

ACT 461 REPORT ON FISCAL DEFICIENCIES, INEFFICIENCIES, FRAUD, OR OTHER SIGNIFICANT ISSUES DISCLOSED IN GOVERNMENTAL AUDITS FIRST QUARTER, FISCAL YEAR 2025

**Report to the Joint Legislative
Committee on the Budget
Issued November 14, 2024**

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November 14, 2024

Chairman Glen Womack and Members of the
Joint Legislative Committee on the Budget

Dear Chairman Womack 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 2025. 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

Drinking Water Revolving Loan Fund (DWRLF) - Louisiana Department of Health - Office of Public Health ([Report Link](#))

- The Louisiana Department of Health, Office of Public Health (OPH) did not have adequate controls over the preparation of the DWRLF financial statements and related note disclosures (Financial Report) for fiscal year 2023. Failure to perform an adequate review over the DWRLF's Financial Report caused the financial statements and related note disclosures to have numerous errors requiring adjustment, some of which were material. *(Amount: Adjustments ranging from \$855,606 to \$2.7 million) (Exhibit A.2)*
- OPH did not have adequate controls to monitor the federal grant funds remaining and to ensure funds were not overdrawn on federal awards within the DWRLF program. During Fiscal Year 2023, OPH drew \$855,606 in excess federal funds above the allowed budget for the DWRLF's base loan allocation for the applicable award year. *(Amount: \$855,606) (Exhibit B.2)*

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: \$19,652,136) (p.4)*
- Expenses included in reimbursement requests were not supported by sufficient documentation. *(Amount: \$177,821,617) (p.4)*
- Contracts and purchases included in reimbursement requests did not show evidence of compliance with applicable procurement guidelines. *(Amount: \$52,629,692) (p.4)*
- Expenses included in reimbursement requests were not in compliance with applicable FEMA regulations and guidance. *(Amount: \$4,833,276) (p.4)*
- Expenses included in reimbursement requests were duplicated, omitted, and/or miscategorized. *(Amount: \$1,765,023) (p.4)*

Since April 1, 2008, the LLA has noted exceptions totaling \$2,419,276,719, which includes \$256,701,744 noted this period, and GOHSEP has resolved \$1,937,319,419, which includes \$166,606,742 resolved this period.

**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 work, and/or the cost estimate was exceeded. (Amount: \$373,876) (p.3)
- Expenses included in reimbursement requests were not supported by sufficient documentation. (Amount: \$2,668,311) (p.3)
- Contracts and purchases included in reimbursement requests did not show evidence of compliance with applicable procurement guidelines. (Amount: \$752,330) (p.3)

Since April 1, 2008, the LLA has noted exceptions totaling \$323,381,634, which includes \$3,928,311 noted this period, and GOHSEP has resolved \$239,522,386, which includes \$15,891,312 resolved this period.

LOCAL GOVERNMENT AGENCIES

City of Bogalusa ([Report Link](#))

- City Used ARPA Funds to Improperly Pay Bonuses to City Employees and Officials (*Amount: \$468,125*) (p.7)
- Improper Leave Payouts (*Amount: \$368,132*) (p.19)

Calcasieu Parish Waterworks District No. 8 ([Report Link](#))

- Cash Collections -- It is estimated that the District has incurred a loss of cash collections for billing and security deposit payments in the amount of \$481,439 for the periods 2020 through 2023. It is probable that this loss is higher and extends into periods prior to 2020. In addition to the estimated \$481,439 loss for billing and security deposit cash collections, there is another estimated loss of \$15,265 related to the return of collections of bank accounts that were closed or had insufficient funds for water billing payments made by check or automatic withdrawal during 2020 through 2023. All of the data obtained by the parish has been turned over to law enforcement agencies for further analysis and review. However, it appears that the Plant Manager and/ or the Office Manager may have violated La. R.S. 42:1461, as well as other criminal statutes, with the alleged misappropriation of the customer payments related to security deposits and monthly water usage billing. In addition, these actions compromised the District's ability to properly operate the water system. (*Amount: \$496,704*) (p.27)
- Disbursement Activity -- It is estimated that the District has incurred a loss of approximately \$291,758 related to District funded disbursement activity that appears to be related to personal activity of the Plant Manager or related parties of the Plant Manager .

The period of time for this loss was focused on 2020 to 2023, but the Parish was able to locate some activity in 2019. There is also another estimated loss of \$4,761 related to District-funded disbursement activity that appears to be related to personal activity of the Office Manager. While the Parish focused on the period 2020 to 2023, it is probable that this loss is higher and extends into periods prior to 2020. (*Amount: \$296,519*) (p.32)

Town of Mamou - Savoy Medical Management Corp. ([Report Link](#))

- The Organization's vendor was subject to a business email compromise resulting in a fraudulent modification to the payment instructions. The Organization wired cash in the amount of \$226,330 to an unknown scammer posing as its vendor. On September 21, 2023, the Organization determined that the payment for the

August 2023 invoice was not received by the vendor and a breach had occurred. The Organization immediately reported the issue to their bank to attempt to recover the funds. A report was filed with the local authorities, Louisiana State Police, and the Federal Bureau of Investigation. Additionally, the District Attorney and Louisiana Legislative Auditor's office were notified in accordance with Louisiana Revised Statute 24:523. The Organization did not have procedures in place to confirm the wire instructions sent through email were valid, and the wire fraud was not covered by insurance. On September 29, the Organization received notification that \$81,819 of the funds were recovered. (*Amount: \$226,330*) (p.27)