

EXECUTIVE DEPARTMENT  
STATE OF LOUISIANA



MANAGEMENT LETTER  
ISSUED MAY 23, 2012

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

**LEGISLATIVE AUDITOR**  
DARYL G. PURPERA, CPA, CFE

**FIRST ASSISTANT LEGISLATIVE AUDITOR**  
**AND STATE AUDIT SERVICES**  
PAUL E. PENDAS, CPA

**DIRECTOR OF FINANCIAL AUDIT**  
THOMAS H. COLE, CPA

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 Louisiana Legislative Auditor.

This document is produced by the Louisiana Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. One copy of this public document was produced at an approximate cost of \$5.74. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at [www.la.la.gov](http://www.la.la.gov). When contacting the office, you may refer to Agency ID No. 3533 or Report ID No. 80110040 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Kerry Fitzgerald, Chief Administrative Officer, at 225-339-3800.

## EXECUTIVE SUMMARY

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Our procedures at the Executive Department for the period July 1, 2010, through June 30, 2011, disclosed the following:

- Our review of 45 homeowners participating in the Homeowners Assistance Program under the Community Development Block Grant (CDBG) program disclosed that 24 (53%) of these homeowners with awards totaling \$1,547,795 had not provided adequate evidence of compliance with one or more award covenants to the Office of Community Development (OCD).
- Our review of 30 property owners with Small Rental Property Program loans disclosed that 13 (43%) of these property owners, with loans totaling \$1,414,541, failed to provide adequate evidence of compliance with one or more requirements in the loan agreement, which indicates a potential default on the loans.
- Between February 1, 2009, and September 30, 2011, the state lost \$385,845 and potentially violated the Louisiana Constitution because it did not adequately monitor and pursue the collection of employees' delinquent credit card balances within the Statewide Travel Card program.
- Our review of six Coastal Impact Assistance Program vendor contracts disclosed that five (83%) had no evidence of verification that the contracting party was not suspended, debarred, or otherwise excluded from doing business with the federal government.
- DOA, Office of Facility Planning and Control did not submit an accurate Annual Financial Report to the Office of Statewide Reporting and Accounting Policy. Total deferred revenue was overstated by \$23.8 million and accounts receivable was understated by \$17.2 million.

This report is a public report and has been distributed to state officials. We appreciate the Executive Department's assistance in the successful completion of our work.



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

April 4, 2012

**EXECUTIVE DEPARTMENT**  
**STATE OF LOUISIANA**  
Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the State of Louisiana's financial statements for the fiscal year ended June 30, 2011, we conducted certain procedures at the Executive Department for the period from July 1, 2010, through June 30, 2011.

- Our auditors obtained and documented an understanding of the department's operations and system of internal controls, including internal controls over major federal award programs administered by the department through inquiry, observation, and review of its policies and procedures documentation, including a review of the related laws and regulations applicable to the department.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using the department's annual financial reports and/or system-generated reports and obtained explanations from management of any significant variances.
- Our auditors reviewed the status of the findings identified in the prior year report on the department, dated March 4, 2011. The prior year finding relating to inadequate recovery of Homeowner Assistance Program awards has not been resolved and is addressed again in this letter. The following prior year findings have been resolved:

Division of Administration

- Noncompliance With Level of Effort Requirements
- Noncompliance With Procurement, Suspension, and Debarment Compliance Requirement and State Purchasing Regulations

Office of Community Development

- Noncompliance With Federal Reporting Requirements
- Noncompliance With Subrecipient Monitoring Compliance Requirements
- Duplication of Benefits Under the Homeowner Assistance Program and the Small Rental Property Program
- Noncompliance With A-87 Allowable Cost Principles for the Road Home Program
- Noncompliance With Procurement, Suspension, and Debarment Compliance Requirement

Patient's Compensation Fund

- Inaccurate Annual Fiscal Report

Our auditors considered internal control over financial reporting and examined evidence supporting the following:

- Division of Administration's (DOA) general fund revenues, accounts receivable, expenditures, accounts payable, and deferred revenue relating to the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CDBG, CFDA 14.228) disaster funds and the State Fiscal Stabilization Fund (SFSF) Cluster (CFDA 84.394, 84.397)
- DOA, Office of Facility Planning and Control's capital outlay escrow fund nonpayroll expenditures, intergovernmental revenues, contract and retainage payables, and deferred revenues
- Patient Compensation Fund's (PCF) surcharge revenues, claim expenses, claim liabilities, and deferred revenues
- DOA's cooperative endeavors

We also tested the Executive Department's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements, as part of our audit of the state's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011, in accordance with *Government Auditing Standards*.

Our auditors performed internal control and compliance testing in accordance with Office of Management and Budget (OMB) Circular A-133 on the following federal programs for the fiscal year ended June 30, 2011, as part of the Single Audit for the State of Louisiana:

- CDBG (CFDA 14.228)
- Coastal Impact Assistance Program (CIAP, CFDA 15.426)
- State Energy Program (CFDA 81.041)
- SFSF Cluster (CFDA 84.394, 84.397)
- Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA 97.036)
- Hazard Mitigation Grant Program (CFDA 97.039)

The Annual Financial Reports of the Executive Department were not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. The department's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. The findings included in this management letter that are required to be reported by *Government Auditing Standards* are also included in the State of Louisiana's Single Audit Report for the year ended June 30, 2011.

The following significant findings are included in this report for management's consideration.

#### **Inadequate Grant Recovery of Homeowners Assistance Program Awards**

Our review of 45 homeowners participating in the Homeowners Assistance Program (HAP) under the CDBG Program disclosed that 24 (53%) of these homeowners with awards totaling \$1,547,795 had not provided adequate evidence of compliance with one or more award covenants to the DOA, Office of Community Development (OCD) Disaster Recovery Unit as required, which results in questioned costs. Sixteen (36%) of those homeowners were completely unresponsive to OCD's request for evidence of compliance. An award covenant is a requirement that must be met to participate in the program.

In response to hurricanes Katrina and Rita, the state was awarded approximately \$9.5 billion to administer the HAP, as part of the Road Home program, in accordance with its Action Plan approved by the U.S. Department of Housing and Urban Development (HUD). The state's Action Plan stipulates that eligible homeowners must agree in legally binding documents, referred to as covenants, to follow through on certain future actions

in exchange for up to \$150,000 in compensation for their damaged property. Funds are disbursed to the homeowner upon the effective date of signing the covenant which is referred to as the closing date. Occupancy and insurance covenants relating to the damaged property or replacement property expire three years after the closing date. Homeowners are required to occupy their damaged property or replacement property within three years of the closing date, maintain homeowners insurance on their property, and maintain flood insurance, if necessary. The homeowners must continue to occupy the damaged or replacement property until the covenant expires. For those homeowners choosing to reoccupy their damaged property, any required elevation must conform to the advisory base flood elevation regulation for the parish in which their home is located. In addition, the homeowners agree in the covenant to provide OCD with evidence of their compliance with covenants and grant agreements within three years of the closing date. The state's Action Plan states homeowners that fail to meet all of the program's requirements may not receive benefits or may be required to repay all or some of the compensation received back to the program.

As of November 21, 2011, OCD has not initiated grant recovery from any of these homeowners. OCD's failure to recover benefits from noncompliant homeowners could result in disallowed costs; however, in a meeting with a representative of HUD, we were told that the state and HUD continue to modify program regulations retroactively and resolve issues of noncompliance in efforts to get more award recipients in compliance with program regulations. Therefore, it was unlikely HUD would request repayment of some portion of these funds from the state. With 90,714 homeowner awards totaling over \$5.8 billion that reached the three-year covenant compliance expiration date on or before June 30, 2011, we recommend OCD and HUD management agree on those compliance aspects of this program that will be enforced and formalize this in an agreement and/or state Action Plan amendment. We caution that the longer program regulations continue to be modified retroactively and enforcement delayed, the less chance the state has to recover award payments from recipients that did not spend the money appropriately, and the state could be liable to repay those funds to the federal government. Management did not concur with the finding since there is a grant recovery process in place in cases of fraud or duplication of benefits and since management does not consider an applicant noncompliant because the documentation has not been returned. However, management acknowledged in the response that "no grant recovery actions have been initiated against any of the applicants in the LLA sample." Rather, the department is working with HUD to change program regulations in efforts to bring applicants into compliance. The department concurred with the recommendation and plans to work with HUD to finalize program and policy changes and "refine processes for recapturing funds where appropriate." (See Appendix A, pages 1-3.)

**Additional Comments:** The lack of supporting documentation is an indication of potential noncompliance. We consider these questioned costs because the covenant period has elapsed, during which time the applicant was required to provide evidence demonstrating compliance with the required covenants. We would also like to re-emphasize that the longer program regulations are modified and enforcement actions delayed, the less chance the state has to recover award payments from recipients that did

not spend the money appropriately, and the state could be liable to repay those funds to the federal government.

### **Inadequate Recovery of Small Rental Property Program Loans**

Our review of 30 property owners with Small Rental Property Program (SRPP) loans under the CDBG Program disclosed that 13 (43%) of these property owners, with loans totaling \$1,414,541, failed to provide adequate evidence of compliance with one or more requirements in the loan agreement to OCD, which indicates a potential default on the loans. Because these property owners have not provided evidence of compliance with the loan agreement and OCD has not initiated loan recovery, we consider these loan amounts to be questioned costs which, if disallowed, may be due back to the federal grantor.

In response to hurricanes Katrina and Rita, the state was awarded and has allocated approximately \$669 million to the SRPP, as part of the Road Home program. In accordance with the state's HUD approved Action Plan Amendment 24, the SRPP offers forgivable loans to qualified property owners who agree to offer rental properties at affordable rents to be occupied by lower income households. In exchange for accepting loans ranging between \$10,000 and \$100,000 per rental unit, property owners are required to accept limitations on rents and incomes of renters during an affordability period ranging between three and 20 years. The loan amounts are determined based on location of property, number of bedrooms, and the poverty level of the renter. In addition to accepting limitations on rents and income of renters, property owners also agree to maintain property insurance and maintain flood insurance, if necessary. These requirements become effective one year after the closing date and remain until the expiration of the affordability period. According to the loan agreements, failure to comply with any of the loan requirements shall constitute default and mandatory repayment. Good internal controls would ensure that policies and procedures are in place with an established timeline to monitor compliance with the loan agreements and provide for specific actions (i.e., declare loan defaulted and demand repayment) if a property owner does not provide evidence of compliance as required by the loan agreement.

Policies and procedures were developed and implemented to identify noncompliant property owners; however, policies and procedures have not been developed to address the recovery of loans for identified noncompliant property owners. OCD's failure to take appropriate action to recover loans from noncompliant property owners could result in disallowed costs. OCD management should allocate additional resources to create and implement procedures to recover loans from property owners that fail to comply with program requirements. Management concurred with the finding and recommendation and provided a corrective action plan. (See Appendix A, pages 4-5.)

### **Inadequate Monitoring of Credit Cards Issued to Employees**

Between February 1, 2009, and September 30, 2011, the State of Louisiana lost \$385,845 and potentially violated the Louisiana Constitution because it did not adequately monitor and pursue the collection of state agency and university employees' delinquent credit card balances within the Statewide Travel Card program.

During this period, the credit card issuer for the Statewide Travel Card program wrote off \$385,845 of state agency and university employees' uncollected balances that had remained delinquent for six months. Since the card issuer deducts uncollected balances from the state's annual rebate from the program and the state did not adequately monitor and pursue collection of the delinquent balances from the employees, the state lost these funds and potentially violated Article VII, Section 14 the Louisiana Constitution which prohibits the donation or loaning of public money.

DOA, Office of State Purchasing (OSP), did not ensure that state agencies and universities participating in the Statewide Travel Card program appropriately monitored its employees' delinquent balances and did not ensure that timely collection efforts were pursued. In addition, OSP did not establish a policy or procedure to require participating entities to offset future travel reimbursements for employees with delinquent balances and none of the 12 entities examined instituted such a control. As listed in the following table, there were 404 employees at 47 state agencies and universities with unpaid balances that were written off by the card issuer. We reviewed the internal controls over monitoring delinquent balances at the first 12 of the 47 agencies and universities listed in the following table.

Delinquent balances written off by card issuer between  
February 1, 2009, and September 30, 2011

<u>Agency or University</u>	Number of Delinquent Balances Written Off	Potential Funds Lost Due to Write-Offs
Children and Family Services	98	\$76,197
Health and Hospitals	50	40,543
Grambling State University	26	34,442
Department of Education	30	20,496
Louisiana State University	18	15,798
Southern University - Baton Rouge Campus	15	14,912
LSU Health Sciences Center - New Orleans	9	13,600
University of New Orleans	15	13,238
Southern University - Shreveport Campus	11	11,662
LSU Agriculture Center	9	10,862
Northwestern State University	7	9,914
University of Louisiana at Monroe	9	9,408
Department of Public Safety	10	8,845

<u>Agency or University</u>	<u>Number of Delinquent Balances Written Off</u>	<u>Potential Funds Lost Due to Write-Offs</u>
Department of Insurance	5	\$8,100
LSU Health Sciences Center - Shreveport	3	7,094
Department of Corrections	3	6,700
Southern University System Office	3	6,507
Office of Financial Institutions	2	6,252
Baton Rouge Community College	6	6,033
Nicholls State University	3	5,943
Louisiana Workforce Commission	5	5,818
Department of Agriculture and Forestry	4	5,520
Department of Culture, Recreation and Tourism	3	5,094
University of Louisiana at Lafayette	4	4,475
Department of Revenue	3	4,426
Department of Transportation and Development	3	3,718
Department of Military	8	3,590
Louisiana Tech University	4	3,406
Southeastern Louisiana University	8	3,326
Office of Youth Development	5	3,302
Southern University Agricultural Research and Extension Center	3	2,372
Sowela Technical Community College	2	2,163
Southern University - New Orleans Campus	3	2,071
Capital Area Technical College	1	1,791
Louisiana Housing Finance Agency	2	1,387
Delgado Community College	1	1,171
Office of the Governor	2	962
Louisiana River Parish Community College	1	941
Department of Environmental Quality	2	813
Department of Justice	1	670
Louisiana Commission on Law Enforcement	1	635
South Louisiana Community College	1	420
South Central Louisiana Technical College	1	412
Department of Wildlife and Fisheries	1	326
Division of Administration	1	321
Office of Risk Management	1	100
Bossier Parish Community College	1	69
	<u>404</u>	<u>\$385,845</u>

**Source:** The table above was created by LLA using unaudited information provided by OSP.

Our review of the 12 agencies and universities disclosed the following:

- Three (25%) failed to monitor the monthly delinquent reports provided by the card issuer.
- Four (33%) failed to notify and advise employees with delinquent balances to pay their outstanding balances.
- Ten (83%) failed to notify the employees' supervisors of the delinquent balances.

In addition, 170 of 319 (53%) employees at the 12 agencies and universities we reviewed are no longer employed by that entity, which limits the ability to collect on outstanding balances and/or recoup balances that have been written off and offset from the state's annual rebates.

As the administrator of the Statewide Travel Card program, OSP should ensure that good internal controls over monitoring delinquent balances are in place at state agencies and universities participating in the program. Good internal controls should ensure that employees' delinquent balances are monitored monthly and appropriate action is taken by management at state agencies and universities, including measures such as suspending travel privileges, withholding employees' future travel reimbursement requests until the delinquent account balances are paid, and/or denying employees' future participation in the program.

Although OSP sent a memo to agency administrators in 2005 addressing the responsibility to monitor delinquent balances, and OSP represents that it addresses this responsibility in the administrator training, the results of our testing disclose that participating agencies are not adequately monitoring delinquent balances. Failure to adequately monitor delinquent balances and ensure payment by the cardholder results in a potential violation of the Louisiana Constitution and a loss of state funds to cover accounts written off by the card issuer. Article VII, Section 14(A) of the Louisiana Constitution of 1974, as amended, 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, or donated to or for any person, association, or corporation, public or private."

OSP should ensure state agencies and universities participating in the State Travel Card program have adequate controls in place by reviewing their policies and procedures, conducting periodic audits, and implementing penalties for those entities that do not adequately monitor delinquent accounts. In addition, OSP should pursue collection on those accounts previously written off to recoup the state funds used to resolve those delinquent balances. Management partially concurred with the finding, but stated that even though the state was unable to capture \$385,845 in available rebates, it is management's opinion that the failure to capture rebate opportunities is not a donation or loan of public monies. (See Appendix A, pages 6-20.)

**Additional Comments:** The memo attached to management's response dated March 17, 2009, states that this program is designed to enable employees to purchase items for official state business with the understanding that each employee immediately seek reimbursement for those expenses. The memo dated February 9, 2005, further states that "upon receiving reimbursement for travel expenses they are required to pay off their travel VISA card." This program allows employees to incur costs and charge them to a credit card account and then request and receive reimbursement from the state for those costs. The state appears to be donating public funds to those employees who fail to pay the costs that they have incurred and have agreed to pay under the program.

### **Noncompliance With Procurement and Suspension and Debarment Requirements**

Our review of six Office of Coastal Protection and Restoration (OCPR) vendor contracts for the Coastal Impact Assistance Program disclosed that five (83%) had no evidence of verification that the contracting party was not suspended, debarred, or otherwise excluded from doing business with the federal government. Any federal funds paid to a suspended or debarred entity could result in disallowed costs that would need to be returned to the federal grantor.

OCPR does not have a formal department-wide policy requiring that responsible personnel ensure the contracting entity is not suspended or debarred by the federal government. Department personnel confirmed that this deficiency is department-wide. Additional federal programs affected by this control deficiency are Habitat Conservation; Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act; and Coastal Wetlands Planning Protection and Restoration Act.

The lack of a formal department-wide policy to comply with the federal suspension and debarment requirements increases the risk of OCPR contracting with entities that have been suspended or debarred by the federal government.

Management should establish a department-wide policy to ensure that it is contracting with entities that are not suspended, debarred, or otherwise excluded from doing business with the federal government. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity to ensure that contracting entities paid with federal funds are not suspended or debarred. The electronic version of the EPLS can be accessed on the Internet (<http://epls.gov>). Management concurred with the finding and recommendation and provided a corrective action plan. (See Appendix A, page 21.)

### **Inaccurate Annual Financial Report**

The Office of Facility Planning and Control (FPC) did not submit an accurate Annual Financial Report (AFR) to the DOA, Office of Statewide Reporting and Accounting Policy (OSRAP). Audit procedures revealed that the AFR contained significant and material errors requiring adjustment. Total deferred revenue (note E, Deferred Revenue) was overstated by \$23.8 million and accounts receivable (Schedule 14) was understated by \$17.2 million as follows:

- Deferred revenue from the Office of Risk Management (ORM) was overstated by \$12.8 million and accounts receivable from ORM were understated by \$17.2 million because insurance proceeds refunded to ORM totaling \$30 million were not properly posted in LA Recovery, FPC's subsidiary disaster recovery tracking system.
- Deferred revenue from the Governor's Office of Homeland Security was overstated by \$9.8 million because FPC failed to properly remove 13<sup>th</sup> period expenditures relating to the University Medical Center project.
- FPC double-counted \$1.2 million in deferred revenue from ORM in error, which resulted in an overstatement of deferred revenue from other agencies.

Management did not have a reconciliation process in place to ensure the completeness of transactions posted in LA Recovery. In addition, management does not have an adequate compilation and review process to ensure its AFR is presented in accordance with Governmental Accounting Standards Board and OSRAP reporting requirements. Failure to reconcile subsidiary systems to the general ledger and failure to properly compile and review the AFR increases the likelihood that errors and omissions, either intentional or unintentional, may occur and remain undetected. In addition, the failure to submit an accurate AFR could delay the issuance of the state's CAFR.

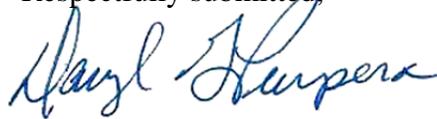
Louisiana Revised Statute 39:79 authorizes the commissioner of administration to establish the content and format of each state entity's AFR and requires a signed affidavit that the AFR presents fairly the financial position of the entity. Good internal control over financial reporting should include adequate procedures to record, process, and transmit financial data needed to prepare an accurate and complete AFR and a review process that will identify preparation errors and correct those errors before submitting the AFR to OSRAP for inclusion in the state's CAFR.

FPC management should strengthen its internal controls over the financial reporting process to include reconciliations of subsidiary systems used in financial reporting to the general ledger and a thorough review of the AFR to identify and correct errors before it is submitted to OSRAP. Management concurred with the finding and recommendations and provided a corrective action plan. (See Appendix A, pages 22-24.)

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

This letter is intended for the information and use of the Executive Department and its management, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this letter is a public document and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE  
Legislative Auditor

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EXECUTIVE 2011

## APPENDIX A

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### Management's Corrective Action Plans and Responses to the Findings and Recommendations



**State of Louisiana**  
Division of Administration  
**Office of Community Development**  
**Disaster Recovery Unit**

March 21, 2012

Mr. Daryl G. Purpera, CPA  
Legislative Auditor  
Louisiana Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

RE: Inadequate Grant Recovery of Homeowners Assistance Program Awards

Dear Mr. Purpera:

As requested in the Louisiana Legislative Auditor's letter dated February 29, 2012, the Division of Administration, Office of Community Development, Disaster Recovery Unit (OCD/DRU) is submitting its response to the audit finding titled "Inadequate Grant Recovery of Homeowners Assistance Program Awards." OCD/DRU does not concur with this finding as a general statement with respect to the Homeowner Assistance Program (HAP), but does acknowledge that no grant recovery actions have been initiated against any of the applicants in the LLA's sample. As stated in the finding, OCD has and continues to prioritize homeowner recovery and compliance over recapture, except in those cases where there is suspected fraud or duplication of benefits. In those cases, we have been and continue to aggressively pursue grant recovery. With that said, we agree with the recommendation included in the finding, and will continue working with the U.S. Department of Housing and Urban Development (HUD) to finalize program and policy changes to assist more applicants in becoming compliant, and to refine processes for recapturing funds where appropriate.

OCD/DRU is exercising due diligence in bringing applicants into compliance or recapturing funds and is confident that we are currently complying with the requirements and expectations of the U.S. Department of Housing and Urban Development (HUD). Community Development Block Grant (CDBG) regulations grant States maximum feasible deference in providing disaster assistance; thereby giving OCD/DRU flexibility to modify Program requirements to bring noncompliant applicants into compliance, and at the same time providing HUD the flexibility to approve such program changes. Also, the federal CDBG disaster grants, unlike the regular CDBG program grants, are not appropriated for a specific timeframe; providing time for OCD/DRU to develop, implement, and modify program requirements to better address disaster

needs. OCD/DRU is identifying noncompliant homeowners and then providing assistance by various means to bring applicants into compliance prior to recapturing funds. In addition, OCD/DRU is in compliance with OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, in that, OCD/DRU has assumed responsibility for administering federal awards in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the federal award.

OCD/DRU has diligently pursued identifying noncompliant homeowners, while also working closely with the federal agency that oversees our funds. Currently, our primary focus with respect to homeowner compliance is to assist homeowners in achieving and maintaining compliance. HUD is very aware and supportive of OCD/DRU's efforts to provide multiple avenues to help homeowners achieve compliance prior to pursuing recapture of grant funds. In fact, HUD has not given the state a deadline for recapturing funds, preferring that we find ways to bring homeowners into compliance, and HUD continues to provide assistance and guidance to OCD/DRU in identifying various means to assist homeowners to achieve compliance.

To this end, HUD issued new guidance in November of 2011 that stipulates that the state may look at a homeowner's unmet needs or a change in circumstances in determining how to move forward with determining that homeowner's compliance. In light of this new guidance, OCD-DRU is evaluating the best way to move forward with these homeowners.

More specifically, OCD/DRU does not concur with this finding as a general statement with respect to the HAP for the following reasons:

- The Grant Recovery process is in place and OCD continues to recover funds from applicants where fraud or duplication of benefits is concluded.
- Applicants are not non-compliant solely because the documentation has not been returned by a homeowner, as this finding implies. On-site Field reviews have consistently revealed the opposite to be true, with more than 80 percent of those nonresponsive applicants reviewed passing visual field inspection. While this percentage is lower than those who respond, the field reviews conducted conclude that many of the damaged dwellings are indeed repaired and occupied.

Through their November 2011 guidance, HUD recognized the current status and provided guidelines as follow:

*“Long-term recovery is a process; however, disaster recovery needs are calculated at points in time. As a result, a subsequent change in circumstances can affect need. If, after needs are initially calculated and/or a CDBG award has been made, an applicant for CDBG disaster recovery assistance can demonstrate a change in circumstances, such as vandalism, contractor fraud, increase in the cost of materials*

Mr. Daryl Purpera, CPA  
March 21, 2012  
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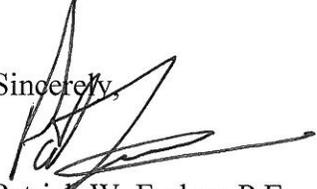
*and/or labor, a change in local zoning law or building code, or subsequent damage to a home partially repaired, the grantee may subsequently reevaluate the calculation of the award by taking into account the increased need.”*

These recently received guidelines allow and encourage the State to continue working with HUD to establish clear unmet needs policies, and that process is ongoing. It is not the intention of the State to prematurely send someone to recovery for recapture of funds, as we agree with HUD and recognize that long term recovery is a process with many challenges that Louisiana residences tackle even after being awarded a grant. Our position is to work with the applicant to obtain the documentation needed for compliance or to establish the unmet need through continued outreach and communication.

In conclusion, OCR/DRU will continue to follow current policies and procedures to determine homeowner compliance with the Road Home covenants, continue to work with HUD to modify Program regulations/requirements to resolve issues of noncompliance in efforts to assist award recipients become compliant, and to implement grant recovery for homeowners where necessary. Ms. Lara Robertson, DRU Deputy Director, and Mr. Jeff Haley, Single Family Housing Manager, are responsible for continued efforts regarding compliance and grant recovery.

If you have questions or require additional information, please let me know.

Sincerely,



Patrick W. Forbes, P.E.  
Executive Director  
Office of Community Development/DRU

C: Mr. Paul Rainwater  
Mr. Michael DiResto  
Mr. Steven Procopio  
Ms. Marsha Guedry

BOBBY JINDAL  
GOVERNOR



PAUL W. RAINWATER  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of Community Development**  
**Disaster Recovery Unit**

February 17, 2012

Mr. Daryl G. Purpera, CPA  
Legislative Auditor  
Louisiana Legislative Auditor  
1600 North Third Street  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

RE: Single Audit Finding - Inadequate Recovery of Small Rental Property Program Loans

Dear Mr. Purpera:

As requested in the Legislative Auditor's letter dated February 3, 2012, the Division of Administration, Office of Community Development, Disaster Recovery Unit (OCD-DRU) is submitting its response to the audit finding titled "Inadequate Recovery of Small Rental Property Program Loans." OCD-DRU concurs with the finding, to the extent that processes and procedures have not been developed to address the recovery of funds from owners identified as "non-compliant."

OCD-DRU fully recognizes the need for processes and procedures relevant to recapture/recovery and is in the process of developing these protocols. Currently, the SRPP's primary focus with respect to continued owners' obligations post-closing is to assist property owners in achieving and maintaining compliance, as opposed to foreclosure and/or recapturing funds. This approach helps low-to moderate income families return home and live in a safe, sanitary, and habitable dwelling at reduced rental rates, which meets the SRPP's overall mission of restoring affordable rental housing.

The program's approach of assisting non-compliant property owners to help them come into compliance with program rules is producing results. At the commencement of this audit and at the time of the original compliance review, there was a 57% non-compliance rate among the 30 property owners selected in your sample (17 out of 30). By the conclusion of the audit, however, the non-compliance rate had been reduced to 43.33%, as four (4) of seventeen (17) property owners became compliant during that period through program efforts. Subsequent to the LLA review, another two (2) of the remaining thirteen (13) property owners listed in your sample population as non-compliant have become compliant with the Program and have been issued a

Mr. Daryl Purpera, CPA  
February 17, 2012  
Page 2

pass notification letter. Further, one additional property owner has faxed in documentation since the audit and this documentation is pending the Program's review.

Unlike traditional grant programs, SRPP establishes the State's lien position upon closing, and can file a lien at any point, and ultimately go into foreclosure. Doing so would ultimately force the State to become a landlord, which could lead to unexpected costs and challenges. Additionally, if the State proceeds with recapture before attempting to assist landlords in becoming compliant, these properties will return to being blighted, which is counter to the program's objectives.

The following corrective action plan will be implemented: OCD-DRU will begin developing the processes and procedures for recapture, and implementation will begin immediately thereafter, in cases where it is appropriate to achieve the program objectives and maintain the compliance of the program with federal rules. The anticipated completion date for this task is April 30, 2012.

The contact person responsible for the corrective action is Bradley Sweazy, State Project Manager of the SRPP.

If you have questions or require additional information, please let me know.

Sincerely,



Patrick W. Forbes, P.E.  
Executive Director  
Office of Community Development

C: Mr. Paul Rainwater  
Mr. Steven Procopio  
Ms. Marsha Guedry

BOBBY JINDAL  
GOVERNOR



PAUL W. RAINWATER  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of State Purchasing**

March 15, 2012

Mr. Daryl G. Purpera, CPA, CFE  
Legislative Auditor  
Post Office Box 94397  
Baton Rouge, LA 70804-9397

Re: Inadequate Monitoring of Credit Cards Issued to Employees

Dear Mr. Purpera:

Introduction

I have reviewed all information presented in both the management letter finding and the single audit finding along with your letter dated March 6, 2012. I would like to thank you for the opportunity to respond to the audit finding regarding the individual liability Statewide Travel Card Program. I do not fully concur with the audit's findings or its characterizations of the program at issue.

The program was successful in that at no risk to the state, it placed bank-issued credit cards into the hands of employees to facilitate state travel. The use of credit cards saved the state time and money because of accounting efficiencies. Even though the State was unable to capture \$385,845 in available rebates, steps are being taken to "earn" these rebates through continued efforts to collect delinquent account balances. It is the opinion of this office, however, that failure to capture rebate opportunities is not a donation or loan of public monies.

Non-Concurrence

1. Was there a donation or loan of public money?

The Statewide Travel Card Program included a rebate arrangement with Bank of America which allowed the State to earn rebates when state employees paid for state travel and related purchases with Bank of America issued VISA Cards. The cards were issued solely in the name of the employee despite indices of State sponsorship, and the employee was personally liable for any charges made, including charges incurred on behalf of the State. The State had no liability on the cards. The receipt of rebates was conditioned upon participating employees paying off account balances. The failure of employees to pay account balances would result in the State's forfeiture of promised rebates. The cash rebates were gratuitous and a condition of employees paying the account balances timely.

The audit states that “between February 1, 2009 and September 30, 2011, the State of Louisiana lost \$385,845 and potentially violated the Louisiana Constitution because it did not adequately monitor and pursue the collection of state agency and university employees’ delinquent credit card balances within the Statewide Travel Card Program.” It is the position of this office that the facts of this matter do not represent a constitutional violation.

The State of Louisiana did not “lose” and did not “donate” \$385,845. The rebates in question were never realized by the State. If the state “lost” anything it was merely the opportunity or potential to recognize revenue that could be gained through the program. Bank of America specified in its agreement that it could offset rebates “owed” by the total of unpaid account balances. Such a provision is legal in that the basis of any rebate program is always conditioned upon payment of the incurred debt. We do not concur that this contractual provision violated Article VII, Section 14 of the Louisiana Constitution. Bank of America owed nothing to the State until the terms and conditions of the agreement were met. These terms include an employee paying the balance of charges to the state travel card which constitutes debt owed solely by the employee.

2. Did State Purchasing adequately monitor state agencies and universities?

The audit questions whether the Office of State Purchasing ensured that state agencies and universities that participated in the Statewide Travel Card program appropriately monitored their employees’ delinquent balances and ensured that timely collection efforts were pursued. OSP’s monitoring efforts were more than sufficient given the gratuitous nature of the rebates, the legal obstacles for collecting unearned rebates (i.e., the promise of a third party to pay) from employees, and the civil service constraints involved if OSP participated in disciplining employees of non-DOA agencies.

Due to limited staffing, the Office of State Purchasing did not have the resources to audit and monitor each agency’s delinquency reports or become a debt collector for Bank of America. This office did, however, assure that the card issuer was issuing monthly reports to the agencies/universities, issue periodic letters/emails to the agencies/universities, and provide guidance during yearly trainings sessions conducted by the State Travel Office. One Hundred and Seven (107) agencies/universities were receiving monthly delinquency reports from Bank of America. Agencies and universities were guaranteed monthly reports from Bank of America, provided with regular training, and given case-by-case guidance to enable them to monitor their own individual employee accounts.

I would like to point out some specific actions taken by this office to assist/remind the entities of their responsibility to help mitigate the problem:

- Numerous email communications during the contract period to program administrators regarding account information.

- Letter from Assistant Commissioner to all Department Heads notifying them of their responsibility for delinquent, and subsequently charged off accounts, dated February 9, 2005 (copy attached).
- Letter to program provider, Bank of America, dated February 20, 2009, requesting the change in bank procedures regarding suspended/revoked accounts. (copy attached)
- Letter to Elected Officials, Department Heads, Presidents and Travel Card Program Administrators notifying them of the requested changes in bank procedures regarding suspended/revoked accounts, dated March 17, 2009 (copy attached).
- Email to agencies with larger dollar charge off accounts including an explanation of the impact of charge off accounts, dated June 22, 2011, (copy attached as an example for all sent).
- Email to all program administrators, dated September 9, 2011, stopping the issuance of any new individual liability cards and offering assistance to get payment of delinquent/revoked accounts. In addition, shorter procedure alterations were requested of Bank of America to shorten the suspension/revocation times until full payment is received from employees (copy is attached).
- Letter from Commissioner of Administration reiterating the agency's responsibility dated November 1, 2011 (attached).
- Email dated March 1, 2012 sent to each agency that had employees with delinquent account balances reminding them of their responsibilities once again. The email included a copy of the Commissioner's letter dated November 1, 2011 (copy attached as example).

The Division of Administration's Office of General Counsel is of the opinion that the debt on the cards is owed solely by the enrolled employee. There is no legal obligation or authority for the DOA or the other participating agencies to file or to threaten legal action against delinquent card holders. Bank of America did not expect or demand this. Individual agencies could only encourage employees to honor their obligations, or discipline them if their personnel policies so allowed. An employer is obligated to reimburse employees for those expenses that have been legitimately incurred on behalf of the employer, but the obligation is not abrogated if the employee fails to pay the creditor, in this instance, Bank of America.

#### Corrective Action Plan

The Travel Card Program based on individual liability was officially terminated on December 31, 2011. A new travel card program went into effect on January 1, 2012. Unlike the previous program, this program makes the state, and not an individual cardholder, liable for payments. This change will provide the State more control and will allow participating agencies to take legal or disciplinary action against employees who abuse the program.

The new state travel card program includes a policy that does not allow an employee to participate in the program if the employee participated in the previous program, and the account was charged off or maintains a delinquent balance. The policy also requires individual accounts to be paid in full prior to the employee being considered for the new state travel card program.

Daryl Purpera, CPA

March 15, 2012

Page 4

The Office of State Travel is currently conducting spot audits statewide to ensure these policy requirements are being met. Policies for handling misuse and fraud in the new travel card program are outlined in greater detail because the state is ultimately liable for payment.

This office continues to notify agency program administrators of delinquencies as noted previously in the March 1 emails. However, much resistance is received from agencies due to the incorrect perception that this program is the responsibility of the individual cardholder. Our office is taking positive steps to correct this misperception and to emphasize that delinquencies are now a state matter in which they must support any legal means of recoupment.

In discussing the past program, the audit is correct, but fails to note the impediments where it states that "OSP did not establish a policy or procedure to require participating entities to offset future travel reimbursements for employees with delinquent balances." In practicality, without greater cooperation from participating agencies/universities, the offsetting of future travel reimbursement is not a viable option. Additionally, the suggestion of suspending future travel privileges is also non-viable when such decisions remain within the discretion of the individual agency or university. Nevertheless, this office, in consultation with our Office of General Counsel, will continue the attempt to "recoup" any available rebates withheld due to delinquent employee card accounts.

Our legal counsel is considering the legality and the ramifications of agencies encouraging or counseling their employees on an individual basis to pay their debt to Bank of America by reminding them that they were reimbursed and have taken advantage of the reimbursements for their own benefit. Under current practices, when Bank of America is paid on a delinquent account, rebates are provided. Our legal counsel is also considering the possibility of a contractual assignment or subrogation of collection rights from Bank of America whereby legal action could be taken by the state against delinquent employee card holders.

In conclusion, the previous program is no longer available as an option to assist state agencies and employees with travel expenses. Although rebates still have not been received on delinquent accounts, the State is not liable for the delinquent amounts, and the issuance of the cards was successful in facilitating and accounting for state travel. This office will take the corrective actions described above and will investigate methods which are both legal, and consistent with existing personnel policies that would allow us to recover the available rebates which have not been received.

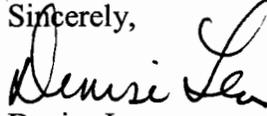
Daryl Purpera, CPA

March 15, 2012

Page 5

Again, thank you for the opportunity to respond to the finding and recommendations. If you require any additional information please contact me.

Sincerely,



Denise Lea

Assistant Commissioner

C: Paul W. Rainwater, Commissioner of Administration  
Ray Stockstill, Deputy Commissioner  
Marsha Guedry, DOA Internal Audit Administrator  
Tammy Toups, State Travel Office



State of Louisiana

DIVISION OF ADMINISTRATION  
OFFICE OF THE COMMISSIONER

KATHLEEN BABINEAUX BLANCO  
GOVERNOR

JERRY LUKE LEBLANC  
COMMISSIONER OF ADMINISTRATION

DATE: February 9, 2005

TO: All Department Heads  
FROM: Edgar Jordan, Assistant Commissioner of Administration  
RE: Travel Card Delinquent Accounts

The Division of Administration has a contract with Bank of America to provide the State with a Visa travel card program. In December 2004, Bank of America started sending monthly delinquency reports to each agency's travel card program administrator.

The terms of the travel card program provide that individual card accounts are the liability of each employee. While it is not the responsibility of a state agency to be liable for these charges, I believe it is the agency's responsibility to advise your employees that delinquencies occurred on their travel cards, jeopardize the overall program.

Therefore, I am requesting each department head to review their agency's delinquency list and take necessary action. This can be achieved by sending those employees a notice/email and remind them that the travel card is a privilege to assist them for business travel, and upon receiving reimbursement for travel expenses they are required to pay off their travel VISA card. All balances are due in full 30 days after receipt of their card statement. In the event an employee allows their account to become suspended or revoked, only Bank of America can determine whether to reinstate an account, once it is paid in full. This card is issued in the employee's name, and based on their credit history. They should also be reminded that any delinquencies will be reflected in their personal credit report.

When reviewing the report, the key factor will be indicated by the oCycles Delinquent which is reflected in the first column gAt titled: Bucket.

- > 01 0 indicates that the account is 30 days past due. 02 i indicates that the account is 60 days past due. An account will not be charged a late fee or interest until the 61<sup>st</sup> day past due. Upon the 61<sup>st</sup> day, that account will be suspended from all purchases until the account is paid in full. If paid prior to 90 days past due, that account will be reinstated to full charging privileges.
- > 03 0 indicates that the account is 90 days past due. 04 i indicates that the account is 120 days past due. 05 0 indicates that the account is 150 days past due. 06 i indicates that the account is 180 days past due. When an account reaches 90 days past due, the account is credit revoked, meaning closed. The full amount is immediately due, and this account won't be reinstated. That employee will have to re-apply for a new credit account and will be subject to credit review.

Your support in this matter is appreciated.

POST OFFICE BOX 94095 • CLAIBORNE BUILDING • BATON ROUGE, LA 70804-9095  
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**BOBBY JINDAL**  
GOVERNOR

**ANGELE DAVIS**  
COMMISSIONER OF ADMINISTRATION

## State of Louisiana

Division of Administration  
Office of State Purchasing

February 20, 2009

Mr. Terry Endres  
VP – Treasury Management Sales Officer  
Bank of America Government Treasury Services  
800 Market Street, 12<sup>th</sup> Floor  
St. Louis, Mo 63101

Re: Reinstatement Policy for State of Louisiana Corporate Travel Cards

Dear Mr. Endres:

This letter is to address Bank of America's current policy for suspending, revoking and reinstating past due accounts for the State of Louisiana corporate travel card program.

It is my understanding that currently the Bank's policy states:

- An account is suspended when it reaches 61 days past due. The suspended account will be reopened automatically through payment processing once the payment for the 61 day portion has been paid.
- If an account reaches 91 days past due, it will be cancelled as credit revoked. If it is credit revoked, the cardholder has to pay the balance in full (to zero).
- After the balance has been paid in full, the cardholder may contact their Program Administrator to re-apply for a new card (to be reinstated).
- Your policy is that a credit revoked account may be reinstated once as a one time courtesy depending on their payment history. If they are credit revoked a second time, they will not be reinstated again.

Based on the fact that the State's policy for corporate travel cardholders states that payment is due in full each month and that the card is for official state business use only, this office is requesting a change to the above.

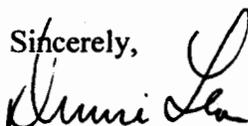
- If an account reaches 61 days past due, the account will be suspended and will not be reopened until the cardholder pays the entire balance in full; if the accounts reaches 90 days past due, without the entire balance paid in full, then credit will be revoked and the cardholder should not be allowed reinstatement rights.

Once we have finalized this change in policy we will notify the State's elected officials, department heads, presidents of colleges and universities as well as all the program administrators.

This office will assist the Bank in their development of the notification of this change in policy in regards to the warning given to any cardholder which may reach the newly implemented policy.

If you have any further questions, you may contact Tammy Toups at 225-342-8053. Thanks for your cooperation in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Denise Lea".

Denise Lea

Director of State Purchasing and Travel

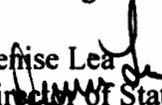
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GOVERNOR



**ANGELE DAVIS**  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
**Office of State Purchasing**

**TO:** All Elected Officials, Department Heads, Presidents  
Of Colleges and Universities and Travel Card Program Administrators

**FROM:** Denise Lea   
Director of State Purchasing and Travel

**DATE:** March 17, 2009

**RE:** Reinstatement Policy for State of Louisiana Corporate Travel Cards

The corporate travel card program was established to assist employees to pay for travel expenses incurred during official state business. It is designed to enable employees to purchase items for official state business with the convenience of a credit card to offset their cost with the understanding that each employee should immediately seek reimbursement for said expenses.

The current State of Louisiana Corporate Travel Card policy states that any balance on a travel card account is due in full each month. We continue to receive notices from the bank of our employees carrying excessive travel card delinquencies on their accounts. These delinquencies greatly impact the travel card program.

Effective immediately there will be a new reinstatement policy for all past due accounts.

- If the cardholder's account reaches 61 days past due, the account will be suspended until the cardholder has paid the entire past due balance in full.
- If the cardholder's account reaches 91 days past due without the entire past due balance being paid, the credit card will be revoked. Once a card is revoked, the cardholder's request for reinstatement will not be honored and the card account will not be reopened.

Please notify employees that will be impacted by this change. I am also requesting that new cardholders be made aware of this policy during training and completion of the application. Thank you for your cooperation in this matter.

## Tammy Toups (DOA)

---

**From:** Tammy Toups (DOA)  
**Sent:** Wednesday, June 22, 2011 10:11 AM  
**To:** Dickie Howze  
**Subject:** Corporate Travel Card Charge offs  
**Attachments:** children family services chargeoffs.xlsx

Dickie, as per our conversation, attached is a list of all employees with Department of Children & Family Services whose corporate travel card accounts have been written off by Bank of America due to non-payment. As stated in our conversation, once it is charged off by BOA, it is taken from the State of Louisiana's rebate received at the end of each contract period. These accounts, however, still need to be paid in their entirety by the employees and the state will in turn receive those credits/rebates. Your assistance is greatly appreciated. Please advise if you need any additional information. Thanks again.

*Tammy Toups*  
*Assistant Director*  
225-342-8053  
225-342-5019 (fax)

## **Tammy Toups (DOA)**

---

**Subject:** FW: State Corporate Liability Travel Card Program

**From:** Shelita Woods

**Sent:** Friday, September 09, 2011 9:35 AM

**To:** ANGIE RYMER; ANNETTE HOLCOMB; BARBARA BORDELON; BILL GRAVES; Brenda Jones; CHERYL BUNCH; CHRISTINE HURST; DESIREE HUGGINS; DEWANNA TREADWAY; DONNA D. WHITTINGTON; DONNA STELLY; ELIZABETH BYNOG; FRANCIS PORCHE; GARNETTE LISTI; GIZELLE JOHNSON; GLORIA SMITH; JOE MARIN; KANELL SHERRILL; KAREN DRAGON; KIMBERLY BRISTER ; MARC CHAUVIN; MARGARET WEBB; MARGIE BROWN; MARTHA BARDWELL; MICHAEL HUBBS; MICHELLE BREWER; MICHELLE WATSON; NICOL BLANCHARD; PAMELA MILLER; PATTI LANN; Phyllis Dupuis; RUDY GONZALES; SANDRA LEMOINE; SHANNON SEDBERRY; SHERRY ARBOUR; SHIRLEY LEE; TROY CASERTA; WILLIAM "BILL" HEBERT; Amanda Cooper; ANGELA JONES; Anne Rombach; ARTHUR FILLASTRE; Ashley Holt; BILL CURRY; Brenda Blanchard (DOA); Candy Comeaux (OYD); Carol Nacoste; Casey Tingle; Cathy Lockett (OYD); CHARO LUKE; CHERAMIE CANTOON; Cheri Scott; CYD BOWEN; DANIELLE LeBOUEF; DARNELL 'DEE' FARMER; DAVID CHERAMIE; Debbie Fontenot; DEBBIE ROUSSEL; Debra Jones (DNR); DEBRA LANGLOIS; Denise Stafford; Dennise Nastasia; DEREK LITTLE ; Dorsie Davis; Dottie Collins; Elaine Clement; Evelyn Smith; Gordon Monk; HEATHER THODE; HEIDI V. BOUDREAUX; Jane Broussard; JENIFER STALL; JERI SEILS; JOHN CATALANOTTE; John Olivier; KAREN NELMS; Karyn Andrews; Kathy Blankenship; Kathy Hernandez; KESHA MORGAN; KIM DUCOTE; KRIS HORSLEY; LATINYA YOUNG; LAUREN McHugh; Linda Kimmel; Lorraine Morrissey; Lorrie Zachary; LOTTE FARMER ; LYNETTE MACK; Margaret Higginbotham; Mark Ott; MARY ANN FREEMAN; MARY CANELLA; Melissa Kent; MELISSA MYERS; Michelle Shaffer; NANCY CAMPANELLA; NELSON GREEN; Pat Lombard; PATTI J. KLING; Peggy Matherne; PENNY RODRIGUEZ; Phyllis Case; Priscilla R. Williams (DOE); Renee Free; RHONDA BARNEY; RHONDA BERGEAUX; Richard Harbor; Richard Williams (OGB); ROBERT LAWRENCE; ROBYHN ZALFEN; SHANTEL RICHARDS; Sheila Prejean; SHERRI MEYERS; SHERYL CALMES; SONYA LaCASSE; Sonya Pulliam; STACEY BROWN; STACEY OXLEY; STEPHANIE DURAND; Stephanie Wade; STEVE BECK; TAMMY CALIX; TAMMY LOUPE; WENDY DALAWARI; ANJALENA GILLEN; ANNA AUCOIN; Barbara Goodson (Regents); Brooke Spillers Crum; Catherine Pozniak; CATHY DERBONNE; CHERRILL G. SENSEBE; CLAIRE D. GLAVIANO; CLINTON COGNEVICH; DEBBIE GIVENS; EDDYE BOENEKE; EMILY EFFERSON; Erica Matthews; HEATHER ELLIS; JACQUELINE LIVELY; JIE YU; JOANN BRISCO; Joey Watson; JOHN BARKER; JOHN ROTH; JUDY DUPUY; Kathryn Doucet; Kelley Villeneuve; KELLY PARKER; LATRICE CLARK; LUCY McCANN; LYNETTE BINNING; MALCOLM BROUSSARD; MARK HEBERT; Marlene Freeman; MARY DURHAM; MICHAEL HENDERSON; NATASHIA CARTER; PATRICIA A. OLIVER; PEYTON BURHALTER; Rhonda Rizzutto Webber; RITA ARCENEAUX; SANDY EDMONDS; TERRY MARTIN ; TERRY VICTOR; TESALIA RENER; TRACY GUIDRY; WENDY D. PARRISH; ADELL BROWN; ART LANDRY; BELINDA MACK; BENJAMIN PUGH; BETTY FUTCH; CHERYL DUNN; CINDY ARMSTRONG; DONNA CASTILLE; EARLENE CRUMPTON; EARNESTINE LEWIS; ELIZABETH RIVIERE; EVOLA BATES; HAZEL C. PITTS; JAN BERNATH; JENNIFER KELLY; JESSIE ROBERTS; JOANN M BELL; LANETTE BUIE; LARRY ESTESS; LINDA LOCHBRUNNER; LINDA ROBERSON; LINDA ROBSION; LINDSAY BERTHELOT; LISA COLE; LISA LANDRY; LORNA RAWLS; MARILYN SUE JONES; MICHAEL DAUENHAUER; MICHAEL T. FERRELL; PAM WATKINS; PATRICE GREMILLION; PETER SCHNEIDER; RAYMOND ABRAHAM; REBECCA HEBERT; ROXANE FONTENOT; SANDY WAGUESPACK; SHAKIRA HARDISON; SHERI HERREN; SUE SPEEGLE; TAMMY JERNIGAN; TERRY HALL; TONY MOUDHGIL

**Subject:** FW: State Corporate Liability Travel Card Program

On August 30<sup>th</sup>, the Travel Office announced in the monthly Undersecretary meeting that the State Corporate Individual Liability Travel Card Program would be coming to an end. We discussed the options that will be available to agencies to reimburse employees. These options include:

- Use of the employee's personal credit card
- Travel advances in accordance with PPM 49
- Offering of a state liability travel card

The state liability travel card should be available to agencies in late 2011 or early 2012. Because the employee liability card is being phased out, effective immediately, no new cards should be issued.

As a condition for the state liability program, an employee must have their individual liability account balance and/or any past revoked account balance paid in full to be able to participate. To assist you with this list, you may

use your monthly delinquent account report received from Bank of America. If an agency list of employees with revoked accounts is needed, you may contact Tammy Toups at [tammy.toups@la.gov](mailto:tammy.toups@la.gov), as she can assist with this request.

In addition to your usual monitoring of employee current accounts, effective October 5, 2011, procedures with Bank of America will be altered and any account which is delinquent for a period of 31 days or more will be suspended until the account is paid in full and any account which is delinquent for a period of 61 days or more will be permanently revoked. This decision is being made based on the terms of the program, statewide travel card policy and cardholder application, all which requires that accounts must be paid in full each month.

It is imperative that you notify all employees of the upcoming changes and the need to pay their account within the 30 day grace period to avoid suspension/revocation. As program administrator you should also be reviewing and cancelling employee accounts which have not had recent activity on their card. This will ultimately assist you with the upcoming cancellation of the program

Also, the Office of State Purchasing and Travel is in the process of developing a draft of a statewide policy to cover state liability travel cards. This policy will be sent to you in the near future for your recommendations and comments.

Please acknowledge receipt of this memorandum along with the status of your agency's delinquent/revoked account payoffs.

If you have any questions regarding this email, you may contact Tammy Toups at [tammy.toups@la.gov](mailto:tammy.toups@la.gov)

## Tammy Toups (DOA)

---

**Subject:** FW: Change in Travel Card Suspension

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**From:** Cournaya, Nancy P [mailto:nancy.p.cournaya@baml.com]  
**Sent:** Tuesday, September 06, 2011 12:22 PM  
**To:** Tammy Toups (DOA)  
**Cc:** Endres, Terry M  
**Subject:** RE: Change in Travel Card Suspension

Hi Tammy,

The change to suspend cards at 31 days past due and credit revoke cards at 61 days past due will require the Bank to create a new Delinquency and Charge Off Option for the State of LA Travel Cards and then apply it to all of your open Travel Cards (about 1100 open cards). This Option would become effective on the next billing cycle following the changes being applied to all of your open Travel Cards. Your next billing cycle is October 5<sup>th</sup>. If you want the changes to go into effect on October 5<sup>th</sup>, you need to send your request to me by Friday, September 9<sup>th</sup> at the latest. An email is sufficient.

Let me know if you have any questions or concerns.

Thanks!

Nancy

*Nancy Cournaya*

VP, Sr. Card Account Manager  
Bank of America Merrill Lynch  
MW Commercial Banking - Government  
312-992-6295 Fax 312-453-6305

---

**From:** Cournaya, Nancy P [mailto:nancy.p.cournaya@baml.com]  
**Sent:** Tuesday, August 30, 2011 4:06 PM  
**To:** Tammy Toups (DOA)  
**Cc:** Endres, Terry M  
**Subject:** Change in Travel Card Suspension

Hi Tammy,

Terry called me this morning regarding the request to reduce the number of days past due before Travel cards are suspended. Currently they are suspended at 61 days past due, and we would change to suspend the card account at 31 days past due. This seems to be the best interim solution to further reduce the amount of potential charge offs, until you convert travel to the PCard program. I just got confirmation that we can operationally make the change, and it would take about 2 – 3 weeks to implement. We would need a letter from you requesting the change be made to suspend Travel Cards that are 31 days past due. Do you have a target for when you would want the change to occur?

Thanks!

Nancy

*Nancy Cournaya*

VP, Sr. Card Account Manager  
Bank of America Merrill Lynch  
MW Commercial Banking - Government

**BOBBY JINDAL**  
GOVERNOR



**PAUL W. RAINWATER**  
COMMISSIONER OF ADMINISTRATION

**State of Louisiana**  
Division of Administration  
Office of the Commissioner

To: Elected Officials, Department Heads, and  
Commissioner of Board of Regents

From: Paul W. Rainwater *RWR*  
Commissioner of Administration

Date: November 1, 2011

Re: Individual Liability Corporate Travel Card Delinquent Accounts

Effective January 2, 2012 the state will begin the new state liability travel card and will no longer offer the individual liability corporate travel card program. The main reason this program will no longer be offered is due to the high delinquency rate and non payments of these accounts by some employees. I am again reminding your department of your responsibility to help mitigate this problem. Although the individual liability card program will terminate at the end of December, I am asking your agency to cancel any cards that will not be utilized for state business between now and the end of this calendar year.

To assist your agency in monitoring these accounts, the Office of State Travel issued a change in the current program to shorten the length of time for suspensions/revocations of accounts. Accounts are now suspended after 31 days past due and revoked after 61 days to help minimize the amount of delinquent accounts. However, even with the new policy changes and monthly notifications the delinquent accounts for state employees continue to increase.

Your employees should be made aware that any individual account that has not been paid in full will not be allowed to apply for the state liability card program. The new State of Louisiana policy will state that an employee's current account, whether active or revoked, must be paid in full to even be considered to receive a state liability card. Employees should be reminded that this program was offered to assist them in their travel expenses and when they are reimbursed by the agency for travel expenses they are required to pay the individual liability account.

Each Agency/College/University receives a monthly report from Bank of America showing all delinquent accounts to assist you with this request. If revoked account information is necessary, you may contact Tammy Toups, at [tammy.toups@la.gov](mailto:tammy.toups@la.gov) or Bank of America.

Your cooperation in resolving the delinquencies is an ongoing responsibility. Thank you for your usual cooperation.

## **Tammy Toups (DOA)**

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**From:** Tammy Toups (DOA)  
**Sent:** Thursday, March 01, 2012 2:39 PM  
**To:** Melissa Kent; Karen Goudeau  
**Subject:** FW: Children & Family Services' Individual Liability Travel Card Program  
**Attachments:** Travel Card Delinquent Accounts.pdf

Below is a list of employees with your agency which still have a balance on the individual liability travel card program. Just because the program has ended, does not mean that they do not have to pay their accounts. Non-payment of accounts results in a possible loss of revenue for the State of Louisiana from the rebate received from the program.

Please inform the employee/their supervisor/department head of these accounts so that they may be paid in full. I have attached the most recent letter sent to Department Heads/Presidents/Elected Officials to remind all of their responsibility.

Please advise if you have any questions. Also, remember that no employee with a revoked or delinquent account can be considered for a new state liability travel card.

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Coastal Protection and  
Restoration Authority of Louisiana

# State of Louisiana

**BOBBY JINDAL**  
GOVERNOR

February 16, 2012

Mr. Daryl G. Purpera, CPA, CFE  
Louisiana Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804

RE: Audit Finding – Noncompliance with Procurement and Suspension and Debarment Requirements

Dear Mr. Purpera:

The Office of Coastal Protection and Restoration concurs with the above stated finding and recommendations. We offer the following response and proposed corrective action plan:

The Office of Coastal Protection and Restoration (OCPR) was created in 2008 via Act 523 of the 2009 Regular Legislative Session. The Act provided that the Department of Natural Resources would continue to provide management and finance services for the OCPR. The services include accounting, budget, procurement, contracts and grants, human resources and information technology support and oversight.

In 2010, OCPR began to prepare its own contracts (with the exception of RFP's) in order to facilitate a more timely process. While bringing this function in-house improved the process, it has unfortunately resulted in an unintended consequence – some contracts prepared by OCPR did not have the suspension and debarment clause that had previously been included in the contracts.

To address the problem OCPR will establish a formal policy regarding Procurement and Suspension and Debarment Requirements specifically including compliance with Procurement and Suspension and Debarment Requirements in appropriate contracts. We will further amend current contracts where applicable to include this provision. In addition we will confirm oversight responsibilities by the Department of Natural Resources, Contracts and Grants Section to ensure that all OCPR contracts meet this and all other established requirements. The formal policy will be in place by March 1, 2012 and contract amendments will be initiated by Michelle Klecker, Project Support Manager, OCPR and Julia Raiford, DNR Contracts/Grants Director, will be responsible for these actions.

We value the experience of the audit process and view it as an opportunity to discover ways to improve our methods of doing business. Thank you for your cooperation and assistance in this audit, and if you should have any questions or need additional information, please contact me at 342-4698.

Sincerely,

Janice A. Lansing  
Chief Financial Officer

c: Jerome Zeringue, Executive Director, OCPR  
Robert D. Harper, Undersecretary, DNR

**Executive Division**

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**State of Louisiana**  
Division of Administration  
**FACILITY PLANNING AND CONTROL**

February 7, 2012

Mr. Darryl G. Purpera, CPA, Legislative Auditor  
1201 North Third Street  
Baton Rouge, Louisiana 70802

**Re: Inaccurate Annual Financial Report (AFR)**

Dear Mr. Purpera:

This letter is in response to your February 3, 2012 letter concerning the referenced finding. The Office of Facility Planning and Control (FPC) concur with the finding.

**Deferred Revenue Overstated by \$12.8 Million and Accounts Receivable Understated by \$17.2 Million**

The LA Recovery database was created, with the assistance of the Division of Administration's Office of Information Services, because ISIS (the state's financial system) could not handle the detail reporting by FEMA project worksheet (PW) as required by the Governor's Office of Homeland Security and Emergency Preparedness (GOHSEP) and the Federal Emergency Management Agency (FEMA). Some data are entered into LA Recovery via interfaces and some data are entered manually.

For fiscal year ending June 30, 2011, a report was created from LA Recovery detailing the deferred revenue, receivables, and accounts payable amounts by disaster, PW, and in total. The amounts reported in the previous year were manually calculated by PW. This manual calculation was a lengthy and time consuming process as there are several thousand PW's being administered with FPC as the applicant.

In order to determine the amount to include in the 2011 AFR, data were captured in the test region of LA Recovery on June 30, 2011. At this time, programming for the final version of the report was not completed and it was also necessary to continue to update the production region with fiscal year 2012 data.

On June 14, 2011, a check was processed as a refund to the Office of Risk Management (ORM) for \$30 million. This check was not recorded in LA Recovery and needed to be manually entered. Subsequent to June 30, 2011, the transaction for the \$30 million check was entered into the production region of LA Recovery, but it was not entered into the test region. Because the

Mr. Daryl Purpera, CPA

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\$30 million check was not manually entered into the LA Recovery test region as of June 30, 2011, the amount reported in the AFR as deferred revenue was overstated by \$12.8 million and the amount reported as accounts receivable was understated by \$17.2 million.

The report from LA Recovery that was used to prepare the AFR was created as a "pdf" file that did not allow for sorting of data. After submission of the AFR, and at the request of the legislative auditors, an Excel file was created that does allow sorting of the various columns of the report as well as analysis of the data.

In order to prevent material errors from occurring in determining account balances for reporting in the AFR in future years, the following corrective actions will be taken:

- Staff will be notified that all data entered into ISIS must also be entered timely into LA Recovery so that data maintained in LA Recovery is accurate.
- All data for a fiscal year will be entered into both the test and the production regions of the LA Recovery database if data associated with the prior fiscal year is entered subsequent to June 30 each year.
- An analysis will be performed using the year ending Excel spreadsheet of LA Recovery data by sorting the data and manually analyzing each material PW with an amount greater than \$1 million to determine that the ending balance is accurate.

The corrective action will take place immediately and will be ongoing. The final manual analysis will be done after the year ending close of August 14, 2012 and will be completed prior the submission of the 2012 AFR.

#### **Overstatement of Deferred Revenue from the Governor's Office of Homeland Security by \$9.8 Million**

In the last quarter of fiscal year 2011, expenditures for the University Medical Center of New Orleans (project 19-610-06B-04) and reimbursement by GOHSEP on project worksheet (PW) 2175 occurred for the first time. Prior to this, virtually all hurricane-related expenditures and reimbursements from GOHSEP were charged to the statewide hurricane repair project (01-107-05B-13).

When determining the deferred revenue amount from GOHSEP, the 13<sup>th</sup> period expenditures for project 01-107-05B-13 were removed, but the 13<sup>th</sup> period expenditures for project 19-610-06B-04 were not. This was an unintentional mistake.

The following steps will be taken to prevent this mistake from occurring in the future:

- All 13<sup>th</sup> period expenditures will be analyzed to ensure that hurricane related expenditures associated with PW's are deducted from the GOHSEP amount at 06/30/2012 to accurately report the deferred revenue amount.

Mr. Daryl Purpera, CPA

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- An analysis will be conducted by selecting all 13<sup>th</sup> period expenditures with a disaster coded in the ISIS activity field. For hurricane related expenditures, this field is populated using codes KATR, RITA, GUST or HIKE. This will ensure that all expenditures in the 13<sup>th</sup> period, regardless of project, will be removed from deferred revenue at June 30, 2012.

The corrective active will occur after the close of the 13<sup>th</sup> accounting period of August 14, 2012 and prior to the submission of the AFR.

### **Double Counting of \$1.2 Million of Deferred Revenue from ORM**

In 2006, the ORM forwarded \$50 million to FPC to “jump start” the recovery and repair of state facilities. When the LA Recovery database was created, the receipt of the \$50 million and associated expenditures were posted into the database.

As of June 30, 2011, there were unexpended funds remaining. This deferred revenue balance was included in the year-end report from LA Recovery. The balance was accidentally included a second time on a manual adjustment.

In order to prevent this mistake for occurring in the future, amounts included in the year-end LA Recovery report will be not be used again in a manual calculation of deferred revenue from ORM.

The corrective active will occur after the close of the 13<sup>th</sup> accounting period on August 14, 2012 and prior to the submission of the AFR.

The person responsible for the corrective actions will be Marty Milner, Fiscal Officer. Marty can be reached at (225) 342-0834 or by email at [marty.milner@la.gov](mailto:marty.milner@la.gov). Please advise if you have any questions or need further information.

Sincerely,



John L. Davis  
Director, Facility Planning and Control