

ACT 461 REPORT ON FISCAL DEFICIENCIES, INEFFICIENCIES, FRAUD, OR OTHER SIGNIFICANT ISSUES DISCLOSED IN GOVERNMENTAL AUDITS FIRST QUARTER, FISCAL YEAR 2024

**Report to the Joint Legislative
Committee on the Budget
Issued November 3, 2023**

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November 3, 2023

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

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

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

Attached is our report to meet the requirements of Act 461 for the first quarter of Fiscal Year 2024. That report is linked and referenced to the full reports which contain the applicable findings of interest, as well as management's responses.

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

Sincerely,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

MJW/ch
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STATE AGENCIES

Ascension-St. James Airport and Transportation Authority ([Report Link](#))

- The Authority did not record on its general ledger \$248,500 in expenses that had been incurred during the year ended June 30, 2023. The Authority also did not record the related receivables and revenues. *(Amount: \$248,500) (p.40)*

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

- Completed work included in reimbursement requests was not within the approved scope of the project. *(Amount: \$391,098) (p.3)*
- Expenses included in reimbursement requests were not supported by sufficient documentation. *(Amount: \$1,637,876) (p.3)*

Since April 1, 2008, the LLA has noted exceptions totaling \$316,097,560, which includes \$2,038,399 noted this period, and GOHSEP has resolved \$218,244,120, which includes \$1,936,104 resolved this period.

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

- Completed work included in reimbursement requests was not within the approved scope of work and/or the cost estimate was exceeded. *(Amount: \$8,866,287) (p.4)*
- Expenses included in reimbursement requests were not supported by sufficient documentation. *(Amount: \$95,071,999) (p.4)*
- Contracts and purchases included in reimbursement requests did not evidence compliance with applicable procurement guidelines. *(Amount: \$72,417,569) (p.4)*
- Expenses included in reimbursement requests were not in compliance with applicable FEMA regulations and guidance. *(Amount: \$3,565,646) (p.4)*
- Expenses included in reimbursement requests were duplicated, omitted, and/or miscategorized. *(Amount: \$1,085,291) (p.4)*

Since April 1, 2008, the LLA has noted exceptions totaling \$1,909,477,476, which includes \$181,006,792 noted this period, and GOHSEP has resolved \$1,630,080,271, which includes \$131,150,477 resolved this period.

L.E. Fletcher Technical Community College (FTCC) ([Report Link](#))

- FTCC did not maintain adequate internal controls over accounts receivable and payable. Subsequent to audit inquiries, FTCC began the process of identifying uncollectible accounts receivable and any other errors within accounts receivable and payable, resulting in accounts receivable write-offs of \$226,421, and accounting entries to correct prior-year general ledger errors of \$90,889 to accounts receivable and \$61,808 to accounts payable. *(Amount: \$379,118) (p.2)*

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

- LDH paid \$2,314,805 in per-member per-month (PMPM) payments for 324 beneficiaries during the months after the beneficiaries' addresses were changed in LDH's eligibility system to an out-of-state address. These beneficiaries had no services paid by Medicaid in the months after their addresses were changed to out-of-state. *(Amount: \$2,314,805) (p.5)*
- LDH paid MCEs \$699,271 in PMPMs for 56 beneficiaries during the months after the beneficiaries' addresses were changed in LDH's eligibility system as living out-of-state. In addition, these beneficiaries received \$92,087 of services from providers located out-of-state in the months after LDH identified them as living out-of-state. *(Amount: \$699,271) (p.6)*
- While LDH uses the Public Assistance Reporting Information System (PARIS) to identify Louisiana Medicaid beneficiaries who are concurrently enrolled in Medicaid in other states, it does not always remove beneficiaries from Medicaid when PARIS indicates the beneficiary lives out-of-state and LDH's eligibility system lists the address as out-of-state. *(Amount: \$328,392) (p.7)*
- LDH paid \$84,261,731 in PMPMs for 11,107 beneficiaries who received no services beginning in the month after the out-of-state notification was received. *(Amount: \$84,261,731) (p.9)*
- LDH paid \$25,335,445 in PMPMs for 2,284 beneficiaries who only received services from providers located outside of Louisiana after the beneficiaries' out-of-state driver's license notifications were received. Managed care entities (MCEs) paid \$2,803,128 for services provided to these beneficiaries by providers located out-of-state after the beneficiaries obtained driver's licenses in other states. *(Amount: \$25,335,445) (p.9)*
- We analyzed service utilization data and found that LDH paid MCEs \$38,406,124 in PMPMs for 3,633 beneficiaries enrolled in Louisiana's Medicaid program between May 2017 and February 2023 who only received services from out-of-state providers, which totaled \$3,949,917. *(Amount: \$38,406,124) (p.11)*

Louisiana Department of Justice (DOJ) ([Report Link](#))

- The DOJ did not have adequate controls in place to ensure that proceeds received were classified timely to the Legal Support Fund (the fund) within the state's accounting records or to ensure timely notification of deposits into the fund to the State Treasurer, the Joint Legislative Committee on the Budget (JLCB), and the Commissioner of Administration in accordance with Louisiana Revised Statute (R.S.) 49:259B(2).

In our test of four deposits into the fund during the period of July 1, 2020, through June 30, 2022, totaling \$41,913,948, three (75%) of these deposits were classified into the fund within the state's accounting system between 27 and 122 days after DOJ had knowledge of the deposit being received. In addition, notification of the deposits into the fund to the State Treasurer, the JLCB, and the Commissioner of Administration in accordance with R.S. 49:259B(2) was not made timely for 100% of our sample items, occurring between 33 and 180 days after the DOJ first had knowledge of the deposit received. *(Amount: \$41,913,948) (p.1)*

Louisiana State University at Shreveport (LSUS) ([Report Link](#))

- For the second consecutive engagement, LSUS did not ensure bank reconciliations were properly prepared. In addition, LSUS did not accurately and timely record transactions in its accounting systems. The reconciliations identified \$62 million that cleared the bank but remained on reconciliations as reconciling items for 10 months. In addition, reconciliations contained an unexplained difference of more than \$160,000 for over a year. **(Repeat)** *(Amount: \$62 million) (p.1)*

Sabine River Authority ([Report Link](#))

- Certain capital asset activity was not properly tracked and recorded. Additionally, the Authority was depreciating certain assets that had been determined to be non-depreciable. The financial statements required adjustments to prevent them from being materially misstated. *(Amount: \$15.5 million) (p.55)*

LOCAL GOVERNMENT AGENCIES

City of Baton Rouge ([Report Link](#))

- The city-parish's use of \$612,283 in Coronavirus State and Local Fiscal Recovery Program (SLRF) funds to replace the Twin Oaks Bridge may not have been an allowable use of the money. (*Amount: \$612,283*) (*p.294*)

Calcasieu Parish School Board ([Report Link](#))

- During year ended June 30, 2022, the School Board identified two incidences on two vendors where fraudulent requests were received through seemingly valid emails to change the vendors profile and electronic payment instructions to direct vendor payments to bank accounts owned by scammers. This type of fraudulent scheme is commonly referred to as phishing. School Board personnel made the changes to the vendor records based on the email request and fraudulent form submissions with no further verification being completed.

Seven EFT payments were made to the scammers totaling \$1,607,620 between the two vendors from July 2021 and January 2022. The School Board was able to recover \$837,771 through requesting a payment reversal with the bank, with \$789,849 still unrecovered. The School Board notified the Sheriff, the District Attorney, and the Louisiana Legislative Auditor of the fraud occurrence as required by Louisiana Revised Statute 24:523 and notified its cyber insurance carrier. This matter is still under investigation to identify the scammers and to attempt to recover the remaining \$789,849. Once discovered in December 2021, the School Board began requiring a follow up verification via telephone call to the vendor contact phone number on file to confirm change request are authentic prior to making any changes. The School Board personnel did not separately verify the legitimacy or the authorization for changes to vendor payment information. (*Amount: \$789,849*) (*Exhibit E, p.4*)

Espee Lafayette, LLC ([Report Link](#))

- The Company was subject to a business email compromise resulting in wire transfer fraud. The Company's sole member, Lafayette Public Trust Financing Authority, performs all administrative and accounting duties. The Company wired cash in the amount of \$178,795 to unknown scammers posing as its construction contractor. The Company's email was compromised from May 2022 through August 2022, and a staff member was manipulated into believing the payment was going towards outstanding invoices to a contractor currently providing services. On August 3, 2022, the Company determined its email account was comprised and immediately contacted its email provider to shut down the account.

The Company filed a report with the FBI's Internet Crimes Complaint Center and received support from the local FBI field office. The District Attorney and the Louisiana Legislative Auditor's office were notified in accordance with Louisiana Revised Statute 24:523. The Company did not have procedures in place to confirm the wire instructions sent through email were valid, and the cyber-attack was not covered by insurance. The investigation began during August 2022 and remains open with no initial success finding the stolen funds. The only physical location of the scammer determined by the investigation was a server located somewhere in South Africa. On November 16, 2022, the Company was able to recover \$68,350 of the stolen funds. The case is currently ongoing, with minimal chance of recovering any remaining funds. The total loss was \$110,445. (*Amount: \$110,445*) (p.13)