

# **ACT 461 REPORT ON FISCAL DEFICIENCIES, INEFFICIENCIES, FRAUD, OR OTHER SIGNIFICANT ISSUES DISCLOSED IN GOVERNMENTAL AUDITS FOURTH QUARTER, FISCAL YEAR 2023**

**Report to the Joint Legislative  
Committee on the Budget  
Issued July 26, 2023**

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July 26, 2023

Chairman Jerome Zeringue and Members of the  
Joint Legislative Committee on the Budget

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

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

Attached is our report to meet the requirements of Act 461 for the fourth quarter of Fiscal Year 2023. That report is linked and referenced to the full reports which contain the applicable findings of interest, as well as management's responses.

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

Sincerely,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

MJW/ch  
ACT 461 REPORTING - JULY 2023



# TABLE OF CONTENTS

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	Page
State Agencies .....	2
Local Government Agencies .....	6

## STATE AGENCIES

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### Louisiana Department of Children and Family Services (DCFS) ([Report Link](#))

- DCFS did not have a formalized process in place to ensure \$16 million of Temporary Assistance for Needy Families (TANF) grant funds transferred to the Social Services Block Grant (SSBG) were only used for programs or services for children or their families whose income is less than 200% of the poverty level. This is the second consecutive year we have reported weaknesses over TANF transfers to SSBG. **(Repeat)** (Amount: \$16,000,000) (p.2)
- DCFS did not report subawards in compliance with the Federal Funding Accountability and Transparency Act (FFATA) in the FFATA Subaward Reporting System during fiscal year 2022 for the Foster Care - Title IV-E (\$8.8 million) and the TANF program (\$76.6 million), as required by federal regulations. (Amount: \$85,400,000) (p.3)

### Louisiana Department of Education (DOE) ([Report Link](#))

- For the second consecutive audit, DOE did not comply with Federal Funding Accountability and Transparency Act reporting requirements. For the Education Stabilization Fund (ESF) Elementary and Secondary School Emergency Relief program funded by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and American Rescue Plan (ARP) Act, DOE reported incorrect information, did not submit reports timely, and reported duplicate amounts. In addition, DOE did not enter subawards of \$30,000 or more totaling \$173,984,187 for the Supporting Effective Instruction State Grants, ESF Discretionary Grants: Rethink K-12 Education Models Grants, and ESF ARP – ESSER – Homeless Children and Youth programs. **(Repeat)** (Amount: \$173,984,187) (p.1)
- DOE overpaid six child care providers who received ARP Child Care Stabilization funds by a total of \$59,063. During DOE's review of payments to child care providers who received grant payments funded with CRRSA and ARP funds, DOE identified overpayments to 11 child care providers totaling \$887,212. (Amount: \$946,275) (p.3)

### Louisiana Department of Health (LDH) ([Report Link](#))

- LDH submitted an inaccurate Annual Fiscal Report for LDH Medical Vendor Payments for the fiscal year ended June 30, 2022, to OSRAP. In addition, LDH submitted inaccurate federal schedules used to prepare the Schedule of Expenditures of Federal Awards. **(Repeat)** [Amount: Understated Audit Payables (\$276M) and Due from Medical Providers (\$345M); Overstated SEFA Medical Vendor Payments (\$76M) and SEFA Medical Vendor Administration (\$38.3M); and SEFA misclassification between COVID and non-COVID totals (\$283M)] (p.4)
- LDH failed to properly implement and monitor National Correct Coding Initiative (NCCI) Requirements for Medically Unlikely edits and Procedure-to-procedure edits for the Medicaid Fee for Service claims. In a test of more than 10 million paid claims, we noted 19,952 claims were paid but should have been evaluated by an NCCI edit and denied. **(Repeat)** (Amount: \$765,564) (p.11)
- LDH, the managed care organizations, and Magellan did not have adequate controls in place to ensure that behavioral health services in the Medicaid and CHIP programs were properly billed and that improper encounters were denied. **(Repeat)** (Amount: \$8,818,936) (p.13)

### Executive Department ([Report Link](#))

- The Division of Administration, Louisiana Office of Community Development identified \$2,635,609 in Small Rental Property Program loans for nine property owners under the Community Development Block Grant/State's Program who failed to comply with one of more of their loan agreement requirements and were assigned to loan recovery status. In addition, 1,147 noncompliant loans identified in previous years totaling \$104.5 million remain outstanding. **(Repeat)** (Amount: \$2,635,609) (p.2)
- DOA, Office of Finance and Support Services (OFSS) did not have effective controls over financial reporting for the Office of Technology Services (OTS). Our procedures identified errors and exceptions in the annual fiscal report submitted by OFSS to the Office of Statewide Reporting and Accounting Policy for OTS. (Amount: \$24.9 million cash flow reporting errors; \$1.3 million overstated lease asset/liability; and \$600,000 unsupported lease asset/liability) (p.5)

**Governor's Office of Homeland Security and Emergency Preparedness - Public Assistance Program ([Report Link](#))**

- Completed work included in reimbursement requests was not within the approved scope of work and/or the cost estimate was exceeded. (*Amount: \$1,983,411*) (p.4)
- Expenses included in reimbursement requests were not supported by sufficient documentation. (*Amount: \$86,388,162*) (p.4)
- Contracts and purchases included in reimbursement requests did not evidence compliance with applicable procurement guidelines. (*Amount: \$12,792,515*) (p.4)
- Expenses included in reimbursement requests were not in compliance with applicable FEMA regulations and guidance. (*Amount: \$4,307,612*) (p.4)
- Expenses included in reimbursement requests were duplicated, omitted, and/or miscategorized. (*Amount: \$1,288,589*) (p.4)

*Since April 1, 2008, the LLA has noted exceptions totaling \$1,728,470,684, which includes \$106,760,289 noted this period, and GOHSEP has resolved \$1,498,929,794, which includes \$59,904,458 resolved this period.*

**Governor's Office of Homeland Security and Emergency Preparedness - Hazard Mitigation Program ([Report Link](#))**

- Completed work included in reimbursement requests was not within the approved scope of the project. (*Amount: \$1,120,814*) (p.3)
- Expenses included in reimbursement requests were not supported by sufficient documentation. (*Amount: \$2,103,445*) (p.3)
- Contracts and purchases included in reimbursement requests did not evidence compliance with applicable procurement guidelines. (*Amount: \$1,364,607*) (p.4)

*Since April 1, 2008, the LLA has noted exceptions totaling \$314,059,161, which includes \$4,588,866 noted this period, and GOHSEP has resolved \$216,308,016, which includes \$3,485,520 resolved this period.*

**Louisiana Utilities Restoration Corporation ([Report Link](#))**

- The Corporation did not ensure that all of its bank deposits were secured in accordance with Revised Statue 49:321. At June 30, 2022, deposits totaling \$19,713,951 were uninsured, uncollateralized, and exposed to potential loss. (*Amount: \$19,713,951*) (*Exhibit A.2*)

**Road Home Corporation d/b/a Louisiana Land Trust (LLT) ([Report Link](#))**

- For the third consecutive year, LLT did not have adequate control over financial reporting. LLT submitted an inaccurate annual fiscal report to OSRAP that contained errors that required adjustments. In addition, LLT's financial statements and note disclosures contained other errors requiring adjustment. **(Repeat)** *(Amount: Multiple over and understatements of various accounts and multiple footnote misstatements, including one overstated by \$593,000) (Exhibit A.2)*



## LOCAL GOVERNMENT AGENCIES

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### Town of Arcadia ([Report Link](#))

- Town Failed to Budget American Rescue Plan Act Funds, and the Mayor Improperly Paid Incentives to Town Officials. (*Amount: \$500,114*) (*p.7*)
- Mayor Authorized Payment of Unbudgeted Expenses That May Have Increased the Deficits of the General Fund and Other Governmental Funds. (*Amount: \$1,075,075*) (*p.11*)