

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

**Report to the Joint Legislative
Committee on the Budget
Issued August 6, 2024**

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August 6, 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 fourth 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

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

- DCFS transferred \$16 million of Temporary Assistance for Needy Families (TANF) grant funds to the Social Services Block Grant (SSBG) during fiscal year 2023. As of June 30, 2023, DCFS did not have a formalized process in place to ensure TANF transfers to SSBG were only used for programs or services for children or their families whose income is less than 200% of the poverty level, as required by federal regulations. (*\$16 million*) (p.2)
- DCFS did not report subawards equal to or exceeding \$30,000 in compliance with the Federal Funding Accountability and Transparency Act (FFATA) in the FFATA Subaward Reporting System (FSRS) during fiscal year 2023 for the following federal programs:
 - For the Foster Care Title IV-E program, DCFS disbursed approximately \$11.6 million in subawards exceeding \$30,000 to 10 different subrecipients, four of which were state entities, during fiscal year 2023.
 - For the TANF program, DCFS disbursed approximately \$84.3 million in subawards exceeding \$30,000 to 50 different subrecipients, of which 10 were state entities, during fiscal year 2023.

(Repeat) (*Foster Care Title IV-E - \$11.6 million/TANF - \$84.3 million*) (p.4)

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

- For the third consecutive audit, DOE did not fully comply with FFATA reporting requirements. For the Child Nutrition Cluster and the Child and Adult Care Food Program, DOE overreported subaward amounts in the FSRS by approximately \$2.3 billion. In addition, for the Education Stabilization Fund (ESF) program, DOE reported the incorrect obligation date in FSRS for 28 subawards totaling \$966,100. **(Repeat)** (*Child Nutrition Cluster and Child & Adult Care Food Program - \$2.3 billion/ESF - \$966,100*) (p.1)
- DOE management did not ensure that purchases made with the LaCarte card and Travel card were electronically signed off by the supervisor and/or the cardholder in WORKS, the Bank of America online banking system, in a timely manner and in accordance with DOE and state policies. (*LaCarte card - \$26,640/Travel card - \$156,124*) (p.2)

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

- LDH does not use Medicaid data as part of its Quality Strategy to identify beneficiaries who have not received any services or who have not received recommended services based on demographics, such as age and gender. We found that LDH paid the Managed Care Organizations \$720.5 million to manage the care of 49,894 beneficiaries who appear to have been continuously enrolled in Medicaid for 13 to 60 months between January 2018 and December 2022 but received no services. (*\$720,598,315*) (p.10)

Department of Military Affairs (LMD) ([Report Link](#))

- LMD incorrectly reported Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Assistance Listing 14.228) expenditures totaling \$7,146,584 as National Guard Military Operations and Maintenance Projects (Assistance Listing 12.401) expenditures on the Schedule of Expenditures of Federal Awards information for the fiscal year ended June 30, 2023. In addition, LMD did not draw federal funds for the National Guard Military Operations and Maintenance Projects in a timely manner, resulting in delays in federal reimbursements and potential lost interest revenues relating to \$5,957,524 of untimely federal drawdowns. (*Incorrect reporting - \$7.1 million/Untimely federal drawdowns - \$6.0 million*) (p.1)

Executive Department ([Report Link](#))

- The Louisiana Office of Community Development (LOCD) identified five Small Rental Property Program (SRPP) loans totaling \$471,293 for property owners under the Community Development Block Grant/State's Program who failed to comply with one or more of their loan agreement requirements and were assigned to loan recovery status in fiscal year 2023. In addition, LOCD identified \$22,435,810 of outstanding SRPP loans for 131 loans assigned to loan recovery status in previous years, which included increases in loan balances totaling \$9,083,940 during the fiscal year. An additional 678 noncompliant loans identified in previous years totaling \$60.6 million remain outstanding. In June 2023, HUD issued a formal letter of guidance to LOCD that included recommended actions to resolve the remaining SRPP ineligible costs. In its responses to HUD's proposals and recommendations, LOCD is working with HUD to implement final corrective action to resolve the HUD issued finding and close out the SRPP. (**Repeat**) (*\$9,555,233*) (p.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. (\$9,478,717) (p.4)
- Expenses included in reimbursement requests were not supported by sufficient documentation. (\$88,605,156) (p.4)
- Contracts and purchases included in reimbursement requests did not show evidence of compliance with applicable procurement guidelines. (\$148,372,391) (p.4)
- Expenses included in reimbursement requests were not in compliance with applicable FEMA regulations and guidance. (\$5,983,742) (p.4)
- Expenses included in reimbursement requests were duplicated, omitted, and/or miscategorized. (\$657,493) (p.4)

Since April 1, 2008, the LLA has noted exceptions totaling \$2,162,574,975, which includes \$253,097,499 noted this period, and GOHSEP has resolved \$1,770,712,676, which includes \$140,632,405 resolved this period.

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

- For the fourth consecutive year, LLT did not have adequate controls over financial reporting to ensure its financial statements were accurate and complete. As a result, LLT submitted an inaccurate Annual Fiscal Report to the Division of Administration, Office of Statewide Reporting and Accounting Policy that contained errors requiring adjustment. **(Repeat)** (\$10,867,595) (Exhibit A.2)

LOCAL GOVERNMENT AGENCIES

We did not issue any local government agency reports that met the Act 461 criteria this quarter.