

Louisiana Legislative Auditor
Key Programmatic Issues and Financial-Related Findings, by Agency
March 2014

Below is a listing of the key financial audit findings, by agency, based on recent work of the Legislative Auditor. In some instances, corrective actions have already been implemented or may be in progress. Agencies not listed below either did not have any significant findings or have audits currently in progress or scheduled. Additional information on these findings can be found in the Legislative Auditor's *Key Audit Issues 2014* report (attached). For the findings not included in that report, the actual report citation is provided.

1. Department of Health and Hospitals

- The department failed to obtain an external quality review required by contract and federal regulations on Magellan Health Services, which has a contract of approximately \$363 million with the state. (*Key Audit Issues 2014, p. 15*) The Magellan contract was extended in January 2014 for an additional year (March 1, 2014 through February 28, 2015) for approximately \$182 million without that review. A contract to perform an external quality review report was approved in February 2014 with an external quality review report expected in June 2014. [Report Link](#)
- Approximately \$1.85 million was paid in participant fees for 1,727 deceased individuals in the Louisiana Behavioral Health Partnership and Bayou Health Programs. In response to the audit, DHH officials indicated that they were taking steps to ensure the Medicaid records were updated and to recoup all overpayments. (*Key Audit Issues 2014, p. 6*) [Report Link](#)
- Lack of adequate processes and controls to ensure that approximately \$4 million in claims for four human services districts were identified, reconciled, and classified in a timely manner, potentially delaying the districts' ability to deliver services. (*Key Audit Issues 2014, p. 15*) [Report Link](#)
- Approximately \$16,000 in improper payments was paid in Medicaid claims for the New Opportunities Waiver. Improper payments for waiver services have been reported in 11 of the last 14 audits totaling \$564,365. (*Key Audit Issues 2014, p. 5*) [Report Link](#)
- The former fiscal director for the Department of Health and Hospitals diverted 167 checks totaling \$1.1 million to a private bank account for personal use between March 27, 2007, and February 1, 2013. (*Key Audit Issues 2014, p. 17*). [Report Link](#)
- Transition problems were reported after the state's behavioral health program was transferred from the Office of Behavioral Health to Magellan Health Services. The problems included confusion over how certain services were to be provided and issues with claims payments, which increases the risk that fees for services

may not be collected. In addition, approximately \$254,000 was forfeited due to canceled contracts with a previous records management system when the state's behavioral health programs were transferred to Magellan Health Services. (*Key Audit Issues 2014*, p. 13) [Report Link](#)

2. Office of Public Health

- Approximately \$655,000 in overpayments were made to vendors in the Women, Infants and Children (WIC) Program because OPH assigned them to the wrong tier. According to OPH, it has reassigned these vendors to the correct tier. (*Key Audit Issues 2014*, p. 5) [Report Link](#)

3. Louisiana Department of Economic Development

- According to a third-party consultant hired by LED, during calendar year 2010, the Motion Picture Tax Credit program had a positive economic output of \$5.40 for every \$1 of credit given out, but a negative fiscal impact of approximately \$170 million to the state. (*Key Audit Issues 2014*, p. 4) [Report Link](#)
- Businesses located outside of a designated enterprise zone received approximately \$123.9 million in Enterprise Zone program tax incentives from calendar years 2008 through 2010 because the program's current design and operation are not consistent with its original statutory purpose. (*Key Audit Issues 2014*, p. 4) [Report Link](#)

4. Louisiana Department of Revenue

- The department overpaid approximately \$12.9 million in severance tax refunds and an additional \$23.9 million in related interest from fiscal years 2009 through 2012. (*Key Audit Issues 2014*, p. 5) LDR is currently working with the Department of Natural Resources to change program rules to avoid paying severance tax refunds and related interest while exemption applications are pending approval. [Report Link](#)
- As of October 2012, 44 (52 percent) of Louisiana's 85 tax credits resulted in at least \$1 million each of revenue loss to the state for at least one year from calendar years 2006 to 2011. Six of these 44 tax credits also had a rebate component that resulted in additional revenue loss. (*Key Audit Issues 2014*, p. 3). The Legislative Auditor found that state law did not require agencies that administer tax credits and other exemptions to track and report their return on investment. Act 191 of the 2013 Regular Session now requires every state agency that administers tax credits and rebates to annually report to the Legislature information including whether each tax incentive has been successful in meeting its purpose, whether the tax incentives resulted in a positive return on investment for the state, and any unintended harm or benefits that resulted. [Report Link](#)

- The amount of corporate and franchise income tax credits claimed from tax years 2005 through 2010 resulted in a tax liability reduction of approximately \$3 billion out of a total tax liability of \$5.4 billion, an average revenue loss of approximately 55 percent. The amount of individual income tax credits claimed from tax years 2005 to 2010 resulted in a tax liability reduction of approximately \$1.8 billion out of a total tax liability of \$16.5 billion, an average revenue loss of approximately 11 percent. This money may have been eligible for collection as tax revenue by the LDR if these tax credits did not exist. (*Key Audit Issues 2014, p. 4*) [Report Link](#)
- Unpaid severance taxes owed to the state may have gone undetected over the past three fiscal years because LDR turned off the non-filer program in the GenTax system in September 2010. According to LDR, this program was sending out erroneous assessments and the department was receiving complaints. (*Key Audit Issues 2014, p. 7*) As of March 13, 2014, LDR is still working on correcting issues with the program. [Report Link](#)

5. Department of Natural Resources

- Approximately \$6 million in potentially missed revenue was due to underpaid or miscalculated mineral royalty payments. An additional \$5.8 million in late payments penalties were waived. (*Key Audit Issues 2014, p. 7*) [Report Link](#)

6. Department of Children and Family Services

- Approximately \$2.8 million in SNAP (Supplemental Nutrition Assistance Program) benefits were made to potentially ineligible recipients over fiscal years 2010, 2011, and 2012. (*Key Audit Issues 2014, p. 5*) [Report Link](#)
- The department identified improper activity by three of its former employees who received \$3,102 in SNAP benefits. In addition, the department did not maintain documentation for the Temporary Assistance to Needy Families (TANF) program (former Welfare program). DCFS policy allows the applicant to register and interview to receive TANF benefits over the phone and mail the appropriate documents at a later date. The federal government can ask the state to reimburse funds that do not have proper documentation. (*Department of Children and Family Services, December 2013*) [Report Link](#)

7. Executive Department

Office of Community Development

- Over 2,000 homeowners in the *Homeowner Assistance program* with awards totaling \$98.2 million were identified as ineligible. We identified an additional \$2.6 million in homeowner awards as noncompliant because homeowners had not provided adequate evidence of compliance with one or more award covenants to OCD. OCD states that it has begun the recapture/recovery process for these homeowners. (*Key Audit Issues 2014, p. 20*) [Report Link](#)

- Small Rental Property Program (SRPP) loans totaling over \$46 million were not compliant with loan requirements. OCD has begun implementing the SRPP Non-Compliance Mitigation Plan which addresses loan recovery, loan modification, and property recovery for noncompliant property owners. (*Key Audit Issues 2014, p. 20*) [Report Link](#)

8. State Retirement Systems

- Between 1987 and 2013, the combined UAL of the four systems rose from \$5.8 billion to \$19.0 billion. Roughly half of this increase is due to investment loss; the other half is due to statutory funding and benefit requirements. (*Key Audit Issues 2014, p. 8*) [Report Link](#)

9. Office of Group Benefits – Division of Administration

- The unfunded liability for other post-employment benefits (retiree health care and life insurance) was \$8.5 billion as of June 30, 2012. Louisiana has an OPEB trust fund, but no source has been designated to provide money for it. As a result, the state continues to pay for retiree health care and life insurance benefits on a pay-as-you-go basis. (*Key Audit Issues 2014, p. 9*) [Report Link](#)

10. Division of Administration

- During fiscal year 2013, the total net state tax supported debt paid was approximately 5.75 percent, or 96 percent of the statutory limit. The 5.75 percent level represents a substantial increase from the 3.78 percent level presented in the CAFR just five years ago and includes an increase in debt service payments of approximately \$145 million. The amount of debt service as a percentage of noncapital expenditures has risen from 2.3 percent to 2.8 percent during the same period. (*Key Audit Issues 2014, p. 9*) [Report Link](#)

11. Louisiana Office of Student Financial Assistance

- Louisiana spent approximately \$1.57 billion on the Taylor Opportunity Program for Students (TOPS) from fiscal years 1999 through 2012. Annual expenditures have increased by approximately 213 percent from \$53.4 million in fiscal year 1999 to \$166.9 million in fiscal year 2012. In addition, Louisiana spent approximately \$165 million on TOPS awards for 42,301 students who had their award cancelled from academic years 2002-2003 through 2008-2009. Of those students, 23,676 (56 percent) had their award cancelled in the first year of postsecondary education. (*Key Audit Issues 2014, p. 10*) [Report Link](#)

12. Department of Education

- Funding for the Student Scholarships for Educational Excellence Program has risen from \$8.9 million in 2011-2012 to \$44.6 million in 2013-2014. During academic year 2012-2013, the student proficiency rating for 33 of the 118 schools

in the program for more than one year was 41.8 percent. (*Key Audit Issues 2014, p. 12*) [Report Link](#)

13. Department of Environmental Quality

- DEQ has not implemented effective monitoring procedures over the Waste Tire Management Program to ensure that waste tire data used to calculate subsidized payments to waste tire processors is reasonable. This increases the risk that subsidies to waste tire processors could be based on inaccurate data, resulting in overpayments. From July 1, 2011, to June 30, 2013, DEQ disbursed \$19.2 million in subsidies to five waste tire processors. (*Department of Environmental Quality, November 2013*) [Report Link](#)

14. Department of Transportation and Development

- During fiscal year 2013, DOTD did not adequately monitor over \$1.1 million in fuel and related expenditures incurred by its headquarters section employees through the Fueltrac purchasing system, increasing the risk of fraud and abuse. Seven of 15 vehicles tested had more gallons of gas purchased per the Fueltrac report than listed on the vehicle log, and we noted one missing vehicle log. DOTD does not require a reconciliation of each vehicle's fuel card purchases per the Fueltrac system to the associated vehicle log and does not require a review of the reasonableness of gallons purchased for the actual miles traveled for each vehicle. (*Department of Transportation and Development, December 2013*) [Report Link](#)

15. Office of Juvenile Justice

- OJJ did not properly review Foster Care program reimbursement requests, as prepared by the Department of Public Safety, resulting in an estimated \$1.6 million in under billed federal funds and overbillings of \$138,762, which if disallowed may need to be returned to the federal grantor. These errors occurred because DPS personnel now prepare the reimbursement requests, and OJJ management has not implemented a sufficient communication or review process to ensure that the components of calculations for reimbursement requests are accurate and in compliance with contracts and program regulations. (*Department of Public Safety and Corrections - Youth Services - Office of Juvenile Justice, December 2013*) [Report Link](#)

16. Louisiana Workforce Commission

- Approximately \$30.5 million, including \$419,201 in American Recovery and Reinvestment Act funds, was provided to subrecipients of the Workforce Investment Act Cluster program who were not adequately monitored by LWC. LWC management indicated that a significant reduction in federal funding did not allow them to continue on-site monitoring reviews and requested a partial waiver of this requirement from the U.S. Department of Labor. The department has

indicated that they have begun desk reviews for nine of the 18 subrecipients and expect to complete these reviews before the end of the fiscal year. (*Key Audit Issues 2014, p. 15*) [Report Link](#)

17. Louisiana Tax Commission

- LTC did not ensure that residential property tax assessments were accurate. The commission approved more than \$118 million in assessment decreases and \$10 million in increases between 2010 and 2012 without determining the accuracy of the new assessments. Commission members also did not make sure that parish tax assessors reappraised residential properties every four years as required by the constitution. (*Key Audit Issues 2014, p. 14*) [Report Link](#)

18. Office of Motor Vehicles

- OMV saved at least \$3.3 million in fiscal year 2012 by contracting with public tag agents (PTAs) to provide vehicle registration services. For providing these, PTAs are permitted to charge consumers a convenience fee up to \$18 per transaction. However, OMV did not monitor the fees charged by PTAs. In addition, the Department of Public Safety only conducted audits on about one third of PTAs during fiscal year 2012. (*Key Audit Issues 2014, p. 14*). According to DPS, it created the Compliance Review Division in November 2013 to audit PTAs and auto title companies. [Report Link](#)

19. Governor's Office of Homeland Security and Emergency Preparedness

- Approximately \$62.3 million in sub-grantee (local governments, state agencies, local nonprofits) FEMA reimbursements were unsupported during the Legislative Auditor's review from January to June 2013. (*Key Audit Issues 2014, p. 19*) [Report Link](#)

20. Boards, Commissions, and Like Entities

- Louisiana ranks 1st among southeastern states in the number of boards and commissions with 485.
- Currently, 257 of these entities pay per diem, salaries, and/or travel of the board members. The 2013 and 2012 actual amounts totaled \$1,163,133 and \$1,199,247 for per diem payments; \$3,316,107 and \$2,008,844 for board member salaries; and \$2,489,761 and \$2,204,437 for board member travel, respectively.
- Twenty-seven boards, commissions, and like entities that were created during 2011 or earlier have never been fully organized, have disbanded, or are currently inactive. The legislature and/or governor should consider abolishing these entities. (*Boards, Commissions, and Like Entities, December 2013*) [Report Link](#)

21. Louisiana Transportation Authority

- LTA does not have adequate controls in place to ensure that all toll revenues are being collected and deposited, increasing the risk of misappropriation and resulting in a potential loss of toll revenues. LTA prepares daily reconciliations between system-calculated tolls using the treadle counts and the amount of tolls deposited; however, procedures do not define what is considered an acceptable variance and there are no prescribed actions to be taken in response to unacceptable variances and potential fraud. It was also noted that these reconciliations were not performed for three months of the fiscal year. In addition, violation images cited in 2012 as being unprocessed and unbilled were processed in 2013; however still remained unbilled, increasing the risk of accounts becoming uncollectible. (*Louisiana Transportation Authority, November 2013*) [Report Link](#)

22. Louisiana State University

Health Care Services Division

- Costs associated with privatization of hospitals include one-time termination pay of approximately \$29 million, unemployment costs of approximately \$13 million, and health insurance and life insurance legacy costs of approximately \$26 million to be paid annually. According to Health Care Services Division management, the Department of Health and Hospitals and the Division of Administration are working to find a mechanism to fund the costs. (*Key Audit Issues 2014, pp. 13-14*) [Report Link](#)
- University Medical Center in Lafayette charged patients approximately \$395,000 for services that were not provided. (*Key Audit Issues 2014, p. 17*) [Report Link](#)

23. Southern University Law Center

- Approximately \$283,000 in checks, cash, and money orders were not deposited into the Law Center's bank account (*Key Audit Issues 2014, p. 18*) [Report Link](#)

24. Baton Rouge Community College

- Baton Rouge Community College overpaid 95 faculty members more than \$500,000 and is not adequately monitoring the recoupment of these overpayments. (*Key Audit Issues 2014, p. 17*) [Report Link](#)

25. Bossier Parish Community College

- The college disbursed an unknown number of refunds to students in excess of the amounts they were due. An audit sample of 19 students with outstanding balances revealed excessive refunds totaling \$40,151. The college subsequently billed students for outstanding balances but was unable to determine which portion of the outstanding balances related to the excessive refunds. This issue resulted, in large part, from a lack of understanding of how to use the new LCTCS accounting system. (*Bossier Parish Community College, December 2013*) [Report Link](#)

26. Louisiana Tech University

- The university did not have adequate controls over monies collected at several locations on campus, such as proper segregation of duties, resulting in a \$50,891 theft. (*Louisiana Tech University, December 2013*) [Report Link](#)

27. University of Louisiana at Lafayette

- The New Iberia Research Center (NIRC) lacked controls to prevent or timely detect approximately \$26,000 in misappropriated assets. [Report Link](#)
- Audit procedures performed on 45 receipts at three of the University's collection points disclosed that seven receipts totaling \$1,998,322 were not deposited timely. [Report Link](#)