

LEGISLATIVE AUDIT ADVISORY COUNCIL

Minutes of Meeting September 17, 2014

A meeting of the Legislative Audit Advisory Council (Council) was held on Wednesday, September 17, 2014, in Senate Committee Room A-B of the State Capitol.

CALL TO ORDER AND ROLL CALL

Senator Walsworth called the meeting to order at 1:45 p.m. and a quorum was present with the following members in attendance:

Members Present

Senator Mike Walsworth, Chairman
Representative Hunter V. Greene, Vice Chairman
Senator Robert R. Adley
Senator Edwin R. Murray
Senator Ben W. Nevers
Representative J. Cameron Henry, Jr.
Representative Dalton W. Honore
Representative Ledricka J. Thierry

Members Absent

Senator John R. Smith
Representative Clay Schexnayder

APPROVAL OF MINUTES

Senator Murray made a motion to approve the minutes for the February 19, 2014, meeting and with no objection, the motion was approved.

EXTENSION REQUESTS

Ms. Joy Irwin, Director of Local Government Services for the Louisiana Legislative Auditor (LLA) presented the nonemergency extension request for greater than 90 days. Senator Adley moved to approve the extensions, and with no objection, the motion was approved. Ms. Irwin presented the nonemergency extension requests for 90 days or less. Representative Henry moved to approve the extension requests on the 90 days or less list, and with no objection, the motion was approved.

REGULATION OF OIL AND GAS WELLS AND MANAGEMENT OF ORPHANED WELLS – OFFICE OF CONSERVATION – DEPARTMENT OF NATURAL RESOURCES – PERFORMANCE AUDIT ISSUED MAY 28, 2014

Ms. Karen LeBlanc, LLA Performance Audit Manager, presented the purpose, findings and recommendations for this audit. Senator Adley asked if any violations of the law. Ms. LeBlanc said there were many violations of regulations but not the law. Ms. Nicole Edmonson stated that the Department of Natural Resources (DNR) - Office of Conservation (OC) started making improvements immediately after the report was completed.

Commissioner Jim Welsh, Office of Conservation, said he agreed with the twenty-one recommendations and think it was a fresh look at the program from the 1990's. He plans to finish implementing all changes by January 15, 2015. Commissioner Welsh further detailed the changes and positive cost effective changes by streamlining management and much more.

Senator Walsworth asked if anything required changes by legislation. Commissioner Welsh responded that three recommendations will require changes to the law. Senator Adley requested a comparison of severance fees paid in other states.

Commissioner Welsh said public hearings for stakeholders will be starting soon. Senator Murray asked for what their recommended severance tax will be and if OC will stop granting exemptions. Mr. John Adams, OC Senior Attorney, stated they will propose the rule to stop exemptions by Friday.

Senator Murray asked if it took this audit to show how inadequate the funds were to plug orphaned wells. Mr. Adams responded that all states require less in financial security and that it is a balancing act because of competitiveness. Mr. Brent Campbell, DNR OC, stated that a study done in 2010 showed that the prices would not cover plugging wells but they had to be competitive. Senator Murray said they also need to be

safe and must stop exemptions, but do not understand why changes were not already made. He asked if the study had been given to the legislature. Mr. Gary Ross, DNR OC, said the report was presented to the oilfield site restoration financial security but not sure if sent to the legislators, and no action was probably done. Senator Murray asked who looks to make improvements. Mr. Ross said they can change existing processes and doing a study of how other states handle this issue. Senator Walsworth asked for a copy of the study from 2010.

Commissioner Welsh said they are getting input from stakeholders and will then set rules by the end of the year. Representative Thierry asked OC to submit the necessary changes for legislation. Commissioner Welsh said that rule making takes three to four months and moving as quickly as possible. OC is also enhancing inspection process to become more efficient.

Senator Nevers questioned the liability of the landowners and the state. Mr. Adams stated that the owner of the well is liable from beginning to end. They discussed when the owner is gone or bankrupt. Mr. Adams explained that the state is not liable if an injury occurs from an orphaned well. However, OC is responsible to ensure these wells are plugged but limited by funding. The owner of the well should cap it, but if they do not then no longer allowed to operate other wells. They further discussed the well owner's responsibility and the collection process using the Attorney General's office.

Senator Adley suggested OC looks at the production reported every month and safe to say if no production, then the well is orphaned. Senator Murray questioned the well test and why not following their own rule for six per year. Mr. Adams said their policy requires two tests per year. Commissioner Welsh said years ago a variance was granted to this rule. Mr. Adams said they would do research to determine the correct number of well tests per year and change their rules and policies to be in agreement. Senator Adley pointed out Title 30 allows OC latitude to do variances if believe in best interest of the state.

Senator Walsworth suggested that OC go back through all their rules to make the necessary changes and then follow their own rules and policies.

CONSIDERATION OF THE BAYOU HEALTH TRANSPARENCY REPORT – DEPARTMENT OF HEALTH AND HOSPITALS – INFORMATIONAL AUDIT ISSUED AUGUST 13, 2014

Mr. Wes Gooch, Financial Audit Manager, presented an overview of this report. Representative Henry asked if money was saved by DHH because he did not see proof. Mr. Gooch said this report was to audit DHH's report and found no proof of self-reported data from the health plans. He said many errors in the report including mathematical.

Senator Walsworth said Act 212 was signed into law on July 1, 2013, and the report was due January 2014, limiting the time DHH had to prepare this report but they will have all they need for the next report.

Senator Nevers said his concern is that DHH cannot substantiate that savings have been made or the global assertions in DHH's report. Mr. Daryl Purpera, Legislative Auditor, said the important issue is that DHH's report has significant flaws and cannot be relied upon for accuracy. Mr. Gooch stated that the outliers should be investigated and explained further.

Secretary Kathy Kliebert stated that she almost always agrees with the Legislative Auditor and appreciates his recommendations. However, she does believe that DHH's report is in full compliance with the law and Medicaid is very complex. Act 212 required 100's of hours and was signed only seven months before the first report was due. She was very proud of her team and feels the report is good for the legislators. Secretary Kliebert did agree to validate and strengthen the report in the future.

Representative Greene pointed out that the bill filed by Senator Johns was very similar to bills filed several years before and vetoed at least once. Secretary Kliebert said her staff understood from Senator Johns that he wanted to compare year to year. They clearly had savings and support to show that by the amount remaining after paid all bills and obligations to Medicaid. Because of Bayou Health they had a reduction in their budget. Representative Greene questioned the difference of \$52M between Bayou Health's and DHH's reports. Jeff Reynolds, DHH Undersecretary, looked at the documents from Representative Greene and said he would verify and get back with him.

Ms. Ruth Kennedy, DHH Medicaid Director, explained the shared savings plan and provider fees collected and the federal match up. Discussion continued about the computer systems and relying on provided data. Senator Walsworth stated that at the end of the day, they have to verify if the savings are correct. Secretary Kliebert stated that she will confirm with Senator Johns that the data requested is in accordance with Act 212's expectations. Ms. Kennedy said most information is extracted from claims so after a full calendar year they will have quality metrics to report.

Senator Adley asked if the reduction in the budget of \$135M is reduced from the general fund. Mr. Reynolds explained that \$45.4M is the state's portion and the rest from federal reimbursement. Senator Adley said that is the confusion because DHH should be able to clearly show the savings for the state.

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BOSSIER PARISH POLICE JURY – FISCAL YEAR END 12/31/12 AUDIT

Mr. Purpera explained the error in the 2012 audit which the independent CPA corrected and reissued the audit. Senator Adley thanked the constituent that reported the error in the audit.

DISCUSSION OF 2014 LEGISLATION THAT IMPACTS THE OPERATIONS OF THE LEGISLATIVE AUDITOR

Mr. Purpera provided a list of Legislative Acts from the 2014 Regular Session that impacts his office.

OTHER BUSINESS

The NSAA Excellence in Accountability Award judges selected the LLA Performance Audit on the Louisiana Tax Commission – Residential Property Tax Assessments as their 2014 Honorable Mention.

ADJOURNMENT

Senator Adley made the motion to adjourn and with no objection, the meeting adjourned at 4:55p.m.


APPROVED BY:



SENATOR MIKE WALSWORTH
CHAIRMAN



DARYL G. PURPERA
SECRETARY



DATE