

LEGISLATIVE AUDIT ADVISORY COUNCIL

**Minutes of Meeting
December 13, 2018
Senate Committee Room E
State Capitol Building**

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

Chairman Julie Stokes called the Legislative Audit Advisory Council (Council) meeting to order at 11:30 a.m. Ms. Liz Martin called the roll confirming quorum was present.

Members Present: Representative Julie Stokes, Chairman
Senator Mike Walsworth, Vice Chairman
Senator Wesley Bishop
Senator W. Jay Luneau
Senator John Smith
Representative Clay Schexnayder

Members Absent: Senator Danny Martiny
Representative Jimmy Harris
Representative Blake Miguez

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

While waiting for quorum for voting on the minutes and extension requests, Chairman Stokes allowed agenda item #4 to be presented first.

England Economic and Industrial Development District (EEIDD)– Advisory Services Report – Issued September 19, 2018

Mr. Bradley Cryer, Director of Local Government Audit Services, provided a brief overview of the report findings including poor controls; inaccurate and incomplete asset listings; lacking proper documentation; inadequate written policies and procedures; lack of segregation of duties; and more.

Chairman Stokes asked if any misappropriation or fraud was found and Mr. Cryer responded that nothing criminal was determined. Senator Luneau asked for a clarification of the procedures for travel expenses when spouses also traveling. Mr. Cryer explained that EEIDD should have purchased only the employee's ticket and the employee purchase their spouse's ticket or the employee purchase both and get reimbursed for only their ticket.

Mr. Purpera noted that the CPA firm that conducted the EEIDD audits should have found most of the findings during the course of their audit and supplemental report but did not which reinforces the concern that audits across the state need to improve. Senator Luneau asked if the solution to that problem would be that the LLA performs more audits and less out sources by private CPAs. Mr. Purpera explained that when any concerns are raised his staff has been reviewing those CPAs workpapers to ensure the quality and accuracy of audits. He does not have enough staff to perform more local government audits.

Ms. Sandra McQuain testified that she became the new executive director of EEIDD as of December 3, 2018. Mr. Scott Gammel shared that he served as the interim executive director during the advisory audit and returned to his position as director of the England Airport.

Ms. McQuain shared her background as former CEO and CFO in the industrial manufacturing and public service fields. She agreed with the audits and made the correcting of the findings her first priority. She already spoke with the CPA firm conducting their audit and asked them to meet regarding their processes and to tighten up.

Senator Luneau said he received many calls from businesses that lost commercial rental tenants and believes the EEIDD should not be competing with local businesses. He also received many concerned calls about the golf course that needs to stay open in light of two private courses already shut down. Ms. McQuain responded that she met with EEIDD counsel and looking at the lease for the golf course which is an important commercial asset.

Senator Luneau urged her to follow rules on spending public funds and look at the Attorney General opinions. He asked if EEIDD instituted inventory controls. Ms. McQuain responded that their inventory will be barcoded and starting full inventory controls. Senator Luneau said he was glad to hear no fraud, waste or abuse was found but urged her to tighten controls and policies and procedures. Mr. Gammel shared their installation of meters on all fuel tanks and separation of tasks for reconciliation.

Senator Walsworth said he receives complaints about how government has an unfair advantage over public businesses and did not realize EEIDD had 170 residential units. Mr. Gammel explained the three sections of housing: leasing on base; apartments off base; and leased duplexes for only retirees. Senator Walsworth asked if a request for proposal (RFP) had been done with the private company that leases the duplexes for retirees. Mr. Gammel responded that the private leasing company had been there for about 20 years so unsure how that was handled.

Chairman Stokes asked if the LLA will do a follow up audit on EEIDD in the future. Mr. Cryer said that the CPA firm will follow up during their audit but because of issues with the CPA, the LLA will be checking on the CPA and EEIDD again in the future.

The Council returned to the agenda items requiring voting because they had quorum with six members present.

Approval of Minutes

Senator Walsworth made a motion to approve the minutes for the November 15, 2018, meeting and with no objection, the motion was approved.

Extension Requests

Mr. Cryer explained the reasons for extension requests from the Union Parish School Board, Town of Farmerville, East Carroll Parish Sheriff, and the St. Martin, Iberia and Lafayette Community Action Agency, Inc. - SMILE. Senator Walsworth moved to approve the Nonemergency Extension Requests Ninety Days or Less. Senator Bishop seconded the motion and with no objection, the motion was adopted.

Chairman Stokes asked if the LLA sends information bulletins to the entities to be sure they are aware of changed legal audit requirements. Mr. Cryer explained their processes to notices sent to the 250 CPA firms asking them to address issues. In the past year 13 notices were sent to CPA firms and asked to relay the notification to their clients.

Mr. Purpera shared about the LLA's Center for Local Government Excellence (CLGE) training offered to all local government officials when held in their area. They have provided Level 1 training around the state and now offering Level 2 at no charge and has seen great participation. Chairman Stokes asked if any mandate requiring attendance. Mr. Purpera responded no, but highly recommended because when teach them how to follow best practices it will help prevent errors and problems.

Mr. Cryer gave an update on the Sewerage & Water Board of New Orleans's audit being turned in. The Housing Authority of Grambling has not turned in their audit yet but the executive director had medical issues so it is on the non-compliance list but no financial impact. There are still a large number of entities not reporting as required by the audit law. The Village of Clarence is not paying their water bill to the City of Natchitoches and their audit is still not done. Mr. Cryer will prepare a list of entities and invite some executive directors and mayors to future Council meetings to explain why they are not getting their audits completed. Chairman Stokes said that is a great idea.

Senator Walsworth asked if there is a list of all that should be reporting and if there is a warning system to monitor and urge their reporting. Mr. Cryer explained that the non-compliance list shows all who has not reported to the LLA. His staff sends out multiple notices for when their CPA engagement has not been done as well as phone calls to get the entities to report. There is not a lack of effort to get them to report, but many just will not report.

Mr. Purpera explained the real issue is enforcement. The law requires accountability but most district attorneys are unwilling to prosecute for malfeasance. Senator Walsworth suggested sending a list to the legislators of the entities not in compliance. Mr. Cryer said he would send the subset of lists to the legislators. Mr. Purpera said that the legislation passed around eight years ago to cut off state funds was very instrumental in increasing accountability but the local funding does not get withheld when the entities are in non-compliance.

Louisiana Department of Health (LDH) – Medicaid Eligibility: Wage Verification Process of the Expansion Population – Medicaid Audit Unit Report Issued November 8, 2018

Mr. Chris Magee, Performance Data Analytics Manager, explained the purpose of this report was to strengthen LDH's processes. Mr. Magee provided an overview of the report. He said the new eligibility system will remove most decision making out of the hands of the workers as the system will use the data to make those determinations. LDH will later next year accept and test using tax data.

Chairman Stokes asked if people are flowing in and out of Medicaid. Mr. Magee agreed because of the way Louisiana has the program set up. Other methods are used in other states. LDH relies on the Medicaid recipients to report their change in employment and income and because of managed care the state pays a per member per month rate.

Chairman Stokes asked if assets are taken into consideration such as cash on hand and Mr. Magee answered that assets are used in determination for Medicaid.

Representative Schexnayder asked what repercussions for those who violated the law and lied to receive benefits. Mr. Magee said that LDH has now created a recipient fraud department and the AG has a recipient fraud unit too. He pointed out the analysis provided regarding seasonal, part time and temporary employees that was provided to the Joint Legislative Committee on the Budget (JLCB) in response to their questions. At the time of renewal if LDH sees wages for the recipient they can make the necessary changes to coverage.

Chairman Stokes asked Mr. Jen Steele, LDH Medicaid Director, if LDH does an asset test prior to Medicaid enrollment. Ms. Steele responded that only income and not assets are taken into account for the Medicaid expansion population. Chairman Stokes if Louisiana has any latitude on that or if set by federal policies. Ms. Steele explained that LDH makes the determination and checks wages intermittently.

Mr. Purpera said commented how important to use tax data and not just wage data. Ms. Steele said it is important to note that LDH looks for ways to strengthen their processes but did follow their policies on eligibility and enrollment. The tax data comes into the system in May and will be used to verify income and household size and compensation.

Chairman Stokes asked if any asset base used. Ms. Steele explained enrollment is based on MAGI for the expansion population and historically only long term care has a limit on assets.

Representative Schexnayder said prior to the new program people were qualified based on wages. Ms. Steele said before expansion they had to be low income and not solely based on income. Under expansion it was a new dynamic to expand for age and income.

Representative Schexnayder asked what happens when find fraud and any mechanism to hold people accountable. Ms. Steele responded if LDH determines there to be intentional fraud or misrepresentation of the facts, that is reported to the AG but first they must determine if intentional or unintentional.

Representative Schexnayder asked if any efforts are done for recoupment. Ms. Steele said that the first 100 earners were referred to the recipient fraud department but pulled back until the policies are finalized and determined if intentional fraud.

Representative Schexnayder asked if LDH looked at the 190,000 to see if any are fraudulent. Ms. Steele explained that they will start in January looking at LWC data and take the appropriate steps to determine if intentional. Representative Schexnayder expressed his concern that people are misusing state funds or getting benefits because of falsified information but nothing is being done about it.

Ms. Steele said that LDH is proactively working on tightening processes and will check wage data each quarter. Representative Schexnayder reiterated that he wants to see accountability and some way to recoup funds when fraudulently received Medicaid benefits. Mr. Purpera said he was not sure what LDH's current processes were for recoupment.

Senator Luneau said that LDH was using eligibility data and not advocating on federal rules. He asked if a person with \$1M in the bank could still enroll for Medicaid. Ms. Steele said yes, and in the top 100 tested they saw that some had significant income for part of the time.

Senator Luneau asked about their new eligibility system. Ms. Steele said it went live less than one month ago and has three different implementations. Senator Walsworth said in JLCB he heard that employees will report new hires as well as LDH will do a quarterly review

Other Business

Mr. Purpera shared that the Village of Clayton cannot afford to pay a fiscal administrator. The Fiscal Administrator Revolving Loan Fund (Fund) was established but never received any funding. He pointed out the letter from Commissioner Dardenne requesting funding for the Fund but need the Revenue Estimating Conference (REC) to recognize income so that funding can flow.

Adjournment

Senator Luneau offered the motion to adjourn and with no objection, the meeting adjourned at 12:54 p.m.

Approved by LAAC on: February 21, 2019

The video recording of this meeting is available in House Broadcast Archives:
http://senate.la.gov/video/videoarchive.asp?v=senate/2018/12/121318LAAC_0