

LEGISLATIVE AUDIT ADVISORY COUNCIL
Minutes of Meeting
March 19, 2015
Senate Committee Room A-B
State Capitol Building

The items listed on the Agenda are incorporated and considered to be part of the minutes herein.

Senator Mike Walsworth called the meeting to order at 1:40 p.m. Ms. Liz Martin called the roll confirming quorum was present.

Members Present: Senator Mike Walsworth, Chairman
Senator Edwin Murray
Senator John R. Smith
Representative Cameron Henry
Representative Dalton Honoré
Representative Clay Schexnayder
Representative Julie Stokes
Representative Ledricka Thierry

Members Absent: Senator Robert Adley
Senator Ben Nevers

Also Present: Daryl G. Purpera, Legislative Auditor (LLA)

Approval of Minutes

Senator Murray made a motion to approve the minutes for the February 19, 2015, meeting and with no objection, the motion was approved.

Extension Requests

Mr. Purpera presented the nonemergency extension request that was ninety days or less from Washington Parish Charter School - Northshore Charter Schools, Inc. Representative Henry offered a motion to approve the extension request and with no objection, the motion was approved.

Louisiana State Racing Commission and Louisiana Gaming Control Board - House Resolution No. 130 of the 2014 Regular Session - Performance Audit Issued March 4, 2015

Mr. Will Leonards, LLA Performance audit manager, presented a summary of the audit. Mr. Ronnie Jones, chairman of the Louisiana Gaming Control Board, said he agreed to all findings and explained license renewals and Churchills Down's goals.

Mr. Charles Gardiner, executive director of the Louisiana State Racing Commission, also agreed with the audit and shared how they have improved the rules and seen improvement. He reported that betting is up but over the last 25 years have seen a decrease. The Racing Commission always needs more resources and has had the same budget for the past 30 years. He gave some industry issues: stronger drugs used on

horses are undetectable; national studies show Louisiana may offer too much racing; minimum number of race dates as per Legislative mandate. He spoke about better customer service, drainage improvements, and other positive changes.

Mr. Jones said after a few high profile raids the authority of the state police was taken away, but about three years ago the Racing Commission reached out to the state police to do inspections. He travels the state to meet with all the general managers for all the casinos and hears there is a shortage of machine technicians and state police auditors available to ensure that the state is getting all the money due to it. The state police are our boots on the ground, but the cutbacks on state police are affecting the industry.

Mr. Gardiner said the general operating budget is \$6.5 million and about \$12 million is pass throughs. About 1/3, as per statute, goes to breeder awards, and \$1.5 million goes to the LSU School of Veterinary Medicine, which leaves very little. That is the reason for the Cooperative Endeavor Agreement with the state police to do inspections of equipment.

Senator Murray asked if the "No Smoking" ordinance is enacted what financial effects will there be. Mr. Jones said when he became aware of the issue, as with anything that effects economic development for the state, he has a responsibility to share that information. He asked State Police Major Mike Noel and his chief auditor to look at existing research in other states to extrapolate the data for the possible effect on Louisiana. Data showed approximately a 20% decrease in gaming and race track business over two years because of no smoking ordinances. He shared the report with the New Orleans City Council who dismissed it as bad science and passed the smoking ban unanimously. Senator Murray requested a copy of the report from Mr. Jones. Mr. Jeff Traylor, auditor with the Gaming Division, said the report also focused on how the states' with smoke bans tried to make up for losses by increasing table games.

Mr. Gardiner shared the number and importance of state regulatory veterinarians to inspect every horse at every track to ensure the horses are healthy to race. He gave their salaries and shared the difficulty in finding equine vets when they can make more money in private practice.

Executive Department - Management Letter Issued December 17, 2014

Ms. Beth Davis, assistant director of Financial Audit Services, presented a summary and highlights of the audit's findings including: Inadequate Grant Recovery of Homeowners Assistance Program Awards; Inadequate Recovery of Small Rental Property Program Loans; and Hazard Mitigation Grant Program Awards Identified for Grant Recovery. Mr. Purpera said this issue is brought up again because his office is required to report these findings in accordance with federal government requirements, and the state could be responsible to return questioned costs to FEMA. Senator Murray shared the hope that HUD, Congress, and FEMA will decide to change to the rules.

Mr. Pat Forbes, executive director for Disaster Recovery Unit of Office of Community Development under the Division of Administration (DRU-OCD) shared how his office is proactively working to ensure safe, affordable homes are provided to the people. He explained that inadequate documentation can be the cause for questioned costs.

Mr. Craig Taffaro, director of the Hazard Mitigation Grant Program (HMGP) explained the funding source is FEMA and how this issue cannot be resolved in total until the grant period is over. Mr. Forbes said HUD's writings imply that as long as his office is diligent in collections, they will not be required to return the questioned costs. Senator Murray asked for that decision in writing. They discussed the timing of when the grant periods are expected to end and, that when FEMA sends a letter to close, they still have three years to close out. Discussion continued about how the federal government approved the established procedures created by OCD and Road Home after Hurricane Katrina, and how hard OCD and HMGP are working to get the program into compliance.

Representative Henry offered the motion to elect Representative Julie Stokes as the vice chairman of the Legislative Audit Advisory Council. With no objections, the motion unanimously passed.

Student Counts and Budget Shortfalls in the Minimum Foundation Program - House Concurrent Resolution No. 112 of the 2014 Regular Legislative Session - Performance Audit Issued March 4, 2015

Mr. Michael Boutte, Performance Audit manager, presented a summary and highlights of the report. Department of Education Superintendent John White said that the counts are requested by the Administration for use in their budget preparations. Representative Jim Fannin said the mid-year adjustments cause a financial problem and only since Hurricane Katrina has the state used two counts, previously it was one count in October. Senator Walsworth said that Louisiana is one of few states that has mid-year adjustments and we need to talk to the Board of Elementary and Secondary Education about its policies.

Louisiana Lottery Corporation - House Concurrent Resolution No. 116 of the 2014 Regular Session - Performance Audit Issued March 11, 2015

Mr. Edward Seyler, Performance Audit auditor and economist, presented the report's findings and the recommendations to increase revenue for the state. Ms. Rose Hudson, president/CEO of Louisiana Lottery Corporation, said her staff ensures that they maximize revenues and has not had any findings in 18 years. She said her office has no inefficiencies and she stressed the risk if they make changes. Senator Walsworth said more would be discussed during the upcoming legislative session. Further discussion about unclaimed prize money, raising prize payouts, and the methodology of gaming continued.

Other Business

Mr. Purpera explained that his office was conducting an audit that included the Honorable Patrick DeJean, justice of the peace, Second Justice Court. Mr. DeJean asked for the release of the audit to be delayed until he had completed his own audit. Because Mr. Purpera did not grant his request, Mr. DeJean filed a Temporary Restraining Order (TRO) and Preliminary Injunction.

Ms. Jenifer Schaye, general counsel, explained that the 19th Judicial District Court judge removed the TRO, but she had to file exceptions and hopes to be heard soon. Ms. Schaye said this is a horrible

precedence and that Mr. DeJean could have just responded to the audit. Senator Murray asked if this was the first time that a TRO has been filed to prevent an audit from being released. Ms. Schaye said she has not found any prior record of such. Representative Thierry asked if this legal action will cost the auditor's office. Ms. Schaye said the legal filings are being handled by her and staff, but if they prevail, the plaintiff will pay attorney fees and court costs.

Adjournment

Representative Schexnayder offered the motion to adjourn and with no objection, the meeting adjourned at 3:45 p.m.

APPROVED BY:



SENATOR MIKE WALSWORTH
CHAIRMAN



DARYL G. PURPERA
SECRETARY

9-23-15

DATE