures

xc: The Honorable James P. Huey, President
Gary Benoit, Legal
Emile Schneider, Legal

Board of Commissioners
Orleans Levee District

OFFICE MEMO

September 6, 1996

TO: Mr. Ted Lange
Director

FROM: Mr. Gary G. Benoit
Acting General Counsel


RE: Legislative Auditor
Request For Written Response
Relative To Legal Services Contracts

This is in response to the comment made by the Legislative Auditor, relative to his finding that evidence of written contracts was not provided by the Orleans Levee District in a sample of law firms reviewed by the Auditor.

The Orleans Levee Board's Acting General Counsel responds to the Auditor's comment, as follows:

The Orleans Levee District cannot ensure that law firms providing legal services for the Levee District were engaged by written agreements, during the period from July 1, 1995 to February 14, 1996. Also, the Orleans Levee District cannot ensure that law firms providing legal services for the Orleans Levee District were engaged by written agreements, during the period from February 15, 1996 to June 18, 1996.

The Orleans Levee District can ensure that law firms providing legal services for the Orleans Levee District have been engaged by written agreements, from June 19, 1996 to the present.


Gary G. Benoit
Acting General Counsel

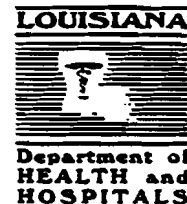
GGB:bsh

xc: President James P. Huey
Mr. Emile Schneider, Associate General Counsel



M.J. "Mike" Foster, Jr.
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



Bobby P. Jindal
SECRETARY

July 10, 1996

Dr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditors' Office
Post Office Box 94937
Baton Rouge, Louisiana 70804-9397

RE: 1996 Legislative Audit for
Pinecrest Developmental Center,
Federal Financial Reports

Dear Dr. Kyle:

In regard to the above referenced finding, Pinecrest Developmental Center will establish and have in place by October 1, 1996, the necessary procedures to insure that all required Federal Financial Reports are submitted timely.

Sincerely,

Edwin M. Wright
MR/DD Regional Administrator

EMW:MDP:tgh

B-146



STATE OF LOUISIANA
DEPARTMENT OF HEALTH AND HOSPITALS



M. J. "Mike" Foster, Jr.
Governor

Bobby P. Jindal
Secretary

MEMORANDUM

DATE: September 16 1996

Page 1 of 2

TO: Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

FROM: Eric T. Baumgartner, M.D. 
Assistant Secretary, Office of Public Health

SUBJECT: Response to the Legislative Audit Findings - Fiscal Year 1996

Below are the responses to the Audit Findings submitted on July 30, 1996 by your field staff to the Office of Public Health for review.

Dual Participation in Federal Programs

We concur with this finding. Since July, 1996, we have been producing a monthly report that identifies recipients who may be participating in both the Commodity Supplemental Food Program and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). The report is produced every month and is investigated by OPH staff and appropriate action is taken in accordance with WIC policies.

Reconciliation of Food

We concur with the finding and we are continuing to work diligently to reconcile WIC food instruments in compliance with federal regulations. We have installed controls in the system which will ensure complete data. A daily report has been initiated to monitor uploading of data at all sites. This report will be worked and followed-up for appropriate action.

Additionally, OPH will be submitting a corrective action plan to the USDA before January 1, 1997 requesting funding to assist us in the solution of this problem.

B-147

OFFICE OF PUBLIC HEALTH ♦ ASSISTANT SECRETARY

P.O. BOX 60630 ♦ NEW ORLEANS, LA 70160 ♦ PHONE - (504) 568-5038; ♦ FAX - 568-2609
"AN EQUAL OPPORTUNITY EMPLOYER"

Daniel G. Kyle, Ph.D., CPA, CFE
September 16, 1996
Page 2 of 2

Food Vendor Controls

We concur with this finding. A report has been redesigned that will identify any grocer that charges over or under the 3% allowable food package cost as reported in the monthly submitted Grocer's Price Report Sheet. A second report will then be generated to compare the reported prices against the vendor's price actually charged. This report will be analyzed for appropriate action.

Moveable Property Records

We concur with the finding. We are taking steps to install controls to assure timely and accurate recording of moveable property for the Agency. Action is also being taken to enhance our capability in keeping proper vehicle maintenance records and monitoring system.

c.: Joe Kimbrell
Denese O. Shervington, M.D.
Pershing Delaup
Gwen Johnson



DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS

RICHARD L. STALDER, SECRETARY

November 8, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Personal Use of State Vehicle

Dear Dr. Kyle:

In response to the finding regarding the personal use of state vehicle, the following information is provided. The two Prison Enterprises employees noted in the finding were initially reassigned from their official domicile at Louisiana State Penitentiary (LSP) to address manpower needs in other areas of operations on a temporary basis. This was in the best interest in managing the organization and in keeping with the efficient utilization of resources. Prison Enterprises' management could not accurately predict the length of these assignments.

These employees were allowed to use a state vehicle parked at a facility close to their home. While this was more cost effective than allowing them to use the vehicle to travel from LSP, the department acknowledges that through an oversight the appropriate approval from the Division of Administration concerning the storage and utilization of these vehicles was not obtained.

One employee has been placed back at LSP, which has eliminated his use of a vehicle to travel to another work location. In order to resolve this concern for the second employee in question, the department has requested and been given approval from the Division of Administration to store the vehicle at an alternate state facility near his home since this is a more cost effective method of providing transportation for the employee in accomplishing his statewide responsibility.

Through these actions and the department will resolve the concerns noted in your finding.

Sincerely,

Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB/RLG/rs

c: Richard L. Stalder, Secretary
Dr. Charles Kleinpeter, Director of PE
Zbigniew Cypel, Human Resource Director

c:\trey\kyle.7

DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS

M. J. "MIKE" FOSTER, JR., GOVERNOR



RICHARD L. STALDER, SECRETARY

November 8, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Premium Payments

Dear Dr. Kyle:

Regarding the finding concerning premium payments, the two Prison Enterprises employees in question were initially reassigned from their official domicile at Louisiana State Penitentiary (LSP) to address manpower needs in other areas of operations on a temporary basis. This was in the best interest in managing the organization and in keeping with the efficient utilization of resources. Prison Enterprises' management believes that the employees were entitled to receive the premium pay because their reassignments were not of a permanent nature.

Both employees have been placed back at LSP. One works there on a permanent basis and the other, whose position has statewide responsibilities, works there the majority of the time.

In the future, management will insure that premium payments are only made to eligible individuals.

Sincerely,

A handwritten signature in cursive script that reads "Trey Boudreaux".

Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB/RLG/rs

c: Richard L. Stalder, Secretary
Dr. Charles Kleinpeter, Director of PE
Zbigniew Cypel, Human Resource Director

c:\treylkyle.6

DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS



M. J. "MIKE" FOSTER, JR., GOVERNOR

RICHARD L. STALDER, SECRETARY

September 4, 1996

Dr. Daniel Kyle, CPA, CFE
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Use of State Building

Dear Dr. Kyle:

As indicated in the department's response last year, its position has been that the building in question that was built at no expense to the state by a private sector contractor, is being utilized by another contractor through a cooperative endeavor agreement with him, which is authorized under Article 7, Section 14c of the Louisiana Constitution.

Because of this and for the previously noted benefits that the program provides to the institution, as well as the contractual obligation made by the department, it did not wish to exercise its option to terminate its cooperative endeavor agreement. Instead, the department made a commitment to publicly advertise the building for bid upon the expiration of the cooperative endeavor.

The department is following through on its commitment and will soon be taking the appropriate action to accomplish this objective.

Sincerely,

A handwritten signature in cursive script that reads "Trey Boudreaux".

Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB/RLG/rs

c: Richard L. Stalder, Secretary
James M. LeBlanc, Warden, DCI
Ron Granier, Chief Fiscal Officer
Dr. Charles Kleinpeter, Director of Prison Enterprises

c:\wp51\trey\kyle.ltr

B-151

**DEPARTMENT OF
PUBLIC SAFETY AND CORRECTIONS**

M. J. "MIKE" FOSTER, JR., GOVERNOR



RICHARD L. STALDER, SECRETARY

January 3, 1997

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Re: Warden's Residence at DCI

Dear Dr. Kyle:

In reference to your finding regarding the warden's residence at Dixon Correctional Institute (DCI), Warden Cain is utilizing the warden's residence at DCI because the warden's residence at Louisiana State Penitentiary (LSP) is in a serious state of disrepair and is uninhabitable in its current state. If Warden Cain were to utilize another residence at LSP, it would displace another employee. This would not be in the best interest of the department due to the recruiting and retention problems with personnel at LSP, particularly in the medical services area. Warden Cain is on 24-hour call in order to address emergencies at LSP, and provides an additional service to the department by being available for call to assist Warden LeBlanc in addressing any security problems at DCI. These benefits for the department outweigh any additional commuting costs that may have to be incurred as a result of Warden Cain residing at DCI.

The current warden at DCI, James M. LeBlanc has a personal residence within approximately seven miles of the institution. This distance is not significantly greater than the state housing for the institution, which is approximately five miles from the prison grounds. Because of this, Warden LeBlanc's ability to respond to emergencies is not impaired and no significant additional commuting costs are incurred by his utilizing his private residence.

In addition, Warden LeBlanc is currently detailed to the position at DCI while Secretary Stalder is in the Executive Loan Program. It would be unfair to force him to sell his personal residence in order to live in state housing that is not significantly closer than his personal residence while he is on detail and not permanently assigned. Issues of compensation are governed by Civil Service.

January 3, 1997
Page - 2 -

For these reasons the department is meeting its needs in terms of onsite availability of management personnel at these two facilities. The current allocation of housing is efficiently addressing the broad spectrum of executive, security, medical, and maintenance staffing requirements.

Sincerely,

A handwritten signature in cursive script that reads "Trey Boudreaux".

Bernard E. "Trey" Boudreaux, III
Undersecretary

BEB/gcb

c: Richard L. Stalder, Secretary
Johnny Creed, Assistant Secretary/OAS
Ron Granier, Chief Fiscal Officer



Department of Public Safety and Corrections

Public Safety Services

M. J. "MIKE" FOSTER, JR.
GOVERNOR

THOMAS H. NORMILE
UNDERSECRETARY

October 16, 1996
DPSS-02-0222

Dr. Daniel J. Kyle, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following are our responses to the audit finding for the Departmental audit for the year ended June 30, 1996:

Electronic Data Processing Controls

1. The Department has begun issuing a quarterly report of users on the system. This report shows the transactions each person has and their pid numbers. This report is broken down and sent to each supervisor for them to update and verify.
2. Due to the importance of some of the security functions and the need to test new transactions, a segregation of duties is not always possible. The Department will review the transactions that are performed and obtain the supervisor's approval on those that are questionable.
3. The Department will take the necessary action to ensure that the person who enters the time is not the same person who approves the time.

If any further information is needed, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Thomas H. Normile".

Colonel Thomas H. Normile
Undersecretary

THN:dhl



Department of Public Safety and Corrections

Public Safety Services

M. J. "MIKE" FOSTER, JR.
GOVERNOR

THOMAS H. NORMILE
UNDERSECRETARY

January 10, 1997
DPSS-02-0282

Dr. Daniel J. Kyle, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following is our response to the audit finding for the Departmental audit for the year ended June 30, 1996:

Controls over Returned Checks

The Departments NSF check programs are outdated. For this reason I have decided to re-write these programs. The Department has scheduled to begin this procedure in early 1997. At that time all of your concerns will be addressed and accounted for.

If any further information is needed, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Thomas H. Normile".

Thomas H. Normile
Undersecretary
Colonel, USAF, Retired

THN:dhl

B-155

OFFICE OF MANAGEMENT & FINANCE, P.O. BOX 66614, BATON ROUGE, LOUISIANA 70896

(504) 925-6032



Department of Public Safety and Corrections

Public Safety Services

M. J. "MIKE" FOSTER, JR.
GOVERNOR

January 10, 1997
DPSS-02-0281

THOMAS H. NORMILE
UNDERSECRETARY

Dr. Daniel J. Kyle, CPA
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The following are our responses to the audit finding for the Departmental audit for the year ended June 30, 1996:

Inadequate Payroll Controls

- 1) The Departments policies are not being followed in some areas regarding time and attendance. Due to the amount of turnover in the timekeeper jobs, it will be necessary to do more training to keep these people abreast of departmental policies. With additional training of the timekeepers, and reminders to the supervisory personnel of the importance of certifying the time sheets this finding will be eliminated.
- 2) Procedures will be instituted to ensure that all worker's compensation checks are received, checked and deposited.
- 3) Policies have been changed so that all employees must actually work 40 hours for civilians, or 80 hours for commissioned officers before they are paid regular overtime. In the matter of commissioned officers working on federal grants, it is our opinion that since the grant requirements are that the officers work them on off-duty time only, that compensation for the grants at less than 80 hours is allowable.

If any further information is needed, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Thomas H. Normile".

Thomas H. Normile
Undersecretary
Colonel, USAF, Retired

THN:dhl

B-156

OFFICE OF MANAGEMENT & FINANCE, P.O. BOX 66614, BATON ROUGE, LOUISIANA 70896

(504) 925-6032

STATE OF LOUISIANA
Louisiana Technical College System

New Orleans Regional Office

P.O. BOX 24610
NEW ORLEANS, LOUISIANA 70184-4610

Estella F. Lain
Regional Director

Telephone: (504) 483-4243
Fax: (504) 483-4295

April 19, 1996

Dr. Daniel G. Kyle, CPA, CFE
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-94397

Dear Dr. Kyle:

In response to the Legislative Auditor's finding on **Tuition Revenue and Receivables**, the following response is submitted:

Currently Sidney N. Collier invoices the Regional Office quarterly and/or monthly for tuition payments. Invoices are submitted to the Regional Office for three financial aid programs--Job Training Partnership Act (JTPA), Project Independence (PI), and JTPA Dislocated Workers. Each program coordinator has agreed to submit to this agency a copy of the FACS 160 with an attached roster of participants for which payment is made on a timely basis.

The implementation of this practice will insure tracking of all tuition payments to the specific student and enable us to reconcile the FACS 160 to the invoices.

The above action will correct and prevent the reoccurrence of the above finding.

Sincerely,



Estella F. Lain
Regional Director

STATE OF LOUISIANA
Louisiana Technical College System

New Orleans Regional Office

P.O. BOX 24610
NEW ORLEANS, LOUISIANA 70184-4610

Estella F. Lain
Regional Director

Telephone: (504) 483-6263
Fax: (504) 483-6295

April 19, 1996

Dr. Daniel G. Kyle, CPA, CFE
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-94397

Dear Dr. Kyle:

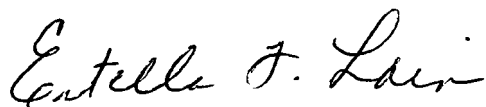
In response to the Legislative Auditor's finding on **Federal Pell Grant Calculations**, the following response is submitted:

This agency concurs with the observation that the incorrect schedule award table was used to determine the Pell Grant amount for half-time (evening) students. After corresponding with the Department of Education, the correct schedule is now used for all Pell Grant award calculations.

On March 6, 1996 recalculations of Pell Grant awards using the correct payment calculation schedule were made for all half-time (evening) students. Additional funds were requested in accordance with the recalculations for the students affected.

The correct schedule award table is used in the calculation of all Pell Grant awards for half-time students. This procedure will avoid the reoccurrence of the above finding.

Sincerely,



Estella F. Lain
Regional Director

STATE OF LOUISIANA
Louisiana Technical College System

New Orleans Regional Office

P.O. BOX 24610
NEW ORLEANS, LOUISIANA 70184-4610

Estella J. Lain
Regional Director

Telephone: (504) 483-4243
Fax: (504) 483-4295

April 19, 1996

Dr. Daniel G. Kyle, CPA, CFE
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-94397

Dear Dr. Kyle:

In response to the Legislative Auditor's finding on **Federal Pell Grant Program-Coordination of Effort**, the following response is submitted:

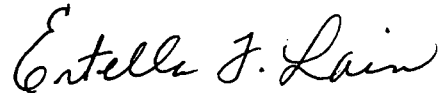
The Louisiana Technical College System, with Campuses located in the Greater New Orleans Metro area, operates under the auspices of the Louisiana State Board of Elementary and Secondary Education and the Louisiana State Department of Education. The Department has provided the 1994 Pell Grant Implementation Guide for the Louisiana Technical Institute System to assist directors in coordinating Pell Grant activities. Section II of this document provides specific procedures for Pell Grant administration. I am attaching a copy of Sections I and II of this document for your perusal. As stated in this Guide, the Louisiana Department of Education serves as the Pell Grant Processor for all public technical institutes (colleges) in this State. Each college is responsible for ensuring that federal guidelines and regulations are followed as they relate to Federal Student Financial Assistance Programs.

Budgetary restraints prevent us from establishing Financial Aid Offices at each site for the purpose of coordinating federal and non-federal aid, however, each campus has implemented procedures that allow them to know who receives federal funds. The system is not a complex one, in some instances, student folders are color-coded, while in others information is retained in the student's admission folder indicating the type of financial aid received. Program coordinators for Project Independence, JTPA, State and City work closely with each campus' Student Personnel Services Officer in identifying those individuals receiving their services. We are not conducting a haphazard operation. We are simply trying to work within the constraints of the funding that we have for operating these Colleges.

Page 2 Federal Pell Grant Program - Coordination of Effort

We are interested in following all federal guidelines, and will make every effort to coordinate these activities, please remember that our statewide Technical College System may not resemble what the your auditors have seen in the four-year institutions.

Sincerely,

A handwritten signature in black ink that reads "Estella F. Lain". The signature is written in a cursive style with a large initial 'E'.

Estella F. Lain
Regional Director

STATE OF LOUISIANA
Louisiana Technical College System

New Orleans Regional Office

P.O. BOX 24610
NEW ORLEANS, LOUISIANA 70184-4610

Estella F. Lain
Regional Director

Telephone: (504) 483-4243
Fax: (504) 483-4295

April 19, 1996

Dr. Daniel G. Kyle, CPA, CFE
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-94397

Dear Dr. Kyle:

In response to the Legislative Auditor's finding on **Cash Management**, the following response is submitted:

Beginning in September, 1995, we embarked upon a new approach to providing training for JTPA, City of New Orleans, Title II A and B participants. Instead of a cost-reimbursement contract, we are now providing tuition-only slots in various training programs. The Program Coordinator has established individual file folders for all participants, documenting funds received and services provided. There is no question about the accuracy and/or indepthness of the coordinator's tracking system.

However, the coordinator and the regional accountant did not reconcile these expenditures to the Detailed Project Report. In order to ensure that errors or irregularities will be detected within a timely period, we will begin monthly reconciliations of advanced deposits in lieu of the planned annual reconciliation performed with the previous cost-reimbursement contracts.

Sincerely,



Estella F. Lain
Regional Director

STATE OF LOUISIANA
Louisiana Technical College System

New Orleans Regional Office

P.O. BOX 24610
NEW ORLEANS, LOUISIANA 70184-4610

Estella F. Lain
Regional Director

Telephone: (504) 483-4243
Fax: (504) 483-6295

April 19, 1996

Dr. Daniel G. Kyle, CPA, CFE
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-94397

Dear Dr. Kyle:

In response to the Legislative Auditor's finding on **Timely Termination of Students From Federal Programs --JTPA State**, the following response is submitted:

The JTPA State Program Coordinator conducts an end-of-the-year review of all program participants who are no longer in training. At that time an attempt is made to contact the participants to offer other available services, i.e. counseling, resume writing, and job search before the participant is terminated. This information is then transmitted to the Louisiana Department of Labor where the terminations are entered on-line.

We concur with the finding that the students identified by the auditor were not terminated in a timely manner. In the future the Coordinator will immediately terminate participants after all qualifying services are provided. This is in keeping with LDOL guidelines.

Sincerely,

Estella F. Lain

Estella F. Lain
Regional Director

STATE OF LOUISIANA
Louisiana Technical College System

New Orleans Regional Office

P.O. BOX 24610
NEW ORLEANS, LOUISIANA 70184-4610

Estella F. Lain
Regional Director

Telephone: (504) 483-4243
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April 19, 1996

Dr. Daniel G. Kyle, CPA, CFE
Office of the Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-94397

Dear Dr. Kyle:

In response to the Legislative Auditor's finding on **Controls Over Request for Reimbursement**, the following response is submitted:

* **The West Jefferson Campus of the Louisiana Technical College System** has an internal policy of billing outside agencies on a quarterly basis. The region concurs with the finding that the Jefferson Parish Office of Manpower Services had not been billed for the period covering September 11, 1995 through February 27, 1996. As of March 5, 1996, this agency has been billed. Measures will be taken by the West Jefferson College Director to ensure that the quarterly billing is adhered to.

* **The New Orleans Regional Office** submits a monthly bill to the Orleans Private Industry Council for reimbursement of salaries and related benefits for its Program Coordinator. As per the finding, we concur that \$507 for reimbursement of Federal and State unemployment taxes for the period from June 19, 1995 to September 24, 1995 was inadvertently omitted from the Request for Reimbursement Form.

This oversight was detected and brought to our attention by the accounting office at the Orleans Private Industry Council. A letter from Sabrina Rodgers, Accounting Supervisor dated March 26, 1996 indicates that although we omitted the \$507 from the October, 1995 billing, OPIC added that amount to the total request. The regional director and OPIC's accounting staff will continue to review and approve all reimbursement request documents.

* **The New Orleans Regional Office** concurs with the auditor's finding that we did not properly prepare the December, 1995 request for reimbursement in the Dislocated Workers Program.

The accrual of the \$21,085.76 was a one-time request and is not indicative of this office's operating procedures. Recent changes from FACS to ISIS has altered the manner in which purchase orders are encumbered. Using the FACS system, once a purchase order was issued and entered on-line, the funds would show as encumbered.

Using this same principle, we incorrectly listed all outstanding purchase orders as an accrual, resulting in the \$21,085.76 request. The following corrective action will be implemented to ensure that this mistake will not occur again:

1. Purchase order register will indicate the date that the invoice was received and the date paid.
2. A monthly copy, as well as a cumulative copy of the register will be maintained as supportive documentation of accruals.
3. Supportive documentation of accruals will be attached to the monthly request for funds.
4. An adjustment was made to the January request for funds, as a result expenditures match the Detailed Project Report.

Sincerely,



Estella F. Lain
Regional Director



STATE OF LOUISIANA
DEPARTMENT OF REVENUE AND TAXATION

M. J. "MIKE" FOSTER, JR.
GOVERNOR

JOHN NEELY KENNEDY
SECRETARY

January 6, 1997

Mr. Daniel G. Kyle, Ph.D, CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Memorandum of December 13, 1996 of Mr. David Huffman

Dear Dr. Kyle:

You have requested a response from this Department to the report of the State Inspector General dated November 13, 1996.

The Department has no basis to disagree with the Inspector General's report. I am discussing the Inspector General's recommendations with the Governor, and appropriate action will be taken based on the recommendations included in the report.

Thanks, and please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John Neely Kennedy".

John Neely Kennedy
Secretary

JNK/ld

C: Mr. Cyril Buchert, Jr.
Ms. Phyllis Walker Perry



STATE OF LOUISIANA
DEPARTMENT OF REVENUE AND TAXATION

M. J. "MIKE" FOSTER, JR.
GOVERNOR

September 27, 1996

JOHN NEELY KENNEDY
SECRETARY

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Your audit finding relating to the controls over cash receipts in the Baton Rouge Regional Office of the Department of Revenue and Taxation has been reviewed. Action has been taken to strengthen control procedures, as you recommended.

The Baton Rouge Regional Office established additional procedures to strengthen controls and ensure that receipts are verified against cash submitted for deposit. This was done immediately following the discovery of the thefts. Following discussions with your staff, the regional office continued carrying out improvements by setting up the additional control procedures suggested by your staff.

The East Baton Rouge Parish District Attorney was consulted regarding possible legal action after the loss was discovered. After the employee made full restitution in this matter, the district attorney's office was contacted again. They indicated that they would still consider the case; however, since full restitution was made, obtaining a conviction may be difficult. In addition to making full restitution, the employee was also terminated from employment. The matter was not pursued any further.

Sincerely,

A handwritten signature in cursive script that reads "Cyril A. Buchert Jr.".

Cyril A. Buchert, Jr.
Undersecretary
(504) 925-6047

CABjr/PWP/js



STATE OF LOUISIANA
DEPARTMENT OF REVENUE AND TAXATION

M. J. "MIKE" FOSTER, JR.
GOVERNOR

JOHN NEELY KENNEDY
SECRETARY

October 24, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Your audit finding entitled "Escrow Fund - Protested Taxes" has been reviewed. Action is being taken by the Department of Revenue and Taxation to strengthen control procedures, as you recommended.

We will expand our current reconciliation procedures to ensure that periodic reconciliation of the manual escrow fund records to the computer systems records is completed. Policies and procedures will be reviewed to ensure that they adequately address the duties and responsibilities of all persons involved in the processes that affect the escrow fund.

Improvements in the system of accounting for escrow funds will be included in our current computer system redesign project. Therefore, we will act now on those things that are cost-effective. Others improvements may be included within the scope of redesign.

Sincerely,



Cyril A. Buchert, Jr.
Undersecretary
(504) 925-6047

CABjr/PWP/js

B-167



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF RISK MANAGEMENT

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

December 27, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Response to Audit Finding - Noncompliance with Disaster Assistance Program

The Office of Risk Management, as we informed the Legislative Auditors we would, disbursed insurance deductibles to the appropriate agencies and refunded the duplicate payments to the Office of Emergency Preparedness on November 13, 1996. This was completed following a meeting with Mr. Ronnie Bullion of the Office of Emergency Preparedness to discuss the original check and the duplications of payments. As confirmed by Mr. Bullion, quarterly reports were current as of the date of that meeting, November 7, 1996.

It was never the intention of the Office of Risk Management to retain funds to which it was not entitled nor to delay filing required reports.

Sincerely,

Seth E. Keener, Jr.
Seth E. Keener, Jr.
State Risk Director
by Evelyn L. Wise
State Risk Asst. Director



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF RISK MANAGEMENT

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

January 15, 1997

Daniel G. Kyle, Ph.D., CPA, CFE
Office of Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Response to Audit Finding - Internal Control Deficiencies Related to Claim Payments

The Office of Risk Management has received from the Legislative Auditors a list of weaknesses noted in the internal control structure.

The Office of Risk Management has made significant changes and improvements in the areas of internal control, beginning in February, 1996. The majority of these changes were made from May through September, which is before and during the time in which the Legislative Auditors were conducting their audit and they were well aware of the changes and improvements being made. Some of the changes which have been made are:

Complete revision of check writing procedures, including approval of forecasts.

Segregation of check preparation and check distribution duties.

Revision of approval documents which allow ORM to more easily record and track payment approvals.

Complete security review of user capabilities for computer systems.

Reorganization of contract personnel into the Accounting Unit and reassignment of duties to ensure segregation of duties and increased accountability.

Development of new instructions for use of the Claims Loss Listing which were mailed with the listing for the first time in October.

The Office of Risk Management continues and will continue to make changes and improvements in all areas of internal control to ensure adequate segregation of duties to safeguard assets, to ensure that accounting data is both accurate and reliable, and that errors

and/or irregularities are being detected in a timely manner, including procedures to strengthen the integrity of the EDP functions.

In addition to the foregoing, I wish to comment specifically on the list of internal control deficiencies given to ORM for review. We were previously advised that these items would not be findings but merely exit comments.

- **Seven payments were made without documentation on file for the approval of the exact amount of payment.**

Three of the payments were made by the passing of house bills to appropriate the funds. As we have said before, we have no control over payments made by the Legislature. On the remaining four, since ORM was not given this list until January 3, we have been unable to verify because of more pressing work that has had priority.

- **Thirteen of 23 claims payments were tested and it was impossible to discern who adjusted the reserves.**

Here again, notice of this was not received until January 3, 1997. ORM has not had time to verify. Also, we can determine who adjusted reserves through system reports even though the change may not indicate who made it.

- **ORM does not require in-house approvals for payments to satisfy court judgements. Payments can be made by an adjuster without supervisory approval.**

ORM does not concur with this item being listed. ORM has no choice but to pay a court judgement for the exact amount. There is no room for negotiation after judgement.

However, in order to satisfy the perception of the Legislative Auditor, ORM will change its procedure to require that the State Risk Director or Assistant Director approve these judgments for payment.

It is a fact that both the Director and Assistant Director review every judgement that is received for payment, in the future we will require one or the other to document such approval in writing.

- **Persons who process printed checks have EDP access allowing them to schedule payments and unsuspend payments waiting for approval. This increases the risk of improper payments.**

ORM concurs and has already corrected this deficiency in control.

- **In 3 observations of check-write procedures, payment forecasts were not approved by supervisors as required.**

ORM has stressed this approval requirement with the individuals responsible and has added a further check of this requirement into its procedures.

- **ORM did not adequately monitor EDP access granted to employees for its outside data service center (Corporate Systems).**

ORM concurs and has taken steps to have a review of this access performed on a regular basis and a report provided to the Director on the status of this access.

- **Employees in the contract section who should not have access to approve payments, sometimes use another employee's sign on and password to approve payments suspended for review.**

ORM concurs that this is not acceptable. These employees have been counseled and have been told that any further action relative to this will cause disciplinary action to be taken.

- **Improper data fields were used for reserve input in error.**

ORM concurs that the data field in reference was used by mistake, however you should note that there was only one data field used in error and as was noted in the list of exit comments that we were previously given by the Legislative Auditor, the misuse of this field on the 7 open claims for which this comment would have any pertinence did not cause an understatement or overstatement of the reserves. However, ORM requested Corporate Systems to restrict use of this field.


- **The office has not provided sufficient instructions to other agencies for using the Claims Edit Listing. In addition, agency address changes were not input timely by ORM.**

ORM concurs and has taken steps to add an explanation page to its Claims Edit Listing. In addition, because this is a canned report from Corporate Systems, ORM has incorporated as a part of its Strategic Planning for 1997, a complete review of this

report from the standpoint of agency needs.

In order to correct the input of agency address changes timely, ORM has changed the responsibility of updating this data. Rather than each unit being expected to update their own addresses and key contact personnel, the list is being computerized with the Underwriting Unit being responsible for original entry of this key contact list as well as maintenance of the list. All other units will have lookup capabilities but will be denied access for changes.

Sincerely,


Seth E. Keener, Jr.
State Risk Director



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF RISK MANAGEMENT

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

September 6, 1996

TO: Daniel G. Kyle, Ph.D., CPA
Office of the Legislative Auditor

FROM: *Evon L. Wise*
Evon L. Wise
State Risk Assistant Director

RE: ORM Audit Repeat Finding FY 96

Finding: "For the third consecutive year, the Office of Risk Management is not performing, on a sample basis, a field review of the original source documentation to support billings by contract attorneys....."

In order to conduct the recommended field audits the Office of Risk Management will need to hire personnel for this purpose. We requested additional positions in the 96/97 budget, however, in the 96/97 budget our TO was cut by four positions. Additional positions will be requested in the 97/98 budget.

EW:PW

c: Seth E. Keener, Jr.
Pam Whiteside

B-173



ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT

P. O. Box 1331, Chalmette, Louisiana 70044-1331

Telephone (504) 277-8418

Fax (504) 277-8471

Irwin A. Ruiz
Executive Director

Harold C. Felger
Director of Planning

Charles H. Reppel
Director of
Operations/Marketing

Clyde P. Martin, Jr., P.E.
Director of Engineering

Board of Commissioners

Sam A. Bella, Jr.
Harold C. Felger
Stephen C. Juan
Elton J. LeBlanc
LeRoy J. Phillips

January 16, 1997

Dr. Daniel Kyle
Office of Legislative Auditors
1600 North Third Street
P. O. Box 94397
Baton Rouge, LA 70804

RE: Finding/Noncompliance

Dear Dr. Kyle:

The St. Bernard Port, Harbor and Terminal District's Commissioners adopted the Equal Employment Opportunity Policy on August 13, 1996 at the regular monthly meeting.

If further information is needed, please advise.

Sincerely,

Irwin A. Ruiz
Executive Director

Enclosure

IAR/gmb

ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT

EQUAL EMPLOYMENT OPPORTUNITY POLICY

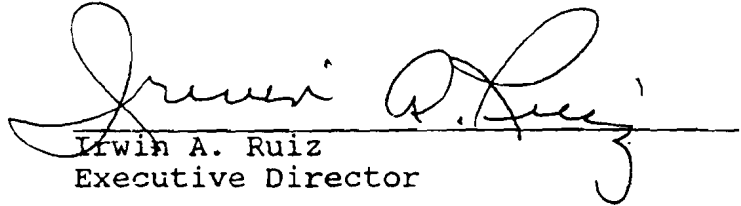
It is the policy of the St. Bernard Port, Harbor and Terminal District to assure equal employment opportunity to all its employees and applicants for employment. Equal opportunity will be offered regardless of race, sex, religion, color, national origin, age, disability or any other factor not directly related to ability or potential for satisfactory job performance. Nondiscrimination shall apply to all employment practices, including recruitment, employment, compensation, assignments, training, promotions, transfers, demotions, disciplinary actions, layoffs, terminations, and benefits.

In accordance with our policy of assuring equal employment opportunity regardless of sex, the St. Bernard Port, Harbor and Terminal District will not tolerate sexual harassment of its employees or applicants for employment. Sexual harassment is unwelcome sexual advances, requests for sexual favors, and other verbal or physical actions of a sexual nature e.g., when submission to these actions is, whether spoken or unspoken, necessary to get or keep employment, when submission to or rejection of these actions is used as the basis for promotions, service ratings, or other personnel actions, or when these actions interfere with an individual's work performance or create an intimidating, hostile, or offensive work environment. The St. Bernard Port, Harbor and Terminal District will not tolerate sexual harassment by its managers, supervisors, and administrators; by an employee's coworkers; or by nonemployees whose conduct makes the employer liable and responsible for corrective actions. Each manager and supervisor will be held responsible for any sexual harassment about which he/she failed to take corrective action.

In carrying out our policy of equal employment opportunity regardless of disability or any other factor not directly related to ability for satisfactory job performance, the St. Bernard Port, Harbor and Terminal District will not discriminate against qualified disabled persons. A qualified disabled person is one who can perform the essential functions of a job within normal safety requirements and with reasonable accommodations. Whether an accommodation needed is reasonable will be determined on a case-by-case basis. Possible accommodations could be making facilities accessible, buying or altering equipment, changing work schedules, restructuring the job, or assigning to another position as employee who becomes disabled and unable to perform his or her original duties. Employers are obligated to make reasonable accommodations only to the known physical or mental limitations; therefore it is incumbent upon the employee to notify his supervisor if an accommodation is needed. Examples of disabilities are visual, speech, and hearing impairments; orthopedic impairments; loss of a

body part; disfigurement; cerebral palsy; seizure disorder; muscular dystrophy, multiple sclerosis; learning disabilities; mental retardation; emotional or mental illness; drug addition; cancer; heart disease; and diabetes.

Administrators, directors, and supervisors will be held responsible for equal employment opportunity and nondiscrimination, in their area of jurisdiction.



Irwin A. Ruiz
Executive Director

Compliance Programs Section
ST. BERNARD PORT, HARBOR AND TERMINAL DISTRICT
P.O. Box 1331
Chalmette, Louisiana 70044-1331
Telephone: (504) 277-8418

Adopted at August 13, 1996 Regular Monthly Meeting/Public Hearing.



State of Louisiana
Department of Social Services
OFFICE OF MANAGEMENT AND FINANCE
DIVISION OF FISCAL SERVICES
ADMINISTRATIVE

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MADLYN B. BAGNERIS
SECRETARY

333 LAUREL STREET - 4TH FLOOR
P. O. BOX 3927 - PHONE - 504/342-4247 - FAX # 504/342-4220
BATON ROUGE, LOUISIANA 70821-3496

September 16, 1996

Dr. Daniel G. Kyle, Legislative Auditor, CPA, CFE
Office of Legislative Auditor
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

The Department of Social Services concurs with the finding as stated in your letter dated September 9, 1996. In the early stages of implementation of the Advanced Governmental Purchasing System, security was not clearly understood by Departmental Staff. However, we did understand that duties should be clearly segregated to allow for safeguarding of assets, to ensure that accounting data is both accurate and reliable, and to ensure that errors and irregularities are detected in a timely manner.

Prior to training of Departmental staff, ISIS User ID access was determined by individual offices, based on limited knowledge of the AGPS system. Once training began and personnel became more knowledgeable of the system, corrective measures were taken to remedy this problem.

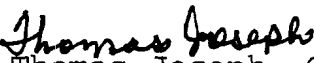
Correspondence was forwarded to Departmental Management staff with guidelines on measures that needed to be corrected so that duties could be clearly segregated. We are in the process of developing Departmental Policy which will mandate duties and access capabilities in order to maintain proper internal controls. Attached to this correspondence is a copy of the memorandum that was forwarded to Departmental Executive Staff. Also, attached are copies of the corrected request forms of the User ID's of the test samples that this finding was based on.

Page 2
Legislative Auditor

As a plan of action to ensure that incompatible functions such as data entry and approval of the same transaction will not be assigned to same employee, we will have the internal Audit Section conduct an ongoing monitoring of computer security with a semi annual review of the system.

If further information/clarification is needed do not hesitate to contact me at 342-4247.

Sincerely,


Thomas Joseph, CPA
Director
Division of Fiscal Services



State of Louisiana
Department of Social Services
OFFICE OF MANAGEMENT AND FINANCE

DIVISION OF FISCAL SERVICES
ADMINISTRATIVE

333 LAUREL STREET - 4TH FLOOR
P. O. BOX 3927 - PHONE - 504/342-4247 - FAX # 504/342-4220
BATON ROUGE, LOUISIANA 70821-3496

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MADLYN B. BAGNERIS
SECRETARY

August 14, 1996

Daniel G. Kyle, PH.D., CPA, CFE
Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: FINDING - AUDIT REPORTS NOT MONITORED

Dear Dr. Kyle:

We take extreme displeasure in acknowledging this finding. Last fiscal period, this particular function was administered under the auspices of the Internal Audit Section (IAS). Upon incurring this finding for the second consecutive year, the Internal Audit Director (IAD) had made emphatic assurances that this finding would be corrected, as evidenced in our correspondence of September 12, 1995. Shortly thereafter this particular function was severed from the Internal Audit Section and placed under the Fiscal Section.

A subsequent examination of the solution furnished by the IAD revealed that her proposed solution was technically flawed and would ensure a continuance of this finding for future periods. Furthermore, the intentions enunciated in this correspondence were never carried out by the IAD or IAS. Therefore, the procedures specifically mentioned in our September 12, 1995 correspondence, as embodied in GBB 94-50, were scrapped and the Fiscal Section, in concert with members of the Executive Staff, is designing a system that, when operational, will employ data furnished during the contract initiation process for the 1996/97 fiscal period to remedy the problem pertaining to private nonprofit providers. With respect to the parish governments and their component units, all units will be notified of the appropriate requirements for audits by way of informational notices distributed around the first of the calendar year. The same approach will be adopted for D.A.'s. All forms and the entire process will be furnished to representatives of the Legislative Auditor's Office for their prior approval before implementation.

Page 2

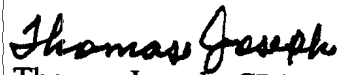
Daniel G. Kyle, Ph.D., CPA, CFE

Re: FINDING - AUDIT REPORTS NOT MONITORED

August 13, 1996

We expect this new system to be fully operational for the 1996/97 audit period.

Respectfully,

Handwritten signature of Thomas Joseph in cursive script.

Thomas Joseph, CPA

Director



State of Louisiana
Department of Social Services
OFFICE OF MANAGEMENT AND FINANCE

M. J. "MIKE" FOSTER, JR.
GOVERNOR

DIVISION OF FISCAL SERVICES
ADMINISTRATIVE
333 LAUREL STREET - 4TH FLOOR
P. O. BOX 3927 - PHONE - 504/342-4247 - FAX # 504/342-4220
BATON ROUGE, LOUISIANA 70821-3496

MADLYN B. BAGNERIS
SECRETARY

October 10, 1996

Dr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: FOOD STAMP UNDER-ISSUANCE

Dear Dr. Kyle,

We concur with the findings regarding the Agency's failure to timely implement Food Stamp Program changes effective October, 1995 as required by federal regulations. In order to prevent a recurrence of such errors, direct supervision of that program was assigned to the Deputy Assistant Secretary of the Office of Family Support and monitoring procedures, including time tables for implementation of mandatory changes, have been enhanced. The mandatory changes effective October, 1996 have been successfully and timely implemented.

Should you have any questions concerning this response, please advise.

Sincerely,

Thomas Joseph
Thomas Joseph
Director

TJ/VB:cab



State of Louisiana
Department of Social Services
OFFICE OF FAMILY SUPPORT
SUPPORT ENFORCEMENT SERVICES

618 MAIN STREET
P O. BOX 94065 - PHONE - 504/342-4780
BATON ROUGE, LOUISIANA 70804-4065

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MADLYN B. BAGNERIS
SECRETARY

October 17, 1996

Dr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

I am writing in response to the Legislative Audit findings regarding "Inadequate Controls Over Child Support Collections".

In respect to the issue of cash functions within the New Orleans Regional SES Office, we concur that these errors happened. Please be advised that the New Orleans SES Office has been under a corrective action plan for approximately six months and they are closely monitored by SES State Office. We feel that implementation of the corrective action plan along with strict monitoring will drastically reduce, if not eliminate, such errors.

In regard to the 50 debit/credit advices, we concur that the errors occurred. Effective September 30, 1996, SES implemented procedures that require all debit/credit advices to be sent to State Office prior to submittal to the appropriate Regional Offices. Copies of the debit/credit advices are made and forwarded to the Regional Office for appropriate action. The Regional Office has 15 days to complete their actions and submit to Fiscal Services. The Regional Offices will send a copy of their action to State Office. This procedure will not eliminate errors, however, it will ensure that appropriate action is taken when an error occurs.

Please advise if additional information or clarification is needed.

Sincerely,

Thomas Joseph
Thomas Joseph, Director
Division of Fiscal Services



State of Louisiana
Department of Social Services
OFFICE OF MANAGEMENT AND FINANCE

DIVISION OF FISCAL SERVICES
ADMINISTRATIVE

333 LAUREL STREET - 4TH FLOOR
P. O. BOX 3927 - PHONE - 504/342-4247 - FAX # 504/342-4220
BATON ROUGE, LOUISIANA 70821-3496

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MADLYN B. BAGNERIS
SECRETARY

September 6, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Title IV-D Intake and Collection Activities Errors

Dear Dr. Kyle:

The Department of Social Services concurs with the finding on intake cases. The Department agrees that cases were not worked appropriately. Since June 1, 1996 a corrective action plan has been in place. The Department has and will continue to monitor this office for compliance.

We concur with the finding on collection cases. However, we feel having only 2 of 40 cases out of compliance is exceptionally good. This is an error rate of only 5%, which is well under the 25% allowed by Federal standards. The Department will continue to strive to eliminate all errors.

Sincerely,

Thomas Joseph

Thomas Joseph,
Director

TJ/cab



State of Louisiana
Department of Social Services
OFFICE OF MANAGEMENT AND FINANCE

DIVISION OF FISCAL SERVICES

ADMINISTRATIVE

333 LAUREL STREET - 4TH FLOOR

P. O. BOX 3927 - PHONE - 504/342-4247 - FAX # 504/342-4220

BATON ROUGE, LOUISIANA 70821-3496

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MADLYN B. BAGNERIS
SECRETARY

September 30, 1996

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Office of Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Unallowed Expenditures in Foster Care Program

Dear Dr. Kyle:

We concur with the finding and recommendation. The Office of Community Services has reviewed its' internal operation procedures that checked for eligibility for individual clients identified on the billings. Our new protocol requires staff that review the billings to assure that the child has not yet attained the age of eighteen before validating the billing. In addition, we have advised the Department of Public Safety and Corrections to likewise verify the age of the child prior to billing for services.

If further information/clarification is needed do not hesitate to contact me at 342-4247.

Sincerely,

A handwritten signature in cursive script that reads "Thomas Joseph".

Thomas Joseph
Director

TJ/cab

INCORPORATED 1882 RELOCATED 1914

SOUTHERN UNIVERSITY

Agricultural & Mechanical College

Office of the Chancellor
P. O. Box 9374
[504] 771-5020
FAX [504] 771-2018

November 20, 1996

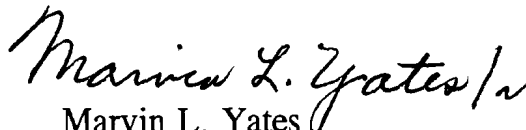
Dr. Daniel Kyle
Office of the Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Submitted herewith is the University's response to the audit finding entitled
"Failure to Collect Student Accounts Receivable."

Please advise if additional information is needed.

Sincerely,


Marvin L. Yates
Chancellor

MLY:brs

Enclosures

B-185

**SOUTHERN UNIVERSITY - BATON ROUGE CAMPUS
AUDIT RESPONSE**

Failure to Collect Student Accounts Receivable

Southern University at Baton Rouge makes sufficient efforts to collect all accounts receivable in accordance with prudent collection practices. The Baton Rouge campus has a Collections and Receivables department which is vested with the responsibility of analyzing and billing on outstanding student receivables. Additionally, the following actions have been taken by the Baton Rouge campus to sufficiently pursue collection of student accounts receivable:

- ▶ Students with an account written-off are not permitted to return to the University or receive a transcript until the amount written-off is cleared.
- ▶ Students with an accounts receivable balance are not permitted to enroll in the University until all prior balances are cleared.
- ▶ Students with an accounts receivable balance are prevented from receiving grades and/or transcripts until the outstanding balance is cleared.

Realizing the importance of due diligence in its collection efforts, Southern University at Baton Rouge has made several attempts to hire an outside collection agency to pursue the collection of accounts written off. An Invitation To Bid (ITB) proposal was completed in September 1992. The ITB for collection services went out on bid and in December 1993 a vendor was selected. However, the vendor selected was not the lowest bidder and the bid process was delayed because of a dispute filed by one of the bidders. Relief was sought from the Louisiana Department of Justice, but at the time of the University's request, the Louisiana Department of Justice could not take on any additional accounts because of a backlog in that department. A recent appeal to the Louisiana Department of Justice has achieved more favorable results. The University is now completing the required paper work to forward accounts to the Louisiana Department of Justice for collection. As a preventive measure and to reduce the volume of accounts that become uncollectible, accounts for non continuing students who currently have an outstanding indebtedness that is two years or older will be forwarded first for collection. This action will be taken immediately, after a final demand letter has been forwarded by the University advising the student that his or her account must be settled within fifteen days.

INCORPORATED 1880 RELOCATED 1914

SOUTHERN UNIVERSITY

A n d
Agricultural & Mechanical College

Office of the Chancellor
P. O. Box 9374
[504] 771-5020
FAX [504] 771-2026

October 29, 1996

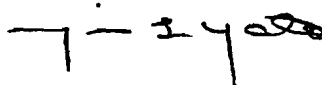
Dr. Daniel Kyle
Legislative Auditor
Office of the Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Transmitted herewith is the University's response to the Legislative Audit finding entitled, "Food and Vending Service Contracts."

If additional information is needed, please let me know.

Sincerely,



Marvin L. Yates
Chancellor

/brs

Enclosures

B-187

SOUTHERN UNIVERSITY - BATON ROUGE CAMPUS AUDIT RESPONSE

FOOD AND VENDING SERVICE CONTRACTS

- **Baton Rouge Campus Food Court**

As required by contract, the University received daily cash reports on sales from the Food Court contractor. However, due to oversight, these reports were not provided to the auditor at the time of review. The Food Court contractor provided the University with daily sales reports, weekly sales summaries and daily cash register tapes for the period that the contractor managed the Food Court operations. The auditor was provided the daily cash register tapes only. The additional supporting documentation will be made available for inspection upon the auditor's return.

The commission payment of \$38,739, dated November 28, 1995 was for the period of July 13, 1995 through November 30, 1995. This amount has been reconciled to the amounts per the daily cash register tapes and the two amounts differ by approximately \$398.

The University has withheld final payment to the contractor pending final reconciliation between the University and the contractor. The University will ensure that all commission revenues are received prior to making final payment to the contractor.

Although the contractor terminated services for management of the Food Court operation in mid December, two vendors continued operations for the period of January 4, 1996 to June 30, 1996. Commission checks were received for the months of January and February and were deposited by the University on April 10, 1996 for one of the vendors. The March commission check for this vendor was received by the University in July, 1996. A receivable was recorded and revenue recognized as of June 30, 1996. Receivables were also recorded and revenues recognized for the April through June sales commissions. The second vendor has informed the University that the January through June commission payments were made directly to the contractor. The University recorded the receivable and recognized revenue for these commissions as of June 30, 1996. Commission revenues that have not been received will be adjusted for prior to making final payment to the contractor.

The University is in the process of preparing a final reconciliation with the food court contractor to ensure that all revenues have been received. The contractor will be notified of the shortages, in the commission account. The University believes that this amount, if any, will be minimal.

The University was unable to finalize and release for bidding the contract proposal prior to the beginning of the 1996 Spring Semester. Therefore, to avoid a change over of contractors during the semester, the University extended the contract with the current contractor until the end of the Spring 1996 Semester. The contract extensions only provided for the board and catering operations.

- **Food Services Contract**

The University has responded as expeditiously as possible to having a food service contractor in place before the beginning of the 1996 Summer Semester. However, delays were encountered due to an Administrative Hearing on the proposal. Furthermore, since this contract proposal was a new arrangement, the University's proposal evaluation committee required additional time to review all proposals.

Recognizing that the health and safety of its students were at hand, the university incurred charges of \$22, 994 for services rendered by the contractor pending the outcome of legal proceedings.

While the University attempted to finalize the contractual document with the new contractor, an injunction was filed with the 19th Judicial Court to stop any further signage of the contract document.

The University did not receive approval from the court to continue with the signage of the contract document until after 60 days had already past from the beginning of the contract period. Since then, the University has had the contract signed by all parties and has received the approval of the Civil Service Department. Approval has not been received from the Office of Contract Review due to a minor contractual requirement that necessitated a contract addendum. As soon as the contract addendum is complete, the University will seek the approval of the Office of Contract Review.

- **Emergency Purchases**

The University concurs. Food supplies were purchased from one vendor under an emergency condition without obtaining price quotations from other vendors to ensure that the required supplies were procured in a timely manner to meet the emergency. Due to the shortage of University personnel and limited time constraints, obtaining three or more quotes would have resulted in delays and possible interruptions in food service for the students. The University was operating in accordance with the Louisiana Administrative Code Section 1107 (R.S. 39:1581), which states:

"Any state agency may make emergency procurement of up to \$5,000 when an emergency condition arises and the need cannot be met through normal procurement methods, provided that whenever practical, approval by the chief procurement officer shall be obtained prior to the procurement. Prior to all such emergency procurement of \$5,000 or more, the chief procurement officer, head of a state agency, or either officer's designee shall approve the procurement."



SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

BATON ROUGE, LOUISIANA 70813

(504) 771-2011

Baton Rouge, New Orleans,
Shreveport/Bossier City
LOUISIANA

Fax Number:
(504) 771-5522

Office of the President
(504) 771-4680

October 11, 1996

Dr. Daniel H. Kyle
Legislative Auditor
State of Louisiana
1600 Riverside North
P. O. Box 94397
Baton Rouge, Louisiana 70804-9197

**ATTN: Ms. Betty McCord
Senior Auditor**

Dear Dr. Kyle:

Submitted herewith is Southern University's updated response to the audit finding entitled "Unsecured Bank Accounts".

If there are any questions, please contact Mr. Tolor E. White at (504) 771-5550.

Sincerely,

A handwritten signature in cursive script that reads "Dolores R. Spikes".

Dolores R. Spikes
President

Attachments

UNSECURED BANK ACCOUNTS

In response to the Security for Foreign Bank Account audit finding, Southern University has attempted in good faith, as evidenced by prior documentation, to comply with the requirements of Louisiana Revised Statute 49:321 regarding pledged collateral on deposits in foreign bank accounts. (See schedule of documentation submitted).

Southern University will attempt to secure insurance for the cash deposits and/or obtain a guarantee from the grantor to replace deposits should the bank fail. This request to the grantor will be made on the premises that the United States Agency for International Development has stated that the flow of funds from Baton Rouge to Lusaka threatens to be inadequate to meet project needs in a timely fashion. However, due to our conservative approach and sensitivity to the statutory requirements in this matter, the University has been prudent in transferring funds to a foreign entity.

In response to the under secured deposits finding, university management concur that deposits in a local bank were under secured. However, management does not concur with the amount range "from \$201,330 to \$220,430" cited by the auditor. The accounts cited by the auditor consisted of amounts held by a financial institution for the Baton Rouge and New Orleans Campuses. In determining the amount of Federal Deposit Insurance Corporation (FDIC) coverage, the auditor allowed single coverage of \$100,000. Management contends that additional coverage is afforded based on the following:

- ▶ Each campus is a separately budgeted unit according to Regular Session, 1995, H. B. NO. 2202 dated June 30, 1995.
- ▶ The official custodian is unique for each campus. An official custodian has plenary or complete authority (which includes control) over the funds for which the custodian is appointed to serve. Control includes possession as well as the authority to establish accounts and to make deposits, withdrawals and disbursements. In this instance, the accounts are maintained in separate cities and the control of these accounts are exercised by separate and unique individuals. The control over the accounts for the Baton Rouge Campus is exercised by the President and the Vice President for Finance and Business Affairs and Comptroller. Control of the accounts for the New Orleans Campus is exercised by the Chancellor and the Vice Chancellor for Administration.
- ▶ The official custodian of the funds, rather than the public unit, is the insured depositor.
- ▶ An official custodian receives up to \$100,000 of coverage for interests bearing accounts (ie, certificates of deposits), and an additional coverage of up to \$100,000 for non interest-bearing accounts (ie, demand deposits).

University management will request a ruling from the FDIC and an Attorney General's opinion relative to the application of FDIC coverage when multiple campuses are involved. The ruling and opinion will be used for future monitoring of the accounts.

The University has revised the procedures for monitoring account balances. The revised procedures require that high volume accounts and the aggregate total of multiple accounts on deposit with the same financial institution are monitored on a daily basis and management is notified immediately when accounts appear to be under secured. The accounts are currently in compliance with Louisiana Revised Statute (LSA-R.S) 49:321.

**Schedule of Exhibits
Zambia Bank Account
Documentation**

Letter to Dr. Dolores R. Spikes, dated July 9, 1996, from Tolor E. White.

Letter to Dr. Daniel G. Kyles, dated November 3, 1995, from Tolor E. White.

Letter to Ms. Betty McCord, dated November 3, 1995, from Tolor E. White with attachments.

Exhibits

- A) Letter to Mr. Tolor E. White from Dr. Daniel G. Kyle, CPA, CFE
Application for New/Change in Bank Account
- B) Letter from Dr. Gloria J. Braxton to President Dolores R. Spikes and Tolor E. White,
Comptroller
- C) Faxed message from Jerome J. Harris to Mr. Al Jarret
- D) Letter from Tolor E. White to Mrs. Lillian Gil
- E) Letter from Tolor E. White to Dr. Georgia W. Bowser
- F) Letter to Dr. Georgia W. Bowser from M. Mushata, Officer Institutional Banking
- G) Letter to Mr. Tolor E. White from Mathias Gweshe
- H) Chapter 1-A State Central Cash Management System
- I) Chapter 1-A State Cash Management Review Board
- J) Article 7, Section 9 State funds
- K) R.S. 17:2231 - Deposits in State Treasury by Educational Institutions

Additional Exhibits

- L) 22 CFR 222(i)(2) Advances of Federal Funds
- M) Letter from Joseph F. Stepanek to Mr. Tolor E. White
- N) Letter to Walter Wiles from James Polhemus



SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

BATON ROUGE, LOUISIANA 70813

(504) 771-2011

Baton Rouge, New Orleans,
Shreveport/Bossier City
LOUISIANA

Fax Number:
(504) 771-5522

Office of the President
(504) 771-4680

November 13, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Submitted herewith is the University's response to the following audit findings:

- Inadequate controls over Bayou Classic Revenue
- Untimely Recording and Clearing of Travel Advances

Please advise if additional information is needed.

Sincerely,

Dolores R. Spikes
President

/brs

Enclosures

**SOUTHERN UNIVERSITY SYSTEM
AUDIT RESPONSE**

Untimely Recording And Clearing Of Travel Advances

The University has strengthened the controls to ensure that travel advances are monitored in accordance with prescribed policies and guidelines. Also, in some instances, the organizational structure is being reviewed with emphasis being placed on facilitating document flow and increasing accountability. Transactions are being properly recorded and advances are being cleared in a timely manner. Currently, the University's time frame for the reporting of travel advances is more stringent than state policy. The University's policy will be revised to coincide with the state policy.



SOUTHERN UNIVERSITY AND A&M COLLEGE SYSTEM

BATON ROUGE, LOUISIANA 70813

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Baton Rouge, New Orleans,
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Office of the President
(504) 771-4680

Fax Number:
(504) 771-5522

November 13, 1996

Dr. Daniel Kyle
Office of the Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Submitted herewith is the University's response to the following audit findings:

- Inadequate controls over Bayou Classic Revenue
- Untimely Recording and Clearing of Travel Advances

Please advise if additional information is needed.

Sincerely,

A handwritten signature in black ink, appearing to read "Dolores R. Spikes".

Dolores R. Spikes
President

/brs

Enclosures

SOUTHERN UNIVERSITY SYSTEM AUDIT RESPONSE

Inadequate Controls over Bayou Classic Revenue

The 331 tickets valued at \$5,701 which were invoiced by the Athletic Department to the Director of University Relations were expensed to the Bayou Classic account. The tickets were a part of the Bayou Classic marketing and promotional packages which were approved by the Bayou Classic Joint Committee.

The reconciliation of ticket sales with the ticket master audit report was completed prior to closing the financial records. In accordance with existing procedures governing the distribution of proceeds relative to this event, a reconciliation of revenue collected per the financial records is prepared and funds collected from tickets sales are then transmitted to the Louisiana Superdome for final settlement and distribution. All funds received after the initial transmission are retained by the University and are noted as "amount retained" per the settlement report. The questioned amount resulted from a reduction in proceeds due the University as a part of the event settlement. The settlement report increased the amount retained by the University by \$37,050. Further review shows that the \$37,050 were not funds retained by the University. The amount represents funds due to the Louisiana Superdome for tickets distributed by the Louisiana Superdome to the Director of University Relations, in his official capacity as Bayou Classic Coordinator. The Director distributed these tickets in his official capacity to various groups and organizations. Payment for these tickets are due from sources external to the University. The University has expanded its internal control procedures governing the procurement of tickets for sponsored events. The Director of University Relations will no longer obtain tickets from the Louisiana Superdome or other secondary ticket sales outlets. All tickets for sponsors and other University authorized distributions will be handled through the University box office in accordance with revised policies and procedures governing ticket distribution.

The expanded procedures also require that the settlement report be verified and approved by the Director of University Relations (Bayou Classic Coordinator) and the Internal Auditor prior to acceptance.

In addition, a request for approval of a proposed concept to authorize the establishment of the Bayou Classic as an independent non-profit entity has been made to the Southern University Board of Supervisors. Such an organization would be designed to enhance and facilitate the management and operations of the Bayou Classic and its related activities by designated staff on a full-time basis. The growth and success which the Classic has experienced has outgrown part-time, fragmented management services on an overload basis. The responsibilities related to the Classic are continuous through the year. The proposed restructuring, if approved, is expected to improve management and controls in all areas of operations. The expected outcome is a major improvement in operational effectiveness and increased revenues for the support of the inter-collegiate athletic program and scholarships for all students.


INCORPORATED 1880 RELOCATED 1914
SOUTHERN
UNIVERSITY
And
Agricultural & Mechanical College

Office of the Chancellor
P. O. Box 9374
[504] 771-5020
FAX [504] 771-2018

December 16, 1996

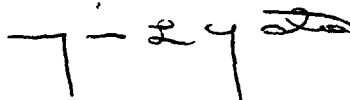
Dr. Daniel Kyle
Office of the Legislative Auditor
State of Louisiana
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

Submitted herewith is the Southern University - Baton Rouge Campus response to the findings related to the **"Financial and Compliance Audit of Federal Grants"** conducted by Bruno and Tervalon, CPAs for the period ending June 30, 1996.

Please contact me if you have questions regarding this submission.

Sincerely,



Marvin L. Yates
Chancellor

MLY:brs

Enclosures

B-197

**SOUTHERN UNIVERSITY SYSTEM
BATON ROUGE CAMPUS
FEDERAL GRANTS FINANCIAL AND COMPLIANCE AUDIT
RESPONSE TO AUDIT FINDINGS
1995-96 FISCAL YEAR**

1. **Pell Grant Calculations:**

Response

The University will adhere to established procedures for Pell Grant calculations. Additionally, a computer program will be used to compare hours enrolled to eligibility prior to the thirty day Pell Reporting timeline to ensure that Pell awards are properly calculated.

2. **Crediting Student Accounts:**

Response

Although the University credited student accounts prior to ten (10) days before the first day of enrollment, students did not have access to these funds until the beginning of the official enrollment period.

However, the University will comply with federal regulations regarding crediting student accounts.

3. **Notification to Lenders Between Submission of Student Confirmation Reports (SCRs):**

Response

The University plans to revisit the procedures that currently exist by isolating the weaknesses that are present in the current system and implementing the National Student Loan Data System (NSLDS) in hopes of eliminating the reporting deficiencies.

The NSLDS will improve the quality and accessibility of student loan information by electronically updating changes in a student's enrollment status.

4. **Refunds and Repayment To The Title IV Programs:**

Response

The University will review the departmental responsibilities and enforce specific timelines for processing and posting to the applicable accounts for all types of refunds and repayments as they relate to withdrawals. Periodic reviews will be made to ensure that established timelines are being met.

5. **Federal Workstudy Program:**

Response

The University will review current policies and procedures. Adjustments and deletions will be made as required to eliminate calculation errors and improve work schedule monitoring and supervision of student employees. Written rules and regulations will also be updated and distributed to all student employees and supervisors.

6. **Federal Family Education Loan Program:**

Response

The University is aware of the effect that inaccurate data can have on a student's award and will take appropriate actions to correct this condition.

The Financial Aid Office will review the current parameters which determines the designation of student budgets to ensure a higher degree of accuracy during the certification process.

7. **Federal Family Education Loan Program (FFEL):**

Response

The University has reviewed the procedures for loan disbursements. The Financial Aid Office and Information Systems Division will revise the procedures to ensure that the financial aid awarding cycle is ran in sequence and that the flagging of first time borrowers is part of the operating procedures.

Additionally, the Financial Aid Office will assign a designated employee the responsibility of monitoring and retaining all documentation which supports that FFEL exit interviews were conducted.

8. **Satisfactory Academic Progress:**

Response

The University will ensure that satisfactory academic progress is monitored and that this segment of aid processing is executed in the proper sequence and is ran each time financial aid is awarded.

**SOUTHERN UNIVERSITY - BATON ROUGE CAMPUS
FEDERAL GRANTS FINANCIAL AND COMPLIANCE AUDIT
RESPONSE TO GENREAL REQUIREMENTS FINDING
1995-96 FISCAL YEAR**

**DRUG-FREE SCHOOLS AND COMMUNITIES
ACT AMENDMENTS OF 1989 (THE ACT)**

The University distributed information concerning alcohol and drug abuse to all new employees during the 1995-96 fiscal year. Appropriate procedures will be developed to ensure that the Office of Personnel Services annually distribute alcohol and drug abuse information to all employees beginning with the 1996-97 fiscal year.



SOUTHERN UNIVERSITY AT NEW ORLEANS

6400 Press Drive
New Orleans, LA 70126
(504) 286-5311 — LINC 647-5311
FAX (504) 286-5131

OFFICE OF THE CHANCELLOR

November 19, 1996

Dr. Daniel G. Kyle
Office of the Legislative Auditor
State of Louisiana
1600 Riverside North
P.O. Box 94397
Baton Rouge, LA 70804-9197

Dear Dr. Kyle:

Attached, please find the University's response to the 1995-96 Single Audit Finding - Failure to Collect Student Accounts Receivable.

Sincerely,

A handwritten signature in black ink that reads "Robert B. Gex". The signature is written in a cursive style.

Robert B. Gex
Chancellor

RBG/l

Attachment

c: Mr. Tolor E. White, Vice President
Mr. Flandus McClinton, Jr. Associate Comptroller

FAILURE TO COLLECT STUDENT ACCOUNTS RECEIVABLE

During Fiscal 1995-96, Southern University at New Orleans did not adhere to established policies and procedures regarding sending out bills at the end of each semester as required; and provide sufficient evidence of attempts made to collect outstanding balances. In additions, several students with outstanding debt were permitted to register.

During the 1996 Fall Semester, the University reinstated its policies and procedures for sending out bills to students with outstanding debt. This development is being handled by the Campus Comptroller's Office, and will provide for making every effort to collect all monies due from students as well as referrals to collection agencies and/or authorities.

Students with outstanding debt and are attempting to enroll at the University are no longer allowed to do so. The Chancellor has directed all supervisors and directors to strictly adhere to the existing policies and procedures which prohibit students with outstanding debt from registering. Exceptions are granted if the University is at fault, and only at the Chancellor's level.



OFFICE OF THE CHANCELLOR

SOUTHERN UNIVERSITY AT NEW ORLEANS

6400 Press Drive
New Orleans, LA 70126
(504) 286-5311 — LINC 647-5311
FAX (504) 286-5131

November 22, 1996

Dr. Daniel G. Kyle
Office of the Legislative Auditor
State of Louisiana
1600 Riverside North
P.O. Box 94397
Baton Rouge, LA 70804-9197

Dear Dr. Kyle:

Attached, please find the University's response to the 1995-96 Single Audit Finding - General and Subsidiary Ledgers not Reconciled Timely.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. B. Gex".

Robert B. Gex
Chancellor

RBG/ll

Attachment

c: Mr. Tolor E. White, Vice President
Mr. Flandus McClinton, Jr. Associate Comptroller

**NEW ORLEANS CAMPUS - GENERAL AND SUBSIDIARY LEDGERS NOT
RECONCILED TIMELY**

Southern University at New Orleans experienced a personnel change in its Comptroller's Office during the middle of 1995-96; which created a serious back log on filing, recording and reporting of necessary and important information. As a result the general ledger and the subsidiary ledger were not reconciled in a timely manner, and the books for the Southern University System were not closed until September 1996.

The University has taken steps to ensure that necessary and important information is recorded and accurately reported on a monthly and year end basis. New and reinstated procedures developed and implemented for the office are in place to make certain that this happens.

The University has also made a serious effort to properly staff the comptroller's Office in order to provide the necessary manpower to ensure proper procedures within the office.



SOUTHERN UNIVERSITY AT NEW ORLEANS

6400 Press Drive
New Orleans, LA 70126
(504) 286-5311 — LINC 647-5311
FAX (504) 286-5131

OFFICE OF THE CHANCELLOR

October 31, 1996

Dr. Daniel G. Kyle
Office of Legislative Auditor
State of Louisiana
1600 Riverside North
P.O. Box 94397
Baton Rouge, Louisiana 70804-9197

Dear Dr. Kyle:

Attached, please find the University's response to the 1995-96 Single Audit Finding-Lack of Controls over Cash.

Sincerely,

A handwritten signature in black ink that reads "Robert B. Gex". The signature is written in a cursive style.

Robert B. Gex
Chancellor

RBG/jav

Enclosure

cc: Mr. Tolor E. White, Vice President
Mr. Flandus McClinton, Jr., Associate Comptroller

LACK OF CONTROLS OVER CASH

Southern University at New Orleans did not strictly adhere to established controls and procedures relative to depositing and recording of cash, the recording of transactions and the reconciliation of bank accounts.

During early 1996, the Comptroller's Office was experiencing transition difficulties (shifting of personnel) which caused delays in making bank deposits and posting. Since that time, the University has taken the required steps to correct the problem, and ensure that it should not happen again.

Cash receipts are now being prepared and deposited in a timely manner; and are also recorded in the general ledger, timely, as required. Our current procedures call for all transactions terminating at the close of the business day, and being prepared for deposit at the bank no later than the following day.

Bank reconciliations are also now being prepared in a timely manner with required adjustments made to the general ledger. This process has been aided and improved by the shifting of personnel within the Comptroller's Office and a change in the flow of information. This finding should not surface again.

Manual checks are now being recorded in the general ledger in a timely manner. Problems encountered in this area have been sufficiently addressed, and steps have been taken to make sure that timely recording takes place.

The University has established a log for prenumbered cash receipts as required. The log in place has been updated to include date, receipt number, pay-in-voucher number, amount, purpose and the initials of the person processing the receipts. This record also includes an accounting for void and/or unused receipts.

Cashiers in the Bursar's Office no longer have unlimited access to the area where unused receipts are stored. The controls in this area have been strengthened by assigning one person the responsibility of issuing receipts to the cashiers as needed. This person is also responsible for preparing a monthly report to account for all receipts and show their usage.

Steps taking by the University relative to cash controls as pointed out, provides for timely cash deposits, reconciling of bank accounts and the enforcement of established policies and procedures necessary in maintaining adequate, internal controls.



SOUTHERN UNIVERSITY AT NEW ORLEANS

6400 Press Drive
New Orleans, LA 70126
(504) 286-5311 — LINC 647-5311
FAX (504) 286-5131

OFFICE OF THE CHANCELLOR

December 16, 1996

Dr. Daniel G. Kyle
Office of the Legislative Auditor
State of Louisiana
1600 Riverside North
P.O. Box 94397
Baton Rouge, LA 70804-9197

Dear Dr. Kyle:

We are transmitting to you our responses to the 1995-96 Financial Aid Audit Findings (13).

Sincerely,

A handwritten signature in cursive script that reads "Robert B. Gex".

Robert B. Gex
Chancellor

RBG/lh

Attachments

c: Mr. Flandus McClinton, Jr.
Mr. Edward Phillips
Mr. Tolor E. White
Mr. Junius W. Robinson, Jr.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS
\$ - 0

CONDITION

**1. STUDENT AID REPORTS
SELECTED FOR VERIFICATION**

We noted during our audit that the University failed to obtain adequate financial information to support Student Aid Reports (SARs) which were selected for verification by the Department of Education for seven (7) students out of a sample size of thirty-two (32).

UNIVERSITY'S RESPONSE

The University will adhere to established procedures and not process any SAR selected for verification that has inaccurate or incomplete information.

The Financial Aid Director and all financial aid counselors have been instructed to review with care, all student aid documents to ensure compliance with the established procedures.

Also, Counselors are required to utilize the federal verification work sheet and the verification working paper, along with the federal tax return in the verification process.

These measures are expected to correct the conditions noted.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS

\$ - 0 -

CONDITION

2. **FEDERAL FAMILY EDUCATION LOAN (FFEL)
EXIT COUNSELING**

During our audit, we noted that there was no documentation on file indicating that FFEL exit interviews were held for five (5) students out of six (6) students tested prior to the time the students withdrew, graduated, enrolled less than half time or ceased to re-enroll.

UNIVERSITY'S RESPONSE

The University will adhere to established policies and procedures for providing exit conference material to borrowers prior to the time the students graduate, withdraw, reduces enrollment by less than half time or cease to re-enroll.

The Financial Aid Director and all of the Financial Aid Counselors are required to sign student withdrawal and load adjustment documentation. Exit conference materials will be distributed to and completed by the student at this time.

Also, the Registrar will now provide the Financial Aid Office a listing of prospective graduates in a timely manner. This will allow the University to make available exit conference information and materials to students prior to graduation.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS

\$ - 0 -

CONDITION

3. NOTIFICATION TO LENDER BETWEEN SUBMISSION
OF STUDENT CONFIRMATION REPORTS

During our audit we noted that the University failed to notify lenders of changes in students' enrollment status which occurred between the dates of submission of the Student confirmation Report (SCR) for seven (7) students out of ten (10) students tested. Additionally, we noted during our testing of student eligibility that five (5) students tested enrollment status was not reported to the related loan guarantee agency.

UNIVERSITY'S RESPONSE

The University has established procedures to ensure that proper notification is provided to lenders between submission of Student Confirmation Reports.

The current process requires financial aid counselors to sign student withdrawal and load adjustment forms. In addition, student enrollment status reports are being provided to the Financial Aid Office by the Registrar on a more frequent basis between submission of student confirmation reports.

Information gathered from this process allows for adequate assessment, provide for timely preparation of the notice to lender form, and ensure that proper notification is presented to lenders in a timely manner.

**SOUTHERN UNIVERSITY SYSTEM
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS
\$1,990.00

CONDITION

4. **FINANCIAL AID TRANSCRIPTS (FATs)**

We noted during our audit of student files maintained by the Financial Aid Office that one (1) transfer student out of a sample size of thirty-six (36) did not have a financial aid transcript on file.

UNIVERSITY'S RESPONSE

The University has implemented additional measures to ensure that all transfer students are properly identified and that Financial Aid Transcripts are on file as required.

Students enrolling at the University after having attended another institution are blocked in the computer system via the Office of Admissions.

The block can only be lifted by the Director of Admission, the transcript counselor and the Financial Aid Counselors when a financial aid transcript (hard copy) is received.

Students will be required to answer the question: Are you a transfer student? which is listed on the financial aid student's checklist. In addition, the student will be required to provide a listing of the Colleges and Universities previously attended. No funds will be awarded until all transcripts are received and examined closely by the Financial Aid Counselor.

We are now asking financial aid counselors to get a verbal response also to the question: Are you a transfer student?

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS

\$ - 0 -

CONDITION

5. COST OF ATTENDANCE CALCULATIONS

We noted during our audit that the cost of attendance for forty (40) out of forty-six (46) students was incorrectly reported on the Federal Family Educational Loan (FFEL) applications.

UNIVERSITY'S RESPONSE

The University will adhere to the established procedures for calculating and reporting the student's cost of attendance.

All Financial Aid Counselors have been instructed of the proper procedures when considering the dependent care allowance. Students will not be permitted to claim this allowance unless they provide documentation to show that dependent care expenses have been paid.

This measure, as monitored by the Director of Financial Aid will assist in providing complete and accurate information to support each calculation.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS
\$9,635.00

CONDITION

**6. REFUNDS AND REPAYMENTS
TO THE TITLE IV PROGRAMS**

During our audit of refunds and repayments, we noted the following instances of none compliance

- Three (3) refund calculations out of thirty-one (31) refunds were not calculated properly and the refunds were not remitted to the Title IV Programs.
- Eleven (11) repayments were not calculated properly; and
- Twenty-four (24) refund calculations out of thirty-one (31) refunds were calculated properly, however, the refunds were not remitted to the Title IV Programs. As such, this condition resulted in questioned costs of \$9,635.

UNIVERSITY'S RESPONSE

Mid 1995-96, the University purchased software to assist in the calculation of repayments and refunds. The software is currently being used and provides the actual calculation of funds to be returned to students and the Title IV Programs. After calculations are made, funds are returned to students and the appropriate agencies.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS
\$880.00

CONDITION

7. PELL GRANT CALCULATIONS

We noted during our audit that the Pell Grant amount, when recalculated for four (4) students out of eighty (80) students sampled, did not agree to the actual Pell disbursement.

UNIVERSITY'S RESPONSE

The University will adhere to established procedures and ensure that the correct cost of attendance, enrollment status, and the proper amounts from the Pell Grant payment schedules are utilized when computing Pell Grant awards.

The Financial Aid Counselors have been instructed to carefully monitor the processing and awarding of aid, in order to prevent errors as noted in this finding.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS
\$1,170.00

CONDITION

8. FEDERAL PELL GRANT PROGRAM ELIGIBILITY

We noted during our audit that one (1) student out of eighty (80) sampled, received a Federal Pell Grant but was not eligible.

UNIVERSITY'S RESPONSE

The University will adhere to established procedures with respect to determining the eligibility of Pell Grant Recipients.

The University will consider only those students who have been identified as "eligible" for federal financial assistance as per the:

1. Student Aid Report
2. Students' Enrollment Status
3. Pell Grant Payment Schedule

Additional measures have been taken to prevent the awarding of Pell Grant funds to ineligible students. All counselors have been instructed to monitor with care the processing of aid to students. This is expected to prevent the incorrect awarding of funds.

For the student listed in this finding, the University has set up a receivable and requested that the funds be returned.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS

\$ - 0 -

CONDITION

9. **FEDERAL FAMILY EDUCATION LOAN (FFEL) CONFIRMATION REPORTS**

During our audit of the FFEL Confirmation Reports (SCRS), we noted that the enrollment status was incorrectly reported for four (4) students out of ten (10) students tested.

UNIVERSITY'S RESPONSE

The University will all adhere to established polices and procedures to ensure accurate reporting of students' enrollment status.

The computerized system previously established to handle the reporting of enrollment status information did not perform as anticipated. Therefore, the University has re-implemented the manual process and is reviewing for implementation the National Student Loan Data System (NSLDS), which will strengthen this procedure.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS
\$6,486.00

CONDITION

10. SATISFACTORY ACADEMIC PROGRESS (SAP)

We noted during our audit that three (3) students out of eighty (80) tested were awarded and received financial aid, although the students did not meet the University's standards for achieving satisfactory academic progress.

UNIVERSITY'S RESPONSE

The University will follow the required policies and procedures established for monitoring the academic status of students applying for financial aid.

The standards and practices governing those procedures at the University are in keeping with Title IV regulations. Section 668.7(c).

Students having a need to have Satisfactory Academic Progress (SAP) addressed must file a written appeal with the Financial Aid Appeals Committee.

The three students in question were granted aid by the Financial Aid Appeals Committee. Copies of their approvals were faxed to the auditors for review.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS
\$6,150.00

CONDITION

11. INELIGIBLE PROGRAM COSTS

We noted during our audit of the Upward Bound Program (CFDA #84.047A) that the summer food service coordinator's salary was erroneously charged to the Upward Bound Program instead of the U. S. Department of Agriculture's Child Care Food Program.

UNIVERSITY'S RESPONSE

The Upward Bound Program is reimbursed (this reimbursement is not parallel to staff period of employment in the program) annually for meals and food service coordinators salary by the USDA Summer Food Service Program. As stipulated in the DOE proposal, the Upward Bound Program covers all costs over USDA charges.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

QUESTIONED COSTS
\$ 21.00

CONDITION

12. FEDERAL WORK-STUDY PROGRAM

We noted during our audit of Federal Work Study that two (2) students out of ten (10) tested who appeared to have worked when they were scheduled to be in class. This condition resulted in questioned costs of \$21.

UNIVERSITY'S RESPONSE

The University will follow the required policies and procedures established to ensure that students not work when they are scheduled to be in class.

All student employees and Department Supervisors have been informed that students are not allowed to work when scheduled to be in class and in excess of their actual award.

Department Supervisors and Financial Aid Counselors have been instructed to pay special attention when processing student payroll documents. This is done to prevent over-awards and correct the conditions noted.

**SOUTHERN UNIVERSITY SYSTEM
NEW ORLEANS CAMPUS
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
1995-1996**

CONDITION

**DRUG-FREE SCHOOLS AND COMMUNITIES
ACT AMENDMENTS OF 1989 (THE ACT)**

We noted during our audit for the year ended June 30, 1996 the following conditions with regard to the requirements to annual distribution information concerning alcohol and drug abuse to all students and employees:

UNIVERSITY'S RESPONSE

The University has developed and implemented appropriate steps to ensure compliance with the Drug-Free Schools and Communities and Acts Amendments of 1989 (The Act).

Information regarding The Act was widely distributed to students on campus during the Fall 1996 Registration Week (August 14-16, 1996). The flyers was placed on all campus bulletin boards at strategic locations on campus (the Library, University Center Control Desk, Financial Aid, and Cashier) and on the Electronic Bulletin Board (Target Vision) which has monitors in all campus buildings.

Additional plans have been made to provide copies of The Act at the cashier's window for the Spring 1997 Registration so that as students pay their registration fees, a copy will be attached. Consequently, each student who pays fees (registers) will receive a copy of the Drug Policy.



*The Comprehensive
Community College of the
Southern University System*

Southern University at Shreveport-Bossier City
Office of the Chancellor

November 19, 1996


Dr. Daniel Kyle
State Legislative Auditor
Baton Rouge, LA

Dear Dr. Kyle:

Per your request, Southern University at Shreveport-Bossier City is transmitting audit responses for the fiscal year ending June 30, 1996.

If you have any questions regarding this correspondence, please contact me at (318) 674-3312.

Sincerely,


Jerome G. Greene, Jr., Ph.D.
Chancellor

B-222

Dr. Daniel Kyle
Page 2
November 19, 1996

FINDING: Failure to Collect Student Accounts Receivable

RESPONSE:

Write Off of Student Receivables

Southern University at Shreveport-Bossier City is cognizant of its responsibility to collect student receivables in an efficient and timely manner.

Efforts will be made by management to reduce the write-off of students receivables.

Billing

Southern University at Shreveport-Bossier City has printed new billing forms which are compatible to those used currently on the Baton Rouge campus.

Student account receivable billing is tentatively scheduled for prior to the end of the Fall 1996 Semester.

Collection of Accounts Receivable

Student with prior balances were not allowed to register during Fall 1996 and collection efforts on student receivables will be increased.

Incompatible Duties

Southern University at Shreveport-Bossier City is diligently reviewing the Bursar's Office to facilitate appropriate separation of duties.

However, the number of employees in that area severely limits our available options.



*The Comprehensive
Community College of the
Southern University System*

Southern University at Shreveport-Bossier City
Office of the Chancellor

October 21, 1996

Dr. Daniel Kyle
State Legislative Auditor
Baton Rouge, LA

Dear Dr. Kyle:

Per your request, Southern University at Shreveport-Bossier City is transmitting audit responses for the fiscal year ending June 30, 1996.

If you have any questions regarding this correspondence, please contact me at (318) 674-3312.

Sincerely,



Jerome G. Greene, Jr., Ph.D.

JG/myw

B-224

Dr. Daniel Kyle
Page 2
October 21, 1996

FINDING: Vending Machine Contracts

RESPONSE:

Southern University at Shreveport-Bossier has contacted all of the vendors who have contracts with the university.

These vendors have been requested to submit monthly reports detailing total sales and the commission paid on machines as stipulated in the contracts.

This information should accompany the actual check submitted as commission payment.



*The Comprehensive
Community College of the
Southern University System*

Southern University at Shreveport-Bossier City
Office of the Chancellor

August 23, 1996

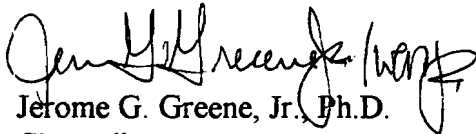
Dr. Daniel Kyle
State Legislative Auditor
Baton Rouge, LA

Dear Dr. Kyle:

Per your request, Southern University at Shreveport-Bossier City is transmitting audit responses for fiscal year ending June 30, 1996.

If you have any questions regarding this correspondence, please contact me at (318) 674-3312.

Sincerely,


Jerome G. Greene, Jr. Ph.D.
Chancellor

JGG/pbn

Enclosure

B-226

Dr. Daniel Kyle
Page 2
August 23, 1996

FINDING: Internal Controls over Perkins Loans Notes Receivable

RESPONSE:

Southern University at Shreveport-Bossier City, due to numerous unexpected obstacles, was unable to correct the subsidiary ledger, identify the difference in notes receivable, and completely review student account balances in FY '96.

However, progress was made in FY '96 because a three-phase plan was developed in April '96, in conjunction with Baton Rouge Comptroller's Office Staff, to address this problem. The Plan consists of the following actions:

- (1) correction of coding errors in the subsidiary ledger by June 30, 1996 (completed),
- (2) hiring of temporary employees, if necessary, to research loan transactions,
- (3) development of procedures for periodic review of student accounts.

In addition, Southern University at Shreveport-Bossier City did not issue any new Perkins Loans during FY '95-96.

Dr. Daniel Kyle
Page 3
August 23, 1996

FINDING: Unauthorized Student Loans

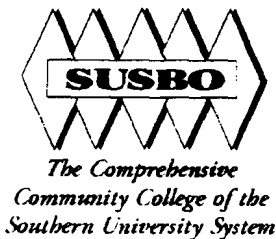
RESPONSE:

Southern University at Shreveport-Bossier City Campus has sought the counsel of both federal and state officials in an effort to seek alternative funding for the repayment of these loans.

We have been unsuccessful in our efforts thus far, but we will continue to seek a source of funding to repay these loans.

Additionally, we are preparing to forward **all** of the 122 student loans in question to "Eduserve" who will then contact these students and determine if their accounts should be in collection or deferment.

This task should be completed by October 15, 1996.



Southern University at Shreveport-Bossier City
Office of the Chancellor

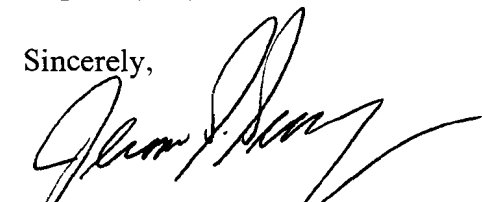
Dr. Daniel Kyle
Legislative Auditor
State of Louisiana
1600 Riverside North
P.O. Box 91397
Baton Rouge, LA 70804-9197

Dear Dr. Kyle:

I am submitting the following audit findings for Southern University at Shreveport-Bossier City relative to the Financial and Compliance Audit of Federal Grants conducted by Bruno and Tervalon, CPA's for the period ending June 30, 1996.

If you have any questions regarding this correspondence, please contact Mr. Benjamin Pugh at (318) 674-3302.

Sincerely,



Jerome G. Greene, Jr., Ph.D.
Chancellor

cc: Mr. Flandus McClinton, Jr.

/myw

B-229

1) Pell Grant Calculations

Southern University at Shreveport-Bossier City will adhere to established procedures and ensure that the proper amounts from the Pell Grant schedules are utilized when computing Pell Grant awards.

We have already credited the seven (7) students accounts that were underawarded.

2) Notification to Lender Between Submission of Student Confirmation Reports (SCR's)

To ensure that lenders are notified in a timely manner of all changes in a student's enrollment status, the University has contracted with and has been accepted by the National Student Loan Clearinghouse. The university will report all enrollment changes to the Clearinghouse at least three (3) times per semester. The Clearinghouse will provide student status change information, on behalf of the university, to all guarantors, lenders, servicers and other legitimate requesters.

3) No documentation of exit interviews.

Exit interviews are conducted for and exit conference materials are provided for each borrower prior to the close of each semester and they are required to complete a "Borrower's Information" form. To ensure that all borrowers are provided with exit conference material, the university will send, by certified mail, an Exit Counseling packet along with a self addressed postage paid envelope to those who failed to attend an interview.

4) Submission of Student Status Confirmation Reports (SCR's)

To ensure that all SCR's are submitted timely and correctly, the university has contracted with and been accepted by the National Student Loan Clearinghouse. The university will report student status information to the Clearinghouse at least three (3) times during the semester. The Clearinghouse will submit, on behalf of the university, SCR's within the prescribed time periods.

5) Failure to Calculate Title IV Refunds Accurately and Timely

Southern University at Shreveport-Bossier City will review and strengthen its internal procedures to ensure accuracy and timeliness in the calculation and submission of refunds to the appropriate Title IV programs.

6) Matching of Federal Capital Contribution-Perkins Loan Program

The university will comply with federal regulations and provide a one-third match in institutional funds if a Federal Capital contribution is requested.

7) Federal Financial Reports - Fiscal Operations Report and Application

We will adhere to established procedures with regard to reporting of financial aid amounts per the FISAP.

Also, the noted errors were corrected during the audit process.

8) Drug-Free Schools and Communities Act Amendment of 1989.

Southern University at Shreveport-Bossier City has taken steps to develop appropriate procedures to ensure compliance with the act.

We will further enhance these procedures to include a specific individual responsible for oversight of the entire process.



State of Louisiana

BOARD OF TRUSTEES
STATE EMPLOYEES GROUP BENEFITS PROGRAM
P.O. BOX 44036, CAPITOL STATION
BATON ROUGE, LOUISIANA 70804

October 16, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

This is in response to the finding of September 27, 1996, relating to electronic processing controls.

The first part is noted as a repeat finding for the second consecutive year. We have several concerns with this finding. Our chief concern is that it has been noted as a repeat finding. Last year's finding cited that we had not identified the potential duplicate overpayments resulting from the conversion.

We did take corrective action in this fiscal year. Procedures were implemented to identify any potential loss that could result from the condition cited in the prior year audit. Procedures were implemented to identify, recover, and record the amount of overpayments that occurred as a result of the incomplete mapping of the two claims processing systems. The actual loss incurred was identified through October, 1995 in the amount of \$423,000. This addressed the prior year finding, so why is it being cited as a repeat finding?

Another concern is whether there should be any finding relative to this issue. A second report identifying potential duplicates was generated for the period October, 1995 through the end of the fiscal year. Possible conversion duplicates identified in this report were approximately \$260,000. Considering that \$232 million in claims were paid during the current fiscal year, if the entire \$260,000 was determined to be actual duplicates, the amount would be immaterial to the financial statements as a whole.

The auditor states that total duplicate payments, including conversion duplicates, that were recorded in the current fiscal year was \$1.6 million. Why is this even noted in a finding concerning only conversion duplicates?

The second part of the finding relates to overpayments made as a result of a programming error. As the auditor knows, this error was identified by program staff in April, 1996, and has been corrected. The overpayments were identified and collected during the fiscal year.

Dr. Daniel G. Kyle, CPA, CFE
October 16, 1996
Page 2

The third part of the finding concerns the incompatibility of the duties of the claims examiners who can both input and adjudicate claims. This is noted as a repeat finding. Once again, we do not agree that this is a problem that needs to be corrected. To understand why, it is necessary to understand health insurance standards. It is the goal of this agency to adjudicate claims as effectively and efficiently as possible. The more examiners that it takes to process a claim, the greater the cost to the plan members. The RIMS claims processing system is a packaged software program that is widely used by insurance companies and it is designed to allow examiners to both input and adjudicate claims.

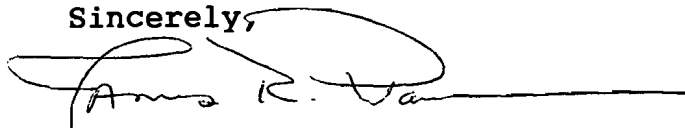
There are three distinct functions involved in processing claims:

1. Eligibility must be determined.
2. Provider information must be established.
3. The claim must be entered and processed.

A claim cannot be processed and paid unless all three of these steps are taken. None of our examiners have the ability to do any two of these three duties, so where is the risk? How can it be determined that there is a risk to entering and paying a claim when two additional steps are needed to complete the processing? Obviously, the industry does not consider it a risk. Our intentions are to continue to process claims in the most effective, cost-efficient, and secure method known to the insurance industry.

With regard to the Plan Administration Manager's having access to incompatible functions, we have limited her access to certain functions and her duties should no longer be considered incompatible.

Sincerely,



James R. Plaisance
Executive Director

JRP/kdb

cc: Roslyn Allen
Ann Davenport
Daryl Gerald
Cindy Hebert
Francine Juneau
Kaye Milliner
Bruce Minor



State of Louisiana

BOARD OF TRUSTEES
STATE EMPLOYEES GROUP BENEFITS PROGRAM
P.O. BOX 44036, CAPITOL STATION
BATON ROUGE, LOUISIANA 70804

December 11, 1996

Dr. Daniel G. Kyle
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804

Dear Dr. Kyle:

In response to the findings of November 18, 1996 relative to inadequate controls over premium revenue and inadequate controls over financial reporting, please note the following:

The first finding cites that the program does not reconcile premium invoices sent to participating agencies with payments received. We concur with this finding. However, the procedures that were in place during the year provided for reconciliation of the invoices to the eligibility information received from the agencies. It was assumed that the eligibility matched the premiums that were remitted by each member agency. However, procedures will be implemented to reconcile premium invoices with the payments received and eligibility and to file the necessary payment documentation with the invoice reconciliation.

The first finding also states that the program understated revenue and receivables by \$721,830 due to poor communication between departments within the agency. We concur with this also. Procedures have been implemented that will assist in reporting revenues and receivables in the proper fiscal year.

The second finding cites that the program failed to record premiums due the health maintenance organizations for fiscal year 1996. We question why this is a finding. While we acknowledge that this error was made on the original statements, revised statements were prepared and submitted to both the Division of Administration and the Office of the Legislative Auditor immediately after the error was noted by the auditors. It was our understanding that the revised statements were accepted as the official submission and that there would not be a finding if the statements were submitted correctly. It appears that we have been cited for an error that was not made on the officially submitted statements.

B-234

An Equal Opportunity Employer

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Page 2
Dr. Daniel G. Kyle
December 11, 1996

We also want to stress that the decision to not accrue the payable was made based on a misunderstanding that premiums deposited in July, 1996 were for July, 1996. As a result, the portion of these premiums that was to be remitted to the health maintenance organizations was booked as a July expenditure. As it was later discovered, the premiums were actually for the month of June and should have been booked as June expenditures.

Sincerely,

A handwritten signature in cursive script, appearing to read "James R. Plaisance". The signature is written in dark ink and is positioned above the typed name.

James R. Plaisance
Executive Director

cc: Bruce Minor



State of Louisiana

BOARD OF TRUSTEES
STATE EMPLOYEES GROUP BENEFITS PROGRAM
P.O. BOX 44036, CAPITOL STATION
BATON ROUGE, LOUISIANA 70804

January 10, 1997

Dr. Daniel G. Kyle
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804

Dear Dr. Kyle:

This is in response to the finding of December 20, 1996, relating to inadequate controls over purchasing.

The finding states that the program does not have sufficient controls over purchasing to ensure that supplies are ordered in reasonable quantities. It was noted that a review of expenditures disclosed that as the result of a clerical error, an unreasonable quantity of forms were ordered and received at a cost of \$41,273.

We agree that a clerical error was made in the quantity of forms ordered. However, we wish to note that the cost was in large part due to the fact that the final purchase order was issued at a significantly higher unit cost than we had estimated (see attachments). Unfortunately, State Purchasing procedures do not require agencies to issue original release orders at the cost estimate provided by the vendor. Unless the agency requests the cost estimate within thirty-six hours, there is the risk that the final order will be issued at a higher cost estimate than expected by the agency. In this particular situation, had we been made aware of the change in unit price and noticed the significant cost increase, we probably would have detected the incorrect quantity.

We requested recommendations from the Office of State Purchasing as to steps that we could take to ensure that this problem would not reoccur. The Director of Purchasing responded that they were in the process of restructuring certain printing contracts that would result in contract release orders being issued at the vendors' estimated costs. If accepted by the users, state purchasing intends to restructure other custom printed forms contracts. If implemented, this will prevent unexpected cost overages and problems similar to the one noted in this finding (see attached letter dated April 23, 1996).

B-236
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Dr. Daniel G. Kyle
Page 2
January 10, 1997

In the meantime, we will implement procedures to ensure that we are aware of vendor cost estimates before orders are released.

The agency will also implement procedures that will require sufficient review and approval of requisitions and purchase orders to help ensure that clerical errors are detected.

Sincerely,

A handwritten signature in black ink, appearing to read "James R. Plaisance". The signature is fluid and cursive, with a large loop at the beginning and a long horizontal stroke at the end.

James R. Plaisance
Executive Director

attachment

cc: Ann Davenport
Bruce Minor
Dianne Turcotte



State of Louisiana

BOARD OF TRUSTEES
STATE EMPLOYEES GROUP BENEFITS PROGRAM
P.O. BOX 44036, CAPITOL STATION
BATON ROUGE, LOUISIANA 70804

September 24, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804

Dear Dr. Kyle:

This is in response to the repeat finding concerning the untimely payment of health claims and death claims.

During the fiscal year, this agency paid over 1.6 million claims. To sample only 86 claims during the period between July 1, 1995, through June 30, 1996, and present a finding that would lead to the conclusion that over 38% of the claims were not paid within the 30 days required by law is ludicrous. Statistics for the entire year indicate that 70% of the claims were paid within the 30-day window. As we advanced through the computer conversion--refined our procedures and perfected our new equipment--we got better and better as the following statistics, giving the length of time the claims were in-house, show:

First quarter - 26.7 days
Second quarter - 32.4 days
Third quarter- 19.4 days
Fourth quarter - 14.9 days

As you can see, there was a significant improvement in the turnaround time during the last six months, and our claims inventory has remained below 45,000 (an average 10-day supply for claims) since February, 1996. Only a small number of claims (less than 100) have fallen into over 30-day status since April 1, 1996. (See attached schedule). Considering that we have experienced a growth in plan members over the past five years without a corresponding increase in personnel, we point with pride to our accomplishment. Our goal has been to reduce the inventory of claims to a manageable level and maintain that level. We have achieved and gone beyond that goal. Regretfully, this audit of 86 claims out of 1.6 million makes it appear that we are woefully remiss. Understandably, we must take exception so as to avoid any such erroneous conclusion.

B-238

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NEW ORLEANS 504/826-2485 • SHREVEPORT 318/676-7026

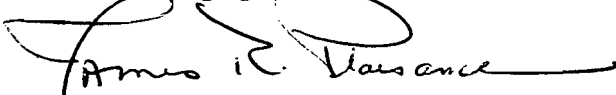
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Dr. Dan Kyle
Page 2
September 24, 1996

We must also point out that our claims processing system (which is the same as that used throughout the industry), does not document which claims may have been justifiably delayed pending receipt of information that is required before payment can be made. The law requires that a claim must be paid within 30 days after the receipt of all necessary information. We cannot be certain that the few claims cited in this audit finding were not in that category. We will therefore implement procedures that will provide such documentation in the future.

We concur with the finding concerning the untimely payment of death claims. These delays were caused by our failure to request required information from beneficiaries in a timely manner. Procedures were instituted immediately to ensure that there are no delays at this agency in the prompt handling of these claims.

Sincerely yours,



James R. Plaisance
Executive Director

JRP/kgm

Enclosures

cc: Mr. Bruce Minor
Ms. Kaye Milliner



STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
P. O. Box 94245
Baton Rouge, Louisiana 70804-9245



M. J. "MIKE" FOSTER, JR.
GOVERNOR

December 5, 1996

FRANK M. DENTON
SECRETARY

Dr. Daniel G. Kyle, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

We have reviewed your findings concerning the issuance of professional service contract and concur with the recommendations.

The original actions taken were based upon the advice of counsel and the beneficial results of the contract. An additional contract request was submitted to the Joint Legislature Committee for the November 22, 1996 Agenda. (See approved BA-7 No. 4)

If you have any further questions concerning this response please contact me or Mr. John Basilica, (504) 379-1200.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank M. Denton", written over a circular stamp.

Frank M. Denton
Secretary

Attachment

B-240



STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
P. O. Box 94245
Baton Rouge, Louisiana 70804-9245



M. J. "MIKE" FOSTER, JR.
GOVERNOR

(504) 379-1200

FRANK M. DENTON
SECRETARY

November 25, 1996

Dr. Daniel G. Kyle, CPA
Legislative Auditor
Office of the Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Subject: Legislative Auditor Finding,
Non-State Entity Projects, October 1996

Dear Dr. Kyle:

Your finding that the Department absorbed administrative costs of non-state entity construction projects that are not in the state or federal highway system has been investigated and the following facts determined:

- Our mandated involvement with off-system non-state entity projects began in 1992 when the Legislature expanded the language in Capital Outlay Bill, Act 1137, to include "All of the funds herein appropriated under the name of state port commissions or districts, or levee districts, or non-state entities for projects related to ports, airports, roads, and flood control shall be administered by the Department of Transportation and Development under cooperative endeavor agreements".
- During the period from 1992 to 1994 the Legislature did not provide a mechanism to recover administrative costs.
- Act 1096 of 1995 expanded Section 9 of the Capital Outlay Bill to allow up to 6% of each line item to be used for costs of administering all projects "in this or any previous Capital Outlay Act." This provision was recommended by the Department following a finding relative to off-system bridges which raised similar questions. At about the same time the Department requested an Attorney General's opinion relative to all "off-system" issues.

B-241

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- Opinion No. 95-300 dated November 21, 1995 concluded Transportation Trust Fund monies may not be used to fund salaries of Department employees who administer non-state entity and other projects in the Capital Outlay Act and funded by the issuance of bonds.
- In February of 1996 and again in July, I recommended the Division of Administration resume administration of non-state entity projects, Attachment 1. Following receipt of your draft finding, I again recommended the Division of Administration resume administration of these projects, Attachment 2.
- Following a review of bond projects subject to arbitrage, the Attorney General's office directed reallocation of bond funds to avoid penalty. As a result, free balances in many non-state entity accounts are being eliminated and are not available to reimburse our administrative costs.

In view of these facts, it is obvious the Department has not voluntarily absorbed administrative costs of non-state entity construction projects. We pro-actively sought to resolve this issue. As a result of our efforts, we currently recover costs from off-system non-state entity bond projects. In addition, we will recover costs where older free balances are sufficient and not in the process of transfer to avoid arbitrage.

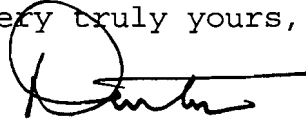
Due to the nature of this work, a system to track administrative costs on a large number of projects (approximately 4,000) would cost more than the monies recovered. For this reason we will continue to calculate a recovery factor based on estimated total cost where tracking is infeasible.

As an example of such infeasibility, your staff does not detail audit costs, a major expenditure for DOTD, of approximately \$278,000 annually from Transportation Trust Funds for an average dozen findings. Bond funds we will recover (under normal operating procedures) is less than \$90,000 this year, thus auditing costs could represent an additional 25% and is not cost effective. This illustrates the absence of value added attempting to distribute major administrative costs to a small portion of a larger program.

Dr. Daniel G. Kyle
November 25, 1996
Page 3

Although your finding is not currently relevant, we will continue to seek assistance of the Division of Administration to improve such non-state entity administration.

Very truly yours,

A handwritten signature in black ink, appearing to read "Frank M. Denton", written over a circular stamp or mark.

Frank M. Denton
Secretary

FMD:jd
Attachments (2)



STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
P. O. Box 94245
Baton Rouge, Louisiana 70804-9245



M. J. "MIKE" FOSTER, JR.
GOVERNOR

December 5, 1996

FRANK M. DENTON
SECRETARY

Dr. Daniel G. Kyle, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

We have reviewed your findings concerning the professional service contract for lobbying services with Mr. Egle and concur funding for such contracts should be accomplished by Office of the Governor.

The contract has been terminated and the Trust Fund will be reimbursed.

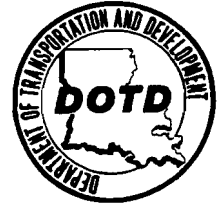
If you have any further questions concerning this response please contact me or Mr. John Basilica, (504) 379-1200.

Sincerely,

Frank M. Denton
Secretary



STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
P. O. Box 94245
Baton Rouge, Louisiana 70804-9245



August 6, 1996

M. J. "MIKE" FOSTER, JR.
GOVERNOR

FRANK M. DENTON
SECRETARY

Dr. Daniel G. Kyle
Legislative Auditor of Louisiana
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

This is an update to a previous audit finding concerning interfund borrowing from the TIMED program.

Notwithstanding the statutory requirement to do so, the financial imperative to repay the \$160 million to the TIMED program was originally based on restoring the resulting shortfall to fully fund appropriated amounts for each project. Since creation of the program, DOTD prepared accurate estimates to complete each project. The current difference between appropriated amount and the amount required to complete all projects is \$730 million. This renders moot the issue of repayment; \$160 million will not satisfy the original financial imperative, that is, to have enough money to complete the projects.

The \$160 million was distributed by the legislature in the following manner: \$57 million for DOTD operations and \$103 million for capital outlay. To date DOTD has expended \$100.3 million in federal funds on TIMED projects to reimburse the capital outlay portion of the interfund borrowing. The remaining \$2.7 million will be repaid from federal funds or state cash from the Transportation Trust Fund. As for the operations portion of the loan, the \$57 million represented savings to the general fund at that time and as such should be repaid from general funds. This is consistent with recommendation #4 of your April 1992 performance audit report.

The ultimate solution will depend on legislative action. The Department has previously recommended legislation to increase project amounts to match current estimates, extend the program until such time as all projects are completed and forgive remaining debt. Working with the Division of Administration, the Department plans to submit legislation in the 1997 regular session to address the issues related to the TIMED program.

If I can be of further assistance, please contact me or Mr. John Basilica, Jr., (504) 379-1200.

Sincerely,

Frank M. Denton

B-245 Secretary

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STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
P. O. Box 94245
Baton Rouge, Louisiana 70804-9245



M. J. "MIKE" FOSTER, JR.
GOVERNOR

(504) 379-1200

FRANK M. DENTON
SECRETARY

September 5, 1996

Dr. Daniel G. Kyle, CPA
Legislative Auditor
Office of the Legislative Auditor
Post office Box 94397
Baton Rouge, Louisiana 70804-9397

Subject: Legislative Auditor Finding

Dear Dr. Kyle:

We have reviewed the "Preliminary Draft" of a finding on controls over incidental billings for the Federal Highway Administration (FHWA). We agree that the incident cited did occur. Some corrective action occurred immediately upon notification to Information Services of the incident. The retention period (period in which a tape is not eligible for rewrite) for the **Federal Aid Database** was modified from 60 days (2 months) to 450 days (15 months). Information services has proposed a modification to the system and procedure which reduces greatly the possibility of error. The procedure would, as suggested in your finding, eliminate the re-keying of additive rates into the computer job control language (JCL). Please reference attachment for current and proposed procedures.

This modification will receive a high priority to ensure prompt implementation. If you need any additional information please call Mr. Gerald L. Ray, Director, Management and Finance at 379-1204 or Mr. Dominic Cali, Information Systems Director at 379-1613.

Very truly yours,

Frank M. Denton
Secretary

FMD:jd
Attachment

Current Procedure

1. Information Services Production Control Unit runs Job **DAJR550D**, about every three days to merge and accumulate records from each Daily Journal (DAJR) tape for the first work day of the month. Each time Job **DAJR550D** runs it generates a report **DAJR4042**. The last merge tape for the month contains all Daily Journal records processed for the month.

(The **DAJR4042** report is generated with each merge (i.e. many times per month); but, only on the last merge of the month are the percentages applicable for Federal Aid Billing.)

2. The Materials and Testing Section generates the **Daily Journal Retrieval II Input memorandum** (attached) and forwards to the Financial Services General Accounting Unit.
3. The General Accounting Unit manually calculates the **Construction, Design and Maintenance percentages** from totals on the memorandum and **hand writes** these figures onto the memorandum. A copy of this updated memorandum is then forwarded to the Information Services Production Control Unit (Production Control.)
4. Production Control enters these percentages in parameters for Job **DAJR550D** for the last merge of the month. Program **DAJR4040** of Job **DAJR550D** reads all *Daily Journal records* for the month (using the last merge tape) and generates the **DAJR4042** report (attached) with amount totals and percentages.
5. Production Control personnel read the **DAJR4042** report and enter the following percentages in the Job **DAJR3J5D** parameters for the **DAJR4060** program:

C.E. and Material and Testing Additive %
Design Materials Testing Additive %

6. The **DAJR4060** program generates the Federal Aid tape with amounts calculated from percentages entered in the **DAJR3J5D** parameters.
7. Production Control then forwards copies of the **DAJR4042** report to:

General Accounting Unit (one copy) to verify input percentages against the memorandum.

Federal Aid Unit (one copy) to be filed with the end of month reports.

Proposed Procedure

1. Information Services Production Control Unit runs Job **DAJR550D**, about every three days to merge and accumulate records from each Daily Journal (DAJR) tape for the first work day of the month. Each time Job **DAJR550D** runs it generates a report **DAJR4042**. The last merge tape for the month contains all Daily Journal records processed for the month.

(The **DAJR4042** report is generated with each merge (i.e. many times per month); but, only on the last merge of the month are the percentages applicable for Federal Aid Billing.)

2. The Materials and Testing Section generates the **Daily Journal Retrieval II Input** memorandum (attached) and forwards to the Financial Services General Accounting Unit.
3. The General Accounting Unit would enter the percentages from the memorandum into a new CICS (online) transaction that would then calculate the **Construction, Design and Maintenance percentages** and store the results in an **online file**.
4. Information Services Production Control Unit (Production Control) runs Job **DAJR550D** for the last merge of the month. Job **DAJR550D** reads the percentages from the online file. Program **DAJR4040** of Job **DAJR550D** reads all *Daily Journal records* for the month (using the last merge tape) and generates the **DAJR4042** report (attached) with amount totals and writes new percentages to the online file.
5. Production Control personnel route the **DAJR4042** report to the General Accounting Unit for verification. The General Accounting Unit notifies the Production Control Unit to proceed (correct report) or rerun **DAJR550D** (incorrect report.) If correct, Production Control runs Job **DAJR3JSD**.
6. The **DAJR4060** program generates the Federal Aid tape with amounts calculated from percentages read from the online file.
7. Production Control then forwards a copies of the **DAJR4042** report to the Federal Aid Unit (one copy) to be filed with the end of month reports.

Error that occurred on End of Month September 1995

The Information Services Production Control Unit entered the percentages exactly as written in the DAJR4042 report dated September 27, 1995 (attached) instead of the correct report dated October 2, 1995 (attached.) Because the percentage on the report dated September 27 differed from the percentages on the report dated October 2, incorrect amounts were generated.



TREASURER OF THE STATE OF LOUISIANA

KEN DUNCAN
TREASURER

P. O. Box 44154
BATON ROUGE, LA 70804
(504) 342-0010

November 25, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

In connection with your audit of the Transportation Trust Fund for the period ending June 30, 1996, we concur with your finding that the Series 1990 Debt Service Reserve Fund held with the trustee bank did not contain sufficient funds at June 30, 1996.

The State Treasurer's Office has taken steps to fully fund the Debt Service Reserve Account up to the amounts required by the First Supplemental Bond Resolution dated April 19, 1990.

If further information is required, please do not hesitate to call me at 342-0055.

Sincerely,

A handwritten signature in cursive script that reads "Carl V. Berthelot".

Carl V. Berthelot
First Assistant

CVB:gkh



TREASURER OF THE STATE OF LOUISIANA

KEN DUNCAN
TREASURER

P. O. Box 44154
BATON ROUGE, LA 70804
(504) 342-0010

December 9, 1996

Daniel G. Kyle, CPA, CFE, Legislative Auditor
Legislative Auditor's Office
1600 North Third Street P O Box 94397
Baton Rouge, Louisiana 70804

Dear Mr. Kyle:

I am writing in response to the letter dated November 25, 1996, from Ernest Summerville, CPA, Senior Auditor, of the Legislative Auditor's Office.

Inadequate Monitoring of Pledged Collateral:

This office partially agrees with the finding.

Louisiana Revised Statute 49:321 authorizes the State Treasurer a level of discretion to allow depositories up to five days to provide sufficient collateral for public funds. The statute also provides that the financial condition of the depository may be considered by the State Treasurer in determining the length of the grace period.

Treasury utilizes the Bank Financial Quarterly published by IDC to monitor the general financial condition of depositories. In addition, for state chartered institutions, the Office of Financial Institutions provides the Treasury notification of undercollateralization.

Most depositories pledge collateral in excess of the required amounts within the five day period. Generally, depositories adjust collateral when their monitoring systems indicate a requirement, therefore notification from Treasury is not required.

As of June 30, 1996, all the cash balances of the regional accounts were collateralized, and only three banks had inadequate collateral of the certificate of deposit accounts for a total of \$94,000. These inadequacies were due to market fluctuations in the value of collateral and the inadequacies were addressed.

In the instances cited by your staff there were no violations of the statutory provisions. It has been Treasury's practice to exercise the statutory right to not allow the maximum five day period when a depository's financial condition was declining or unstable. In the past, Treasury has exercised its discretion and reduced deposits and placed immediate collateral requirements on certain financial institutions. As a result of actions of the State Treasurer, there were no public funds lost or in jeopardy.

While we agree that some of the quarterly pledged inventory bank reports could not be readily located, these quarterly reports are not as vital as in the past because in most instances more current data is available to determine collateral requirements and corresponding market values. For example, balance and clearing reports for the central depository account are received daily. Also, Treasury utilizes a computer based tracking system to independently determine the market value of pledged securities on a monthly basis. In addition, we utilize the Bloomberg Information System for daily pricing if necessary. Our internal system reflects only collateral for which we have received safekeeping receipts. In addition, although depositories may have pledged additional collateral, it will not be posted to our system until an actual receipt is received from the safekeeping bank. Therefore, the utilization of the pledged inventory reports from the depositories is a less conservative approach and not as timely as other available data.

The missing pledged inventory bank reports were located or copies were received from the respective depositories and provided to the auditor. The process of filing inventory reports has been improved and reports are now accessible.

I appreciate the opportunity you have afforded me to provide a formal response to this finding and if you need further information, please do not hesitate to contact this office.

Sincerely,



Carl V. Berthelot
First Assistant State Treasurer

CVB/JMN/rbh



TREASURER OF THE STATE OF LOUISIANA

KEN DUNCAN
TREASURER

P. O. Box 44154
BATON ROUGE, LA 70804
(504) 342-0010

December 13, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

I am writing in response to your audit finding as identified below concerning the reconciliation of the central depository bank account.

Finding: Untimely Bank Reconciliation.

We partially agree with the finding with the following exceptions.

First, the unreconciled items represent entries recorded by the bank which are contained on our monthly bank account reconciliation. At the time of the preparation of the monthly reconciliation, the process of tracing these transactions to their source has not been completed. However, on a timely basis, we request identification of all such items from the bank and state agencies. In a number of instances it has taken the bank and state agencies several weeks to provide identification and documentation of the remaining items. Until the source is identified, we do not allow these items to be recorded into the accounting system as either a revenue, expenditure or prior period adjustment. During the process we are aware of each item that has not been identified. Each item represents one single transaction and not a series of debit and credits. Therefore, there is little risks of not discovering irregularities timely.

Second, it is appropriate to note that these items represent less than .00001% of the total debit and credit items on this account in a twelve month period of time. Regardless, of the lack of materiality, we have and we continue to identify any and all unreconciled item(s) and to record these transactions in the proper accounting ledger(s). Those items not identified on the June, 1996, reconciliation are noted and the bank and respective state agencies are researching for identification.

Dr. Daniel G. Kyle
Page 2
December 12, 1996

Third, the reconciliation for each month is reviewed by the supervisor of the Bank Control Section.

The central depository account is the core of the state's central cash management system. This process allows the state to take advantage of the latest cash management techniques and technology for the purpose of earning the greatest amount of interest income while these monies are in the custody of the state treasury. However, a negative result to this cash management technique is a slower identification of certain items in the reconciliation process.

Additionally, with the implementation of the Governmental Financial System (GFS) we have been working with Office of Statewide Information Systems (OSIS) to provide additional reporting to assist in more timely reconciliation. In addition, we have gathered specific detail to assist in automating a portion of the bank reconciliation process. We anticipate the first phase of the automation to begin by February 1, 1997.

In the future, the Bank Control Section supervisor will approve by signature each monthly reconciliation.

If further information is required, please do not hesitate to call me at 342-0055.

Sincerely,



Carl V. Berthelot
First Assistant

CVB:gkh



THE UNIVERSITY OF SOUTHWESTERN LOUISIANA

P.O. Box 40400
Lafayette, LA 70504-0400
(318) 482-6235 Fax: (318) 482-6534

OFFICE OF THE VICE PRESIDENT
FOR BUSINESS AND FINANCE

Université des Acadiens

November 1, 1996

Dr. Daniel G. Kyle, PhD, CPA, CFE
Legislative Auditor, State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

In reference to the audit of the University's financial records for fiscal year 1995-96, the following is the response to the comment concerning donation of public property.

Management's response:

The donation of the 1988 Mastercraft boat and trailer was intended for the use of the USL Ski Team, which is funded through the USL Foundation. The ski team is not one of the athletic sports funded by the University. In essence, the boat and trailer were a donation to be handled through the USL Foundation. This was an unusual and isolated situation, and the boat and trailer were placed on the University's movable property inventory for the purpose of insurance coverage for the USL students involved with the ski team.

There were no state funds involved in the initial transaction nor subsequent transactions involving the boat and trailer. The funds involved were from private sources and earmarked for a specific purpose and, therefore, were properly handled through the USL Foundation. However, in accordance with the recommendation in the audit report, the University will request the USL Alumni Association to return the \$8,000 proceeds from the sale of the boat and trailer, and these funds will be deposited in a USL Athletic Fund for use by the USL Ski Team.

Our staff has contacted the Louisiana Property Assistance Agency for direction as to the disposition of this matter.

The procedures regarding the proper certification of movable property inventory have been emphasized by the University administration, including a very strong letter from the President regarding the importance of this procedure. These efforts have proven fruitful, and it is felt that the existing inventory procedures are adequate and should preclude any further problems.

We reiterate that the transactions involving the boat and trailer did not involve any state funds and, therefore no state laws or procedures have been violated.

It is our feeling that the University has taken the necessary steps to ensure that further problems will not occur in our movable property inventory procedures.

Sincerely,

Ovey Hargrave, Jr.
Vice President for
Business & Finance

Ray Authement
President



M. J. "MIKE" FOSTER, JR.
GOVERNOR

State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

December 6, 1996 (Revised)

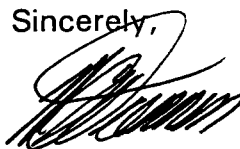
Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804

Dear Dr. Kyle:

Re: Single Audit Finding-Improper Use of Recurring Revenue (Revised
December 13, 1996)

Please be advised that we do not concur in the aforementioned finding for two reasons. First, this issue and process was highly publicized and widely discussed through various public forums (many of which included representatives of your office) among the participants over an extended period of time. It was also reviewed extensively by various legal entities to assure that the mandates of the constitution were followed and that no legal challenges were made in accordance with the law. It is clear that all constitutionally mandated parties involved in this decision clearly fulfilled their constitutional requirements in accordance with the law. To provide ultimate assurance as to this fact I requested, on December 10, 1996, an Attorney General's Opinion on this issue.

Second, it should be noted that the entities that generated and approved this process were entities outside of the Executive Branch of government, and therefore, the finding is improperly cast against the Executive Office.

Sincerely,


Mark C. Drennen
Commissioner of Administration

MCD/wjk



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

December 18, 1996

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Response Addendum to Single Audit Finding - Improper Use of Recurring Revenue

In our revised December 6, 1996, response to you regarding this issue, we indicated that an Attorney General's opinion had been subsequently requested on December 10, 1996. We would like the record to reflect that on December 12, 1996, the Attorney General issued his opinion number 96-519, which fully supports our position that the utilization of the undesignated fund balance was proper and legal in all respects.

Sincerely,

Mark C. Drennen
Commissioner of Administration

MCD/WJK/sm



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

February 5, 1997

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Dr. Kyle:

RE: Single Audit Finding - Inadequate Compilation Process

This Single Audit Finding indicates that the Division of Administration, office of Statewide Reporting and Accounting Policy (OSRAP), does not have adequate procedures or resources for compiling the state's Comprehensive Annual Financial Report (CAFR). We concur that the resources provided OSRAP are below that which is necessary to be able to produce the CAFR without extensive overtime and supplemental assistance from other analysts in the Division. It is also a fact that the audit team itself is often significantly larger than the OSRAP staff responsible for the development of agency financial reporting procedures and the preparation of the state's CAFR. Regardless of this fact, due to the existing staff's capabilities, competence and dedication, a timely, high quality product (as evidenced by the receipt of the GFOA Certificate of Achievement on Financial Reporting during four of the last five years) continues to be produced.

We also agree that due to the limited resource level, there is a limited "review process" by OSRAP management. We do not concur that there is an inadequate review process, and we take exception to the implication that numerous errors have occurred and that the audit process has been utilized as a control mechanism. At no time has OSRAP expected or relied upon the audit staff or process to detect deficiencies.

OSRAP develops detailed reporting packets for agency utilization in preparing information for the CAFR. OSRAP also maintains detailed permanent files which are updated yearly on every fund source which forms a basis for an analyst to work and/or review fund statement. OSRAP maintains detailed work papers files with preparation checklists to be utilized by the analyst in their work preparation. Finally, under a desired work flow, the work papers and financial reports are reviewed by supervisory level personnel prior to being released for

audit. It should be noted that during this audit funds were submitted to the audit team, with the understanding that work was ongoing. The intent being to allow the audit team the opportunity to perform preliminary testing and review in order to overcome time constraints. It was natural that "errors" would occur, and in fact most were found and reported to the audit team prior to their detection. It would appear these are now being used as support for this finding. Therefore, while we agree additional resources are needed, we do not concur with that finding.

We also agree that errors are sometimes, and always will be, made. It should be noted that "errors" referenced were/are made on both sides, and although exceptions exist, the "errors" that do occur are rarely significant. It should also be pointed out that items which your finding terms as errors are often the result of a change in audit focus which, if made known to OSRAP prior to the audit, they may have been avoided.

We concur with your finding that not having several state entities on the state's centralized system does create both compilation and timing problems in the CAFR issuance. It is planned for both the Department of Labor (DOL) and Department of Transportation and Development (DOTD) to become a part of ISIS, the state's new comprehensive financial system, once the new Human Resource Management System (HRMS) module is functional. The conversion of these two entities will eliminate a significant portion of the manual effort currently in place.

At the same time, while we agree the finding regarding non-core system users has validity, it should be noted that tremendous strides have been made in the reporting information of DOTD and DOL. Both DOL and DOTD, in cooperation with OSRAP, have exerted intensive efforts to provide timely accurate financial information for utilization in compilation of the CAFR (as evidenced by this years' Capital Outlay Fund Statements). Additionally, due to the efforts of OSRAP, great improvements in the timeliness and quality of agency and competent unit reports have occurred.

As to the Legislative and Judicial branches of government, we have and will certainly continue to offer and urge the Legislative (including the Legislative Auditor's Office) and Judiciary bodies to utilize the ISIS system. However, at this time we have no legal authority to mandate that participation. Therefore, we are left to work with these entities to attempt to obtain the necessary information in order that their information is adequately provided for in the CAFR; a process

which has proven to be difficult.

Dr. Daniel G. Kyle

February 5, 1997

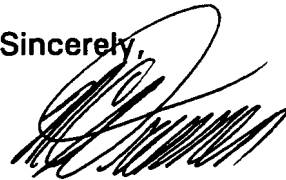
Page 3

We do not concur that OSRAP has no formal process to reconcile prior year fund balances as reported in the computerized accounting system to prior year fund balances as reported in the CAFR for the State General Fund (GF) and Bond Security and Redemption Fund (BSRF). OSRAP utilizes the same processes on other funds as it does on BSRF and GF; however, time constraints coupled with limited resources do not always allow the completion of the process on a 100% basis prior to required issuance. The magnitude of the process parallels that of the size and complexity of the fund and therefore the impact and effort on the BSRF and GF is substantially larger than any other fund. It should be noted that reconciliation effort on the General Fund continued by OSRAP after issuance of the CAFR and which has reduced the unreconciled reference to less than \$200,000, and further verified the validity of the statement.

In closing, we acknowledge that improvements can be made and that the processes in place have provided the mechanism to continually improve the product. Our commitment to that progress continues. We agree that OSRAP needs additional resources, however, at this time those resources are not available. We agree that non-ISIS entities should be part of the ISIS system and we intend to bring those two department entities not currently on the system as soon as possible, and we will encourage the Legislative and Judicial bodies to become active members of the ISIS system. Finally, we do not agree and take exception to the statements that there is no process for reconciliation of fund balance.

Thank you for the opportunity to have responded to the proposed findings.

Sincerely,



Mark C. Drennen
Commissioner of Administration

MCD/WJK/sm



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

February 21, 1997

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Re: Single Audit Finding-Moveable Property Records

In response to the aforementioned finding we offer the following.

The Louisiana Property Assistance Agency (LPAA) can, and does, monitor all state agency property management programs to the extent available resources allow it. Since February 1996, LPAA has had only two compliance officers and one compliance supervisor on staff to perform compliance audits. With approximately 470 agency sites that certify physical inventories, it is not possible to audit every site for compliance on an annual basis with the available resources. As of January 1997, another compliance auditor position has been added, and this should allow LPAA to audit each agency at least once every three years. In the meantime a reliance on agency personnel will remain to assure program compliance.

The Division notes, and agrees, that often the cited agencies non-compliance is often the result of inadequate resources being provided to meet the legal and desired operational requirements. It is our belief that the vast majority of agencies recognize the problem and have attempted to implement operational procedures to mitigate the problem, however, due to the limited resources provided for this effort its resolution is not likely in the foreseeable future.

As to the possibility of the imposition of sanctions, it is true that LRS 39:326(D) does allow for the imposition of sanctions if the moveable property provisions are not met. We are reluctant to impose punitive sanctions on agencies whose service often go to third parties and who would be the individuals who would suffer the impact of punitive sanctions. However, we are prepared to move forward with such actions in extreme cases and the cases cited will be reviewed to determine if that actions will occur.

B-261

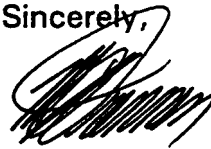
Dr. Daniel G. Kyle, CPA, CFE

February 21, 1997

Page 2

The LPAA will request written confirmation of the respective departments and agencies as to the validity of the findings, and correction action taken or to be taken. Enforcement actions taken will be based upon past compliance and the proposed corrective actions of the state entity.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark C. Drennen', written over a circular scribble.

Mark C. Drennen
Commissioner of Administration

MCD/ECJ/sm



State of Louisiana
DIVISION OF ADMINISTRATION
OFFICE OF THE COMMISSIONER

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

February 17, 1997

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Dr. Kyle:

Re: Single Audit Finding-Internal Audit Function

We agree with the finding that additional internal audit functions are needed in all departments. It is our intention to evaluate current internal audit needs and existing resource levels to ascertain the additional level of funding needed to provide that resource and work to find and provide those resources to the agencies within the next fiscal period.

Sincerely,

Mark C. Drennen
Commissioner of Administration

MCD/WJK/sm

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Appendix C

Findings and Recommendations Index by Agency



LEGISLATIVE AUDITOR

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Appendix D

Schedule of Federal Financial Assistance Index by Agency



LEGISLATIVE AUDITOR

Appendix D

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STATE OF LOUISIANA

Direct Federal Assistance
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U.S. DEPARTMENT OF AGRICULTURE			
10.001	\$176,799	SOUTHERN BR	A-48
10.025	392,533	AGRICULTURE	A-1
10.025	76,468	LSU AG	A-20
10.063	18,622	AGRICULTURE	A-1
10.064	49,000	AGRICULTURE	A-1
10.068	53,777	LSU AG	A-20
10.071	47,642	AGRICULTURE	A-1
10.153	2,000	AGRICULTURE	A-1
10.162	42,477	AGRICULTURE	A-1
10.200	814,484	LSU AG	A-20
10.200	39,185	LSU BR	A-24
10.200	596,772	PENNINGTON	A-23
10.200	622,887	SOUTHERN BR	A-48
10.202	202,688	LA TECH	A-39
10.202	414,472	LSU AG	A-20
10.203	2,906,188	LSU AG	A-20
10.205	1,298,016	SOUTHERN BR	A-48
10.206	8,996	LA TECH	A-39
10.206	116,365	LSU AG	A-20
10.206	334,534	LSU BR	A-24
10.206	66,613	LSU MC SHRV	A-38
10.206	3,772	NORTHWESTERN	A-45
10.206	134,922	PENNINGTON	A-23
10.206	24,779	SOUTHERN BR	A-48
10.207	54,414	LSU AG	A-21
10.217	3,204	LA TECH	A-39
10.217	34,594	LSU AG	A-21
10.217	7,040	LSU BR	A-24
10.217	4,308	SLU	A-46
10.219	1,117	LSU AG	A-21
10.475	1,775,954	AGRICULTURE	A-1
10.500	6,778,427	LSU AG	A-21
10.500	2,385,849	SOUTHERN BS	A-48
10.550	18,491,273	AGRICULTURE	A-1
10.551	603,329,917	DSS	A-14
10.553	37,789,679	EDUC	A-3
10.555	127,745,737	EDUC	A-3
10.556	58,886	EDUC	A-3
10.557	73,247,510	OPH	A-12
10.558	48,719,996	EDUC	A-3

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<u>CFDA Number or Type of Assistance</u>	<u>Amount</u>	<u>State Unit</u>	<u>Page Number</u>
U.S. DEPARTMENT OF AGRICULTURE (CONT.)			
10.559	\$3,791,626	EDUC	A-3
10.560	266,749	AGRICULTURE	A-1
10.560	2,308,352	EDUC	A-3
10.561	40,804,184	DSS	A-14
10.564	297,038	EDUC	A-3
10.565	16,912,317	OPH	A-12
10.568	999,343	AGRICULTURE	A-1
10.569	1,810,549	AGRICULTURE	A-1
10.570	2,613,297	ELDERLY	A-4
10.652	17,136	LA TECH	A-39
10.652	280,016	LSU AG	A-21
10.652	593	SLU	A-46
10.652	43,291	SOUTHERN BR	A-48
10.664	1,446,870	AGRICULTURE	A-1
10.664	24,375	LSU AG	A-21
10.664	31	NORTHEAST	A-43
10.664	153,019	SOUTHERN BR	A-48
10.665	2,356,444	TREASURY	A-16
10.800	1,514	SOUTHERN BR	A-48
10.855	39,985	NORTHWESTERN	A-45
10.901	173,026	SOUTHERN BR	A-48
10.902	60,976	SOUTHERN BR	A-48
10.950	7,187	SOUTHERN BR	A-48
10.950	55,000	AGRICULTURE	A-1
10.960	34,841	LSU AG	A-21
10.961	36,411	LSU AG	A-21
10.961	12,534	SOUTHERN BR	A-48
10.962	64,928	LSU AG	A-21
Contract Agreements	45,000	AGRICULTURE	A-1
Contract Agreements	2,500	CULTURE	A-2
Contract Agreements	28,186	EXECUTIVE	A-6
Contract Agreements	22,314	EXECUTIVE	A-6
Contract Agreements	323	LA TECH	A-39
Contract Agreements	1,067,407	LSU AG	A-21
Contract Agreements	106,154	LSU BR	A-24
Contract Agreements	350	NORTHEAST	A-43
Contract Agreements	134,570	PENNINGTON	A-23
Contract Agreements	158,627	SOUTHERN BR	A-48
Contract Agreements	18,654	UNO	A-53
Contract Agreements	23,375	UNO	A-53
Contract Agreements	162,308	USL	A-54

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U.S. DEPARTMENT OF AGRICULTURE (CONT.)			
Contract Agreements	\$399,560	WILDLIFE	A-18
Fixed Price Contracts	27,592	LSU AG	A-21
Subtotal U.S. Department of Agriculture	<u>1,005,680,448</u>		
U.S. DEPARTMENT OF COMMERCE			
11.300	3,231	LSU BR	A-24
11.300	49,883	MORGAN CITY	A-11
11.305	98,981	UNO	A-52
11.407	184,794	WILDLIFE	A-17
11.413	97,762	AGRICULTURE	A-1
11.417	1,814,603	LSU BR	A-24
11.419	1,839,463	DNR	A-11
11.420	1	LSU BR	A-24
11.427	34,885	LSU BR	A-24
11.428	79,914	LSU AG	A-21
11.428	412,292	LSU BR	A-24
11.431	(127)	LSU BR	A-24
11.433	68,976	LSU AG	A-21
11.433	75,871	LSU BR	A-24
11.434	98,786	WILDLIFE	A-17
11.435	108,984	WILDLIFE	A-17
11.463	851,048	DNR	A-11
Contract Agreements	12,545	LA TECH	A-41
Contract Agreements	1	LSU AG	A-21
Contract Agreements	706,994	LSU BR	A-24
Contract Agreements	10,848	LUMCON	A-10
Contract Agreements	14,483	MCNEESE	A-42
Contract Agreements	111,266	UNO	A-52
Contract Agreements	8,125	USL	A-55
Contract Agreements	1,356,544	WILDLIFE	A-17
Contract Agreements	25,000	WILDLIFE	A-17
Fixed Price Contracts	50,749	LSU BR	A-24
Subtotal U.S. Department of Commerce	<u>8,115,902</u>		
U.S. DEPARTMENT OF DEFENSE			
12.002	287,873	USL	A-54
12.100	246,034	WILDLIFE	A-17
12.112	156,574	TREASURY	A-17
12.113	159,390	DEQ	A-5
12.114	85,847	SOUTHERN BR	A-49
12.300	774,135	LSU BR	A-24
12.300	694,236	SOUTHERN BR	A-49

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U.S. DEPARTMENT OF DEFENSE (CONT.)			
12.300	\$135,587	UNO	A-52
12.300	41,231	USL	A-54
12.400	2,264,759	MILITARY	A-10
12.401	4,927,622	MILITARY	A-10
12.420	2,499,121	LSU MC NO	A-34
12.431	265,500	LA TECH	A-40
12.431	22,436	LSU MC NO	A-34
12.431	13,811	REGENTS	A-1
12.630	8,467	LSU BR	A-24
12.800	26,699	LA TECH	A-40
12.800	370,032	LSU BR	A-24
12.800	40,065	LSU MC NO	A-34
12.800	109,095	LSU MC SHRV	A-38
12.800	234,635	SOUTHERN BR	A-49
12.900	12,546	SOUTHERN BR	A-49
12.901	63,435	LSU BR	A-24
12.901	6,563	SOUTHERN BR	A-49
12.901	9,527	USL	A-54
Contract Agreements	500	CULTURE	A-2
Contract Agreements	1,141,981	DNR	A-12
Contract Agreements	25,617	EXECUTIVE	A-7
Contract Agreements	114,999	EXECUTIVE	A-7
Contract Agreements	243,092	GRAMBLING	A-20
Contract Agreements	7,351	GRAMBLING	A-20
Contract Agreements	909,150	GRAMBLING	A-20
Contract Agreements	68,967	LA TECH	A-40
Contract Agreements	2,028	LA TECH	A-40
Contract Agreements	91,543	LA TECH	A-40
Contract Agreements	82,832	LA TECH	A-40
Contract Agreements	17,542	LA TECH	A-40
Contract Agreements	1,803,583	LSU BR	A-24
Contract Agreements	45,824	LSU SHRV	A-34
Contract Agreements	84,018	LSU MC SHRV	A-38
Contract Agreements	52,159	LUMCON	A-10
Contract Agreements	4,542,181	MILITARY	A-10
Contract Agreements	318,892	MILITARY	A-10
Contract Agreements	111,873	MILITARY	A-10
Contract Agreements	183,185	MILITARY	A-10
Contract Agreements	65,457	NORTHWESTERN	A-45
Contract Agreements	2,536,627	PENNINGTON	A-23
Contract Agreements	751,791	TREASURY	A-17

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U.S. DEPARTMENT OF DEFENSE (CONT.)			
Contract Agreements	\$5,805,610	UNO	A-52
Contract Agreements	798,322	UNO	A-52
Contract Agreements	206,074	USL	A-54
Contract Agreements	358,156	WEST JEFFERSON	A-17
Fixed Price Contracts	260	LA TECH	A-40
Fixed Price Contracts	17,200	LA TECH	A-40
Fixed Price Contracts	111,458	LSU BR	A-24
Fixed Price Contracts	4,500	UNO	A-52
Subtotal U.S. Department of Defense	<u>33,957,992</u>		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.218	814	EXECUTIVE	A-6
14.228	47,085,263	EXECUTIVE	A-6
14.230	491	EXECUTIVE	A-6
14.231	1,148,506	DSS	A-14
14.237	106,484	SOUTHERN BR	A-49
14.237	103,935	SOUTHERN NO	A-50
14.238	45,922	DHH	A-7
14.238	42,480	LHFA	A-9
14.239	1,695,120	LHFA	A-9
14.241	103,617	LHFA	A-9
14.243	39,195	NORTHEAST	A-43
14.401	130,157	JUSTICE	A-8
14.854	49,633	NORTHEAST	A-43
14.856	2,272,293	LHFA	A-9
14.859	7,948	NORTHEAST	A-43
Contract Agreements	276,035	OPH	A-13
Subtotal U.S. Department of Housing and Urban Development	<u>53,107,893</u>		
U.S. DEPARTMENT OF THE INTERIOR			
15.250	160,527	DNR	A-11
15.252	50,397	DNR	A-11
15.605	3,111,076	WILDLIFE	A-17
15.608	8,816	GRAMBLING	A-19
15.608	60,129	SOUTHERN BR	A-49
15.611	4,037	NORTHEAST	A-43
15.611	2,062,222	WILDLIFE	A-17
15.612	2,558	SLU	A-46
15.612	691,227	WILDLIFE	A-18

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U.S. DEPARTMENT OF THE INTERIOR (CONT.)			
15.614	\$32,757	LUMCON	A-10
15.614	20,000	WILDLIFE	A-18
15.617	56,615	WILDLIFE	A-18
15.805	120,497	LSU BR	A-25
15.806	21,629	LUMCON	A-10
15.806	111,528	MCNEESE	A-41
15.807	1,429	LSU BR	A-25
15.808	45,778	LSU BR	A-25
15.904	773,947	CULTURE	A-2
15.916	689,381	CULTURE	A-2
15.916	1,927	SLU	A-46
15.976	292,144	WILDLIFE	A-18
Contract Agreements	99,426	DNR	A-11
Contract Agreements	8,358	DNR	A-11
Contract Agreements	19,204	LA TECH	A-41
Contract Agreements	512,422	LSU AG	A-22
Contract Agreements	2,894,353	LSU BR	A-25
Contract Agreements	40,815	LSU SHRV	A-34
Contract Agreements	146	LSU MC NO	A-38
Contract Agreements	3,165	LUMCON	A-10
Contract Agreements	132,891	NORTHWESTERN	A-46
Contract Agreements	292,200	TREASURY	A-17
Contract Agreements	106,500	UNO	A-53
Contract Agreements	265,360	USL	A-55
Contract Agreements	23,757	WILDLIFE	A-18
Contract Agreements	9,080,023	WILDLIFE	A-18
Contract Agreements	386,217	WILDLIFE	A-18
Fixed Price Contracts	3,400	LSU AG	A-22
Fixed Price Contracts	194,212	LSU BR	A-25
Fixed Price Contracts	56,972	USL	A-55
Subtotal U.S. Department of the Interior	<u>22,438,042</u>		
U.S. DEPARTMENT OF JUSTICE			
16.540	923,409	EXECUTIVE	A-6
16.541	28,428	DPS-CORR	A-13
16.550	33,529	EXECUTIVE	A-6
16.560	34,596	SLU	A-46
16.572	176,340	DPS-CORR	A-13
16.575	1,161,886	EXECUTIVE	A-6
16.576	203,000	EXECUTIVE	A-6
16.579	6,655,910	EXECUTIVE	A-6

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U.S. DEPARTMENT OF JUSTICE (CONT.)			
16.588	\$13,144	EXECUTIVE	A-6
Contract Agreements	291,436	DPS-PS	A-14
Contract Agreements	13,143	DPS-PS	A-14
Contract Agreements	105,538	LA TECH	A-41
Contract Agreements	462,016	LSU BR	A-30
Contract Agreements	25,190	MCNEESE	A-42
Contract Agreements	564,514	MILITARY	A-11
Contract Agreements	134,651	UNO	A-53
Subtotal U.S. Department of Justice	10,826,730		
U.S. DEPARTMENT OF LABOR			
17.002	1,330,559	LABOR	A-8
17.005	82,205	LABOR	A-8
17.203	289,176	LABOR	A-8
17.207	11,701,189	LABOR	A-8
17.225	174,959,104	LABOR	A-8
17.235	1,336,942	ELDERLY	A-4
17.235	277,752	NORTHEAST	A-43
17.245	738,758	LABOR	A-8
17.246	19,931,685	LABOR	A-8
17.249	228,867	EDUC	A-3
17.250	43,583,370	LABOR	A-8
17.250	88,804	NORTHEAST	A-43
17.504	264,453	LABOR	A-8
17.801	863,672	LABOR	A-8
17.804	682,730	LABOR	A-8
Subtotal U.S. Department of Labor	256,359,266		
U.S. DEPARTMENT OF STATE			
Contract Agreements	1,817,030	DPS-PS	A-14
Contract Agreements	4,060,925	LSU BR	A-30
Contract Agreements	2,127,319	SOUTHERN BS	A-48
Subtotal U.S. Department of State	8,005,274		
U.S. DEPARTMENT OF TRANSPORTATION			
20.005	525,418	WILDLIFE	A-18
20.106	8,441,535	DOTD	A-16
20.106	3,012,509	OLD	A-12
20.107	108,331	LA TECH	A-40
20.107	17,968	NORTHEAST	A-43
20.205	90,519	DORT	A-14
20.205	259,479,610	DOTD	A-16

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U.S. DEPARTMENT OF TRANSPORTATION (CONT.)			
20.214	\$3,577	DOTD	A-16
20.218	1,427,328	DPS-PS	A-14
20.308	477,238	DOTD	A-16
20.500	1,803,318	DOTD	A-16
20.502	78,681	SOUTHERN BR	A-49
20.505	569,504	DOTD	A-16
20.507	660,000	DOTD	A-16
20.509	2,473,016	DOTD	A-16
20.513	918,919	DOTD	A-16
20.600	2,316,560	DPS-PS	A-14
20.700	405,957	DNR	A-11
20.703	59,723	DPS-PS	A-14
Contract Agreements	(7,046)	GRAMBLING	A-20
Contract Agreements	171,630	LSU BR	A-30
Fixed Price Contracts	24,956	LSU BR	A-30
Subtotal U.S. Department of Transportation	<u>283,059,251</u>		
U.S. GENERAL SERVICES ADMINISTRATION			
39.003	<u>12,630,515</u>	EXECUTIVE	A-6
Subtotal U.S. General Services Administration	<u>12,630,515</u>		
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
43.001	41,767	LSU BR	A-25
43.001	364,736	REGENTS	A-1
43.001	1,124,172	SOUTHERN BR	A-49
43.002	17,815	MCNEESE	A-42
43.002	533,808	SOUTHERN BR	A-49
43.002	22,025	SOUTHERN NO	A-51
Contract Agreements	13,333	LA TECH	A-41
Contract Agreements	220,714	LSU AG	A-22
Contract Agreements	893,060	LSU BR	A-25
Contract Agreements	27,037	LUMCON	A-10
Contract Agreements	558,854	PENNINGTON	A-23
Contract Agreements	10,149	SLU	A-47
Contract Agreements	15,376	SLU	A-47
Contract Agreements	93,499	SOUTHERN BR	A-49
Contract Agreements	168,127	UNO	A-53
Contract Agreements	134,628	USL	A-54
Fixed Price Contracts	25,306	LA TECH	A-41

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NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (CONT.)			
Fixed Price Contracts	\$23,100	LSU BR	A-25
Subtotal National Aeronautics and Space Administration	<u>4,287,506</u>		
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.003	78,600	CULTURE	A-2
45.004	(484)	NORTHEAST	A-43
45.007	491,290	CULTURE	A-2
45.011	45,000	CULTURE	A-2
45.015	10,000	CULTURE	A-2
45.129	1,496	LSU EUNICE	A-33
45.129	15,000	NORTHEAST	A-43
45.160	15,000	LSU BR	A-26
45.161	7,000	LSU BR	A-26
45.162	27,908	SOUTHERN NO	A-51
45.301	4,000	LSU SHRV	A-33
Contract Agreements	(44)	LSU BR	A-26
Subtotal National Foundation on the Arts and the Humanities	<u>694,766</u>		
NATIONAL SCIENCE FOUNDATION			
47.041	15,864	LA TECH	A-40
47.041	88,446	SOUTHERN BR	A-49
47.049	57,485	LA TECH	A-40
47.049	18,339	NORTHEAST	A-44
47.049	49,152	SOUTHERN BR	A-49
47.050	657,860	LUMCON	A-10
47.050	13,008	NORTHEAST	A-44
47.070	213,976	NORTHEAST	A-44
47.070	13,699	NUNEZ	A-19
47.070	63,583	REGENTS	A-2
47.070	53,770	SLU	A-47
47.070	465,820	SOUTHERN BR	A-49
47.070	52,667	USL	A-54
47.074	44,282	LSU MC NO	A-34
47.074	71,448	LSU MC SHRV	A-38
47.074	36,263	SLU	A-47
47.075	8,271	LSU MC SHRV	A-38
47.075	46,242	SOUTHERN BR	A-49

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NATIONAL SCIENCE FOUNDATION (CONT.)			
47.075	\$126,711	USL	A-54
47.076	50,418	LA TECH	A-40
47.076	2,567,884	LASIP	A-9
47.076	51,066	MCNEESE	A-42
47.076	28,470	NORTHEAST	A-44
47.076	1,638,502	REGENTS	A-2
Contract Agreements	91,894	GRAMBLING	A-20
Contract Agreements	30,360	LA TECH	A-40
Contract Agreements	35,482	LA TECH	A-40
Contract Agreements	26,674	LA TECH	A-40
Contract Agreements	6,308	LA TECH	A-40
Contract Agreements	4,980,261	LSU BR	A-29
Contract Agreements	684,111	UNO	A-53
Contract Agreements	687,935	USL	A-54
Subtotal National Science Foundation	12,976,251		
U.S. SMALL BUSINESS ADMINISTRATION			
59.005	4,000	LSU BR	A-26
59.005	8,049	NORTHEAST	A-44
59.005	2,413	UNO	A-52
59.009	184,693	AGRICULTURE	A-1
59.037	12,939	LA TECH	A-40
59.037	1,169,104	NORTHEAST	A-44
59.037	4,500	SLU	A-47
Subtotal U.S. Small Business Administration	1,385,698		
U.S. TENNESSEE VALLEY AUTHORITY			
Contract Agreements	8,977	LSU AG	A-22
Subtotal U.S. Tennessee Valley Authority	8,977		
U.S. DEPARTMENT OF VETERANS AFFAIRS			
64.015	2,413,457	VET AFFAIRS	A-17
Contract Agreements	1,102,880	LSU MC NO	A-38
Contract Agreements	1,538,783	LSU MC SHRV	A-39
Contract Agreements	196	REG 1, NO	A-55
Contract Agreements	364	REG 2, BR	A-55
Contract Agreements	119	REG 3, HOUMA	A-56
Contract Agreements	378	REG 4, LAF	A-56
Contract Agreements	224	REG 5, LK CH	A-56
Contract Agreements	840	REG 6, ALEX	A-56

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U.S. DEPARTMENT OF VETERANS AFFAIRS (CONT.)			
Contract Agreements	\$574	REG 7, SHRV	A-57
Fixed Price Contracts	176,345	EDUC	A-4
Subtotal U.S. Department of Veterans Affairs	<u>5,234,160</u>		
U.S. ENVIRONMENTAL PROTECTION AGENCY			
66.001	3,019,812	DEQ	A-5
66.032	2,159	DEQ	A-5
66.419	1,327,543	DEQ	A-5
66.432	1,152,300	OPH	A-12
66.433	347,099	DNR	A-11
66.438	417,706	DEQ	A-5
66.454	176,807	DEQ	A-5
66.456	1,352,927	DEQ	A-5
66.458	28,913,808	DEQ	A-5
66.460	694,270	DEQ	A-5
66.461	8,000	AGRICULTURE	A-1
66.461	51,799	DNR	A-11
66.461	83,679	LSU AG	A-21
66.461	28,578	LSU BR	A-26
66.461	6,478	WILDLIFE	A-18
66.463	40,000	DEQ	A-5
66.501	979,445	LSU MC NO	A-34
66.502	7,275	LSU AG	A-21
66.504	148,842	LSU BR	A-26
66.504	469,356	SOUTHERN BR	A-49
66.504	123,728	UNO	A-52
66.505	20,954	DEQ	A-5
66.505	633,214	LSU BR	A-26
66.505	31,165	MCNEESE	A-42
66.507	65,666	NORTHEAST	A-44
66.600	7,145	SOUTHERN BR	A-49
66.700	495,327	AGRICULTURE	A-1
66.700	45,184	LSU AG	A-21
66.701	137,319	DEQ	A-5
66.707	136,799	DEQ	A-6
66.708	111,243	DEQ	A-6
66.801	2,531,708	DEQ	A-6
66.802	282,539	DEQ	A-6
66.804	162,633	DEQ	A-6
66.805	1,085,636	DEQ	A-6
66.808	10,999	DEQ	A-6

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LEGISLATIVE AUDITOR

Appendix E

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CFDA Number or Type of Assistance	Amount	State Unit	Page Number
U.S. ENVIRONMENTAL PROTECTION AGENCY (CONT.)			
66.810	\$1,409	DEQ	A-6
66.950	58,529	USL	A-54
66.951	15,409	LSU AG	A-21
66.951	16,101	LSU BR	A-26
Contract Agreements	138,045	DEQ	A-6
Contract Agreements	3,579	EXECUTIVE	A-7
Contract Agreements	517	LA TECH	A-41
Contract Agreements	2,445,614	LSU BR	A-26
Contract Agreements	15,330	LUMCON	A-10
Subtotal U.S. Environmental Protection Agency	<u>47,803,675</u>		
U.S. NUCLEAR REGULATORY COMMISSION			
Contract Agreements	46,250	DEQ	A-6
Contract Agreements	3,016	LSU BR	A-30
Fixed Price Contracts	646	UNO	A-53
Subtotal U.S. Nuclear Regulatory Commission	<u>49,912</u>		
U.S. DEPARTMENT OF ENERGY			
81.036	38,127	LUMCON	A-10
81.041	166,904	DNR	A-12
81.042	1,672,389	DSS	A-15
81.049	978,629	LSU BR	A-26
81.049	4,165	MCNEESE	A-42
81.049	431,073	REGENTS	A-2
81.049	252,726	SOUTHERN BR	A-49
81.049	1,429,908	SOUTHERN BS	A-48
81.049	108,181	UNO	A-52
81.052	116,894	DNR	A-12
81.057	25,159	SOUTHERN BR	A-49
81.086	497,814	SOUTHERN BR	A-49
81.089	3,859	SLU	A-47
81.089	2,411	WILDLIFE	A-18
81.107	46,735	LSU BR	A-26
Contract Agreements	4,238,922	DNR	A-12
Contract Agreements	64,763	GRAMBLING	A-20
Contract Agreements	(1,701)	LA TECH	A-41
Contract Agreements	3,461,419	LA TECH	A-41
Contract Agreements	1,350,378	LSU BR	A-26
Contract Agreements	12,545	LSU SHRV	A-34
Contract Agreements	400,175	SOUTHERN BR	A-49

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U.S. DEPARTMENT OF ENERGY (CONT.)			
Contract Agreements	\$181,035	UNO	A-52
Fixed Price Contracts	20,456	LSU BR	A-26
Subtotal U.S. Department of Energy	<u>15,502,966</u>		
U.S. INFORMATION AGENCY			
82.002	15,867	GRAMBLING	A-19
Contract Agreements	552,963	LSU BR	A-30
Subtotal U.S. Information Agency	<u>568,830</u>		
FEDERAL EMERGENCY MANAGEMENT AGENCY			
83.011	86,200	MILITARY	A-11
83.105	12,500	DOTD	A-16
83.105	70,356	MILITARY	A-11
83.505	58,900	MILITARY	A-11
83.516	37,141,927	MILITARY	A-11
83.520	102,940	MILITARY	A-11
83.521	28,327	MILITARY	A-11
83.534	1,788,278	MILITARY	A-11
Contract Agreements	2,337	LSU BR	A-28
Subtotal Federal Emergency Management Agency	<u>39,291,765</u>		
U.S. DEPARTMENT OF EDUCATION			
84.002	4,685,196	EDUC	A-3
84.004	241,050	EDUC	A-3
84.007	300,000	DELGADO	A-19
84.007	674,059	GRAMBLING	A-19
84.007	750,124	LA TECH	A-40
84.007	60,024	LSU ALEX	A-33
84.007	473,638	LSU BR	A-26
84.007	56,496	LSU EUNICE	A-33
84.007	74,025	LSU SHRV	A-34
84.007	43,271	LSU MC NO	A-35
84.007	250,000	MCNEESE	A-42
84.007	45,000	NICHOLLS	A-42
84.007	240,641	NORTHEAST	A-44
84.007	267,749	NORTHWESTERN	A-45
84.007	277,076	SLU	A-47
84.007	829,063	SOUTHERN BR	A-50
84.007	465,447	SOUTHERN NO	A-51
84.007	63,298	SOUTHERN SHRV	A-51
84.007	649,020	UNO	A-52

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U.S. DEPARTMENT OF EDUCATION (CONT.)			
84.007	\$500,000	USL	A-54
84.009	441,946	EDUC	A-3
84.010	195,840,221	EDUC	A-3
84.011	1,961,375	EDUC	A-3
84.013	443,419	EDUC	A-3
84.016	4,108	LSU SHR V	A-34
84.016	63,446	UNO	A-52
84.019	37,927	LSU BR	A-26
84.025	84,794	EDUC	A-3
84.027	36,083,836	EDUC	A-3
84.029	127,665	EDUC	A-3
84.029	39,233	LSU MC NO	A-35
84.029	64,236	SLU	A-47
84.029	221,013	UNO	A-52
84.031	1,643,339	GRAMBLING	A-19
84.031	328,030	NORTHWESTERN	A-45
84.031	2,878,342	SOUTHERN BR	A-50
84.031	1,471,606	SOUTHERN NO	A-51
84.031	959,629	SOUTHERN SHR V	A-51
84.031	132,367	USL	A-54
84.032	19,450,203	OSFA	A-16
84.033	163,352	DELGADO	A-19
84.033	887,312	GRAMBLING	A-19
84.033	426,777	LA TECH	A-40
84.033	17,352	LSU AG	A-22
84.033	45,706	LSU ALEX	A-33
84.033	826,414	LSU BR	A-26
84.033	43,296	LSU EUNICE	A-33
84.033	86,088	LSU SHR V	A-34
84.033	32,028	LSU MC NO	A-35
84.033	248,638	MCNEESE	A-42
84.033	186,750	NICHOLLS	A-42
84.033	647,408	NORTHEAST	A-44
84.033	168,855	NORTHWESTERN	A-45
84.033	76,038	NUNEZ	A-19
84.033	390,874	SLU	A-47
84.033	794,813	SOUTHERN BR	A-50
84.033	266,095	SOUTHERN NO	A-51
84.033	247,811	SOUTHERN SHR V	A-51
84.033	409,909	UNO	A-52
84.033	714,177	USL	A-54

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U.S. DEPARTMENT OF EDUCATION (CONT.)			
84.034	\$1,246,837	CULTURE	A-2
84.035	218,325	CULTURE	A-2
84.036	40,639	LSU BR	A-26
84.037	90,003	NORTHEAST	A-44
84.038	126,346	LA TECH	A-40
84.038	13,135	LSU BR	A-26
84.038	3,442	LSU EUNICE	A-33
84.038	7,451	LSU MC SHRV	A-38
84.038	75,000	MCNEESE	A-42
84.038	584	NICHOLLS	A-42
84.038	70,106	NORTHEAST	A-44
84.038	177,436	NORTHWESTERN	A-45
84.038	28,311	SLU	A-47
84.038	114,430	UNO	A-52
84.039	833,169	LSU BR	A-26
84.042	115,023	GRAMBLING	A-19
84.042	228,131	LSU BR	A-26
84.042	302,249	LSU EUNICE	A-33
84.042	161,565	MCNEESE	A-42
84.042	309,485	NICHOLLS	A-43
84.042	212,686	NORTHWESTERN	A-45
84.042	207,800	SLU	A-47
84.042	226,046	SOUTHERN BR	A-50
84.042	306,430	SOUTHERN NO	A-51
84.042	212,736	SOUTHERN SHRV	A-51
84.042	363,079	USL	A-54
84.042	198,553	UNO	A-53
84.044	210,631	NORTHEAST	A-44
84.044	242,192	SLU	A-47
84.044	289,229	SOUTHERN BR	A-50
84.044	218,752	SOUTHERN NO	A-51
84.044	249,265	SOUTHERN SHRV	A-51
84.044	250,423	UNO	A-53
84.044	327,021	USL	A-54
84.047	116,605	DELGADO	A-19
84.047	461,908	GRAMBLING	A-19
84.047	253,593	LSU EUNICE	A-33
84.047	232,135	MCNEESE	A-42
84.047	252,950	NICHOLLS	A-43
84.047	908,192	SLU	A-47
84.047	406,014	SOUTHERN BR	A-50

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U.S. DEPARTMENT OF EDUCATION (CONT.)			
84.047	\$248,312	SOUTHERN NO	A-51
84.047	233,603	SOUTHERN SHRV	A-51
84.047	405,376	UNO	A-53
84.047	598,196	USL	A-54
84.048	21,558,224	EDUC	A-3
84.049	468,861	EDUC	A-3
84.051	133,371	LSU MC NO	A-35
84.053	159,270	ST CNCL VOC ED	A-15
84.055	122,088	SLU	A-47
84.055	5,363	SOUTHERN BR	A-50
84.063	8,275,486	DELGADO	A-19
84.063	4,749,839	EDUC	A-3
84.063	9,498,404	GRAMBLING	A-19
84.063	3,557,576	LA TECH	A-40
84.063	1,388,852	LSU ALEX	A-33
84.063	6,610,415	LSU BR	A-27
84.063	1,972,425	LSU EUNICE	A-33
84.063	1,114,964	LSU SHRV	A-34
84.063	459,305	LSU MC NO	A-35
84.063	7,035	LSU MC SHRV	A-38
84.063	3,848,799	MCNEESE	A-42
84.063	3,260,003	NICHOLLS	A-43
84.063	7,710,312	NORTHEAST	A-44
84.063	6,879,415	NORTHWESTERN	A-45
84.063	965,646	NUNEZ	A-19
84.063	517,687	REG 6, ALEX	A-56
84.063	7,855,893	SLU	A-47
84.063	10,268,704	SOUTHERN BR	A-50
84.063	5,242,951	SOUTHERN NO	A-51
84.063	1,478,978	SOUTHERN SHRV	A-51
84.063	6,432,395	UNO	A-53
84.063	9,452,031	USL	A-54
84.066	224,430	SLU	A-47
84.069	900,755	OSFA	A-16
84.073	95,030	EDUC	A-3
84.083	77,455	LSU SHRV	A-34
84.086	311,477	UNO	A-53
84.097	111,702	SOUTHERN BR	A-50
84.120	82,580	GRAMBLING	A-19
84.120	51,810	SOUTHERN BR	A-50
84.126	42,734,643	DSS	A-15

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U.S. DEPARTMENT OF EDUCATION (CONT.)			
84.129	\$84,485	LA TECH	A-40
84.129	212,082	LSU MC NO	A-35
84.129	194,762	SOUTHERN BR	A-50
84.153	56,937	LSU SHRV	A-34
84.153	4,956	NORTHEAST	A-44
84.153	38	USL	A-54
84.154	174,477	CULTURE	A-2
84.158	1,463	LSU MC NO	A-35
84.158	130,069	SOUTHERN BR	A-50
84.158	146,166	UNO	A-53
84.162	153,060	EDUC	A-3
84.164	1,137,780	REGENTS	A-2
84.168	2,325,232	EDUC	A-3
84.168	3,836	GRAMBLING	A-19
84.168	12,650	LA TECH	A-40
84.169	919,856	DSS	A-15
84.173	6,644,939	EDUC	A-3
84.174	205,155	EDUC	A-3
84.181	3,489,088	EDUC	A-3
84.183	6,035	LSU MC NO	A-35
84.184	27,587	MCNEESE	A-42
84.185	524,194	EDUC	A-3
84.186	7,846,477	EDUC	A-3
84.187	1,340,332	DSS	A-15
84.190	27,149	EDUC	A-3
84.194	69,104	EDUC	A-3
84.196	731,620	EDUC	A-4
84.204	9,834	SOUTHERN BR	A-50
84.213	2,408,410	EDUC	A-4
84.214	271,373	EDUC	A-4
84.216	1,175,817	EDUC	A-4
84.217	187,526	LSU BR	A-27
84.217	79,720	USL	A-54
84.218	807,117	EDUC	A-4
84.224	954,466	DHH	A-7
84.242	3,808	LA TECH	A-41
84.242	952	NORTHEAST	A-44
84.242	2,856	USL	A-54
84.243	2,572,253	EDUC	A-4
84.252	302,555	LSU SHRV	A-34
84.252	240,907	UNO	A-53

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U.S. DEPARTMENT OF EDUCATION (CONT.)			
84.254	\$110,275	EXECUTIVE	A-6
84.261	53,857	LSU SHRV	A-34
84.265	67,412	DSS	A-15
84.267	28,865	EXECUTIVE	A-6
84.276	6,077,805	EDUC	A-4
84.281	1,819,035	EDUC	A-4
84.282	39,495	EDUC	A-4
84.283	492	NORTHWESTERN	A-45
84.293	21,103	EDUC	A-4
84.298	6,799,338	EDUC	A-4
Contract Agreements	25,000	DELGADO	A-19
Contract Agreements	113,349	LA TECH	A-41
Contract Agreements	6,875	LA TECH	A-41
Contract Agreements	43,093	LSU BR	A-27
Contract Agreements	1,188	NORTHWESTERN	A-45
Contract Agreements	73,206	SOUTHERN BR	A-50
Contract Agreements	126,136	TREASURY	A-17
Contract Agreements	53,362	UNO	A-53
Subtotal U.S. Department of Education	<u>511,226,182</u>		
VERY SPECIAL ARTS EDUCATION OFFICE			
Fixed Price Contracts	<u>7,911</u>	EDUC	A-4
Subtotal Very Special Arts Education Office	<u>7,911</u>		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.041	76,237	ELDERLY	A-5
93.042	16,647	ELDERLY	A-5
93.043	224,496	ELDERLY	A-5
93.044	5,409,804	ELDERLY	A-5
93.045	6,162,492	ELDERLY	A-5
93.046	102,485	ELDERLY	A-5
93.048	34,400	ELDERLY	A-5
93.048	71,168	GRAMBLING	A-20
93.049	30	ELDERLY	A-5
93.102	361,052	DHH	A-7
93.103	1,028	AGRICULTURE	A-1
93.110	158,247	OPH	A-12
93.113	118,260	LSU BR	A-27
93.113	20,823	LSU MC NO	A-35
93.113	135,898	LSU MC SHRV	A-38

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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONT.)			
93.114	\$29,660	NORTHEAST	A-44
93.116	1,032,449	OPH	A-12
93.118	5,024,666	OPH	A-12
93.119	73,378	DHH	A-7
93.121	121,562	LSU BR	A-27
93.121	694,850	LSU MC NO	A-35
93.124	36,848	MED CNTR	A-10
93.125	385,027	DHH	A-7
93.130	2,104	DHH	A-7
93.130	227,774	OPH	A-13
93.145	504,546	LSU MC NO	A-35
93.150	201,906	DHH	A-7
93.161	34,467	NORTHEAST	A-44
93.161	258,726	OPH	A-13
93.165	10,223	DHH	A-7
93.165	138,347	OPH	A-13
93.172	139,732	LSU BR	A-27
93.172	110,653	LSU MC NO	A-35
93.173	42,725	LSU BR	A-27
93.173	1,243,516	LSU MC NO	A-35
93.173	68,132	PENNINGTON	A-23
93.176	401	LSU MC NO	A-35
93.178	310,921	SOUTHERN BR	A-50
93.182	2,856	UNO	A-53
93.196	3,369,721	DHH	A-7
93.203	4,243	OPH	A-13
93.217	3,601,879	OPH	A-13
93.242	117,228	DHH	A-7
93.242	121,983	LSU MC NO	A-35
93.242	284,099	LSU MC SHRV	A-38
93.242	366,024	PENNINGTON	A-23
93.242	19,295	UNO	A-53
93.262	2,964	LSU MC NO	A-35
93.268	1,895,046	OPH	A-13
93.271	19,114	LSU MC SHRV	A-38
93.272	56,894	LSU MC SHRV	A-39
93.273	187,842	LSU BR	A-27
93.273	447,792	LSU MC NO	A-35
93.273	419,341	LSU MC SHRV	A-39
93.277	138,565	LSU MC NO	A-35

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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONT.)			
93.278	\$40,108	LSU MC NO	A-35
93.279	103,090	LSU BR	A-27
93.279	1,240,134	LSU MC NO	A-35
93.279	488,167	LSU MC SHRV	A-39
93.279	(3,379)	NORTHEAST	A-44
93.281	96,228	LSU MC NO	A-35
93.281	90,385	LSU MC SHRV	A-39
93.283	1,151,310	OPH	A-13
93.298	100,210	NORTHWESTERN	A-45
93.299	4,561	LSU MC NO	A-35
93.306	69,517	LSU BR	A-27
93.306	1,455	PENNINGTON	A-23
93.306	1,018,212	USL	A-54
93.337	144,514	LSU BR	A-27
93.337	162,254	LSU MC NO	A-35
93.337	53,442	LSU MC SHRV	A-39
93.342	391	NORTHEAST	A-44
93.358	51,040	LSU MC NO	A-35
93.358	36,309	NORTHWESTERN	A-45
93.364	(14)	LSU EUNICE	A-33
93.364	654	NORTHEAST	A-44
93.371	(865)	LSU MC NO	A-35
93.375	1,134,634	SOUTHERN BR	A-50
93.375	65,858	SOUTHERN SHRV	A-51
93.389	899	SOUTHERN BR	A-50
93.390	24,466	LSU AG	A-22
93.390	28,233	NORTHEAST	A-44
93.390	11,763	USL	A-54
93.393	488,886	LSU MC NO	A-35
93.393	104,389	LSU MC SHRV	A-39
93.394	136,642	LSU BR	A-27
93.395	114,709	LSU MC SHRV	A-39
93.396	86,580	LSU MC SHRV	A-39
93.397	145,127	LSU MC NO	A-35
93.398	47,373	LSU MC NO	A-35
93.399	220,083	LSU MC NO	A-35
93.399	23,329	LSU MC SHRV	A-39
93.560	109,865,101	DSS	A-15
93.561	18,149,598	DSS	A-15
93.563	23,784,605	DSS	A-15

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93.565	(\$23,537)	DHH	A-7
93.566	965,791	DSS	A-15
93.568	4,710,428	DSS	A-15
93.569	9,211,224	LABOR	A-9
93.570	29,207	NORTHEAST	A-44
93.571	116,918	LABOR	A-9
93.572	358,139	LABOR	A-9
93.574	2,141,627	DSS	A-15
93.575	17,950,137	DSS	A-15
93.584	118,134	DSS	A-15
93.585	1,787,761	DSS	A-15
93.586	88,791	SUPREME COURT	A-16
93.608	26,150	GRAMBLING	A-20
93.608	29,232	NORTHEAST	A-44
93.630	1,387,645	DHH	A-7
93.632	343,511	LSU MC NO	A-35
93.643	189,982	DSS	A-15
93.645	8,912,472	DSS	A-15
93.648	822	SOUTHERN NO	A-51
93.658	44,711,691	DSS	A-15
93.659	4,643,452	DSS	A-15
93.667	46,352,945	DSS	A-15
93.670	179,403	DSS	A-15
93.671	131,429	SOUTHERN BR	A-50
93.671	304,005	WOMEN'S SVCS	A-18
93.672	113,497	DSS	A-15
93.673	92,852	EDUC	A-4
93.674	1,114,393	DSS	A-15
93.775	834,605	JUSTICE	A-8
93.777	5,056,610	DHH	A-7
93.778	2,495,538,578	DHH	A-7
93.779	126,516	INSURANCE	A-8
93.821	555,969	LSU BR	A-27
93.821	26,311	LSU MC SHRV	A-39
93.822	283,565	LSU MC NO	A-35
93.824	1,033,406	LSU MC NO	A-36
93.837	721,465	LSU MC NO	A-36
93.837	633,453	LSU MC SHRV	A-39
93.837	896,038	PENNINGTON	A-23
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93.839	163,335	LSU MC NO	A-36
93.846	110,218	LSU MC NO	A-36
93.847	629	LSU BR	A-27
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93.847	638,974	PENNINGTON	A-23
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93.848	1,353,468	PENNINGTON	A-23
93.849	231,280	LSU MC NO	A-36
93.849	456,095	LSU MC SHR V	A-39
93.853	25,166	LSU MC NO	A-36
93.854	418,011	LSU MC NO	A-36
93.854	330,535	LSU MC SHR V	A-39
93.855	48,415	LSU MC NO	A-36
93.855	108,201	LSU MC SHR V	A-39
93.856	132,772	LSU BR	A-27
93.856	91,155	LSU MC NO	A-36
93.856	126,446	LSU MC SHR V	A-39
93.859	15,937	LSU BR	A-27
93.859	366,987	LSU MC SHR V	A-39
93.862	220,094	LSU MC NO	A-36
93.862	526,962	LSU MC SHR V	A-39
93.863	37,521	LSU MC NO	A-36
93.863	26,549	NORTHEAST	A-44
93.865	279,562	LSU MC NO	A-36
93.865	332,079	LSU MC SHR V	A-39
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93.865	47,989	UNO	A-53
93.866	452,190	LSU MC NO	A-36
93.866	5,999	NORTHEAST	A-44
93.867	2,441,462	LSU MC NO	A-36
93.879	148,813	LSU MC NO	A-36
93.880	9,462	LSU BR	A-27
93.880	19,372	SOUTHERN BR	A-50
93.884	165,695	GRAMBLING	A-20
93.886	116,939	LSU MC SHR V	A-39

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93.896	43,487	LSU MC NO	A-36
93.897	230,002	LSU MC NO	A-36
93.901	64,630	LSU MC NO	A-36
93.902	623,693	DHH	A-7
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93.913	381	DHH	A-7
93.913	7,795	OPH	A-13
93.917	263,301	DHH	A-7
93.917	2,960,312	OPH	A-13
93.919	32,068	OPH	A-13
93.924	6,008	LSU MC NO	A-36
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93.945	558,188	OPH	A-13
93.953	68,436	OPH	A-13
93.958	2,974,719	DHH	A-7
93.959	21,209,385	DHH	A-7
93.960	163,980	LSU MC SHRV	A-39
93.977	1,289,377	OPH	A-13
93.978	245,395	OPH	A-13
93.982	569,688	DHH	A-8
93.987	37,509	OPH	A-13
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94.004	10,834	EDUC	A-4
94.004	159,687	LIEUT GOV	A-9
94.005	118	MCNEESE	A-42
94.005	15,259	SOUTHERN BR	A-50
94.006	1,790,501	LIEUT GOV	A-9
94.011	269,786	PINECREST	A-12
Contract Agreements	<u>223,972</u>	LIEUT GOV	A-9
Subtotal Corporation for National and Community Service	<u>2,507,449</u>		
SOCIAL SECURITY ADMINISTRATION			
96.001	<u>28,950,817</u>	DSS	A-15
Subtotal Social Security Administration	<u>28,950,817</u>		
 Total Direct Federal Assistance	 5,282,013,820		
 Total Indirect Federal Assistance and Private Grants	 <u>10,067,922</u>		
 Total Assistance	 <u><u>\$5,292,081,742</u></u>		

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