

LEGISLATIVE AUDIT ADVISORY COUNCIL
Minutes of Meeting
November 20, 2014
Senate Committee Room A
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 1:35 p.m. Ms. Liz Martin called the roll confirming quorum was present.

Members Present: Senator Mike Walsworth, Chairman
Senator Edwin Murray
Senator Ben Nevers
Representative Hunter Greene, Vice Chairman
Representative Cameron Henry
Representative Dalton Honore'

Members Absent: Senator Robert Adley
Senator John R. Smith
Representative Clay Schexnayder
Representative Ledricka Thierry

Representative Hunter Greene made a motion to approve the minutes for the September 17, 2014, meeting and with no objection, the motion was approved.

Updates from Fiscal Administrators

Town of Gibsland

David Greer, Fiscal Administrator for the Town of Gibsland, appeared before the Council with Terry Wilson, the newly elected Mayor. Mr. Greer's position is that the Town of Gibsland will succeed, provided that they continue to pay their outstanding obligations. He stated that the budget is in place and that they should have a "good audit" by June of 2015. Mr. Greer further stated that certain infrastructures and improvements are in place. Mr. Greer's exit strategy is that he will conclude his work as the Fiscal Administrator by the end of January 2015.

Town of Jonesboro

Kenneth Folden, Fiscal Administrator for the Town of Jonesboro, appeared before the Council. Mr. Folden has been the Fiscal Administrator for the Town of Jonesboro for 14 months. Mr. Folden emphasized that during the past 14 months, he has instituted a number of personnel changes and that in his 14 months' tenure, there has been no Mayor. He also candidly admitted he has not had a good relationship with the council. He stated there is now the potential for a good mayor and council who will guide the Town of Jonesboro in the future. His time table for exiting Jonesboro is at the end of January or early February of 2015. He has had preliminary discussions with the new administration relating to his staying on as a consultant.

Town of Richwood

Jonald Walker, Fiscal Administrator for the Town of Richwood, appeared before the Council. Mr. Walker described the financial condition of the Town of Richwood and stated that progress is being made.

However, there have been road blocks. He stated that he has worked to get the Town of Richwood into compliance with regard to bond debts and other debts. His exit strategy as Fiscal Administrator for the Town of Richwood is 90 to 120 days provided he receives cooperation from the Town's leadership. Senator Walsworth asked specifically that Mr. Walker communicate better with the Town's leadership. Mr. Walker agreed to do so.

The Council discussed with all the fiscal administrators the issues that face them during their tenures as fiscal administrators. Each fiscal administrator was responsive to the Council's questions.

Department of Health & Hospitals (DHH) – Follow-up on Transition to the Louisiana Behavioral Health Partnership as Experienced by Five Human Services Districts/Authorities

This audit was presented by Ernie Summerville, Assistant Legislative Auditor & Director of Financial Audit Services and Wesley Gooch, Audit Manager of Financial Audit Services. The auditors described in a summary fashion what they had observed during the time of this informational audit. Those problems were:

1. Gap in services for juveniles who are substance abusers;
2. Changes in claims processes;
3. Expired third party claims;
4. Problems with eligibility determinations;
5. Required use of the electronic software called "Clinical Advisor";
6. Deficiencies with self-generated revenue budgets; and
7. Problems with collections of claims.

The auditors also discussed the impact on services of each District because of a decrease in revenue. They further highlighted problems with DHH physicians. The auditors then gave a summary of their results by Districts. In response to the questions of the Council, the auditors stated that there are many outstanding issues but more training has helped.

The audit was responded to by the Secretary of DHH, Kathy Kliebert. She was assisted by Assistant Secretary for the Office of Behavioral Health, Dr. Rochelle Head-Dunham, M.D.; Undersecretary, Jeff Reynolds; and Deputy Secretary, Courtney N. Phillips.

Ms. Kliebert recognized the issues that the auditors had presented, pointing out that the audit was only of a small number of providers. However, she stated that she felt the partnership with Magellan Health Services (Magellan) had benefited the Behavioral Health Systems in Louisiana. She said that prior to the partnership, there were fewer doctors and providers. She further stated that Magellan will only continue through December 2015. After that time, the Behavioral Health Systems will be integrated with Bayou Health so that the behavioral health issues will receive the assistance of primary care physicians.

Senator Nevers requested a summary of DHH's plan for the transition. Secretary Kliebert offered to provide him with her long list of steps. She concluded by stating that she knew there were some budget issues but that DHH was addressing the gaps.

The Council's general response to Ms. Kliebert was that they request for more assistance given to citizens of Louisiana who have behavioral health issues. The Council stated that they receive many calls from healthcare providers, citizens and law enforcement as to problems with the behavioral health systems established by DHH. The Council further questioned why fines, which should have been paid by Magellan for not fulfilling the terms of the contract, were waived. Ms. Kliebert admitted that Clinical Advisor, the software proposed by Magellan, had deficiencies and was, at times, not working properly.

There was one public response to the DHH audit by John Gianforte. Mr. Gianforte is a licensed therapist who said that he spoke for other licensed therapists. Mr. Gainforte contended that the DHH-Magellan partnership was much better than the previous services provided by DHH in regard to behavioral health issues. He said he was concerned as to what would happen after December 2015 when Magellan is replaced by Bayou Health.

Extension Requests

Joy Irwin, Director of Local Government Services, presented the extension request from Avoyelles Parish Volunteer Fire Department. Senator Murray offered a motion to approve the extension request and with no objection, the motion was approved.

New Orleans Traffic Court – Investigative Audit Issued July 30, 2014

This audit was presented by Roger Harris, Assistant Legislative Auditor & Director of Investigative Audit & Advisory Services and Brent McDougall, Forensic IT Auditor of Investigative Audit & Advisory Services. Mr. Harris and Mr. McDougall summarized the audit in the following manner. They stated that from the audit they found:

1. Lack of independence on the part of the auditor;
2. Duplications of services by the auditor and the accountant;
3. No detailed invoices for audit and accounting services tendered to the Court; and
4. Payroll fraud.

This audit was responded to by Judge Robert Jones, Chief Judge of the New Orleans Traffic Court (Traffic Court). Judge Jones thanked the auditors for their services. He pledged to the Council that controls were in place so that the Court would never suffer such a loss again. In response to a question from the Council, Judge Jones stated that the Traffic Court collected approximately 10 million dollars last year. The Council concluded by asking the auditors if the U.S. Attorney was seeking restitution from Vandale Thomas who was convicted because of the Traffic Court issues. Mr. Harris stated he thought that restitution was being sought.

At the conclusion of this presentation, Senator Murray requested that the Louisiana Legislative Auditor (LLA) reconsider whether the problems caused by the auditing firm associated with this audit required debarment. Mr. Purpera stated that it was his legal obligation to ensure that audits were being done in accordance with the *Governmental Auditing Standards*. His office follows processes to ensure accuracy and accountability including checking peer reviews and workpaper reviews. Mr. Purpera also stated that the LLA will assist those entities who are affected by the debarment.

Office of Financial Institutions (OFI) – Regulation of Payday Lenders – Performance Audit Issued July 14, 2014

This audit was presented by Nicole Edmonson, Assistant Legislative Auditor for State Audit Services and Gina Brown, Audit Manager of Performance Audit Services.

The particular issues pointed out were:

1. OFI does not document examiners' reviews of payday lenders;
2. Problems with improper rollovers of payday loans;
3. Problems with impact of multiple locations on consumers;
4. Problems with fees charged to consumers;
5. Problems with fines imposed upon lenders-no fines were imposed; and
6. Problems with the management of verbal/phone complaints – no process currently.

The Council's response to these problems was to ask the auditors if OFI had a shortage of money. The auditors noted that they did not see any shortage of funds for OFI to perform their responsibilities. The auditors noted that the primary issue was that the regulatory body needed to strengthen its practices. The auditors further pointed out that the payday lenders in Louisiana in 2013 collected 145 million dollars in fees for 3.1 million individual loans. The report was based on responses from only five of the top 10 payday lenders who were willing to provide their data.

OFI's response was given by Darin Domingue, Chief Examiner of the Nondepository Division of OFI. Mr. Dominique thanked the auditors for the audit and said that OFI is now instituting new practices and procedures. OFI believes that the Administrative Procedures Act is only needed for a rule requiring employees of the lenders to participate in educational training. OFI stated that they would have all of their problems resolved, absent the educational training rule, by the end of 2014. They concluded that they are developing a four tier matrix for the imposition of penalties.

The Council's response to OFI primarily focused on OFI's failure to impose penalties on lenders, and OFI's inadequate protection for the public. The Council asked if legislation was necessary to allow OFI more access to payday lenders' information. Ms. Brown suggested the use of a database to identify red flags such as used in other states.

Mr. Dominique was unable to fully respond to the Council because he is new in his position and said he cannot state what OFI supports. The Council did request that OFI make a determination as to whether they can still impose penalties for past offenses. Mr. Dominique agreed to do this. Senator Nevers asked for OFI's recommended legislation as soon as possible for the spring session.

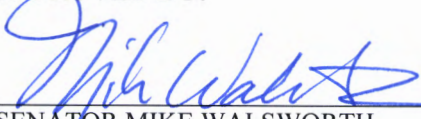
Other Business

Mr. Purpera pointed out three spreadsheets provided to the Council listing those entities with reported going concern conditions, disclaimers and bond millage issues. Mr. Purpera stated that he was bringing this matter to the attention of the Council so that they would be aware of entities which may be financially unstable. He stated that the auditors, through an early warning system, are attempting to assist those entities.

The Council approved a Resolution thanking Paul Pendas, First Assistant Legislative Auditor/State Audit Services, for his service as a 32 year employee of the LLA. Chairman Walsworth and the Council members also congratulated Representative Greene for being elected as Family Court Judge.

Representative Greene offered the motion to adjourn and with no objection, the meeting adjourned at 5:19 p.m.

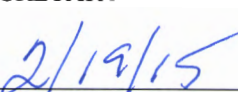
APPROVED BY:



SENATOR MIKE WALSWORTH
CHAIRMAN



DARYL G. PURPERA
SECRETARY



DATE