



Louisiana Legislative Auditor 2019 Excellence in Evaluation Award Submission

The Louisiana Legislative Auditor's office (LLA) is an independent, nonpartisan audit organization providing objective information to the Legislature, state agencies, and the public. Created in 1962, LLA serves the public and the Legislature by providing insight on topics facing Louisiana government and its citizens. Our mission is to foster accountability and transparency in Louisiana government by providing the Legislature and others with audit services, fiscal advice, and other useful information. Our slogan, "Better information, Better Louisiana," embodies our daily pursuit to improve our state.

BODY OF WORK, 2015 – 2018

LLA's Performance Audit Section produced 81 audits during January 2015 through December 2018, approximately 20 reports per year (see Attachment B for summary information about our audit reports). Our audits have covered a vast array of government programs and topics, including audits on state water systems, child care regulation, secure care juvenile justice facilities, statewide sexual harassment policies, management of state lands, tax credits, state bond practices, and multiple areas within the Medicaid program. We issued 350 recommendations to agencies and 42 matters for legislative consideration in these audit reports. Our office has 28 staff, on average, dedicated to performance audits, all of whom hold an advanced degree (see Attachment A for our organizational chart, expenditures, and staffing). In addition, approximately half of performance audit staff holds at least one professional certification, such as Certified Internal Auditor, Certified Government Auditing Professional, or Certified Fraud Examiner. During the evaluation period, 100% of audit work was conducted by LLA staff.

State Audit Law and Topic Selection

Louisiana has a strong audit law that allows LLA wide authority to access all state agency records for our audits. Our audits cover all executive branch agencies, some boards and commissions, and some local entities. Approximately 26% of performance audits are required by statute or requested in law by the Legislature. However, LLA is unique in that the majority of our audit topics, approximately 74%, are selected internally by LLA. Our legislative oversight body is not required to review or approve our audit plan. To identify meaningful audit topics that will add value to state agencies and increase transparency, we develop an annual audit plan based on high risk areas, topics of interest to the Legislature and/or the public, and issues identified through other audit work. This unique circumstance in how our office functions allows us to quickly respond to emerging issues affecting our state. For example, our office issued an audit report on how to reduce Louisiana's incarceration rate and reduce costs for nonviolent offenders because Louisiana had the highest incarceration rate in the country and one of the Governor's priorities was criminal justice reform. In 2017, the Legislature passed a criminal justice reform package of 10 bills, projected to save the state \$262 million over the next 10 years. In addition, we issued a comprehensive report on local water rates because Louisiana's drinking water infrastructure was rated a D+, meaning it was poor and crumbling, and some areas in the state had health emergencies due to contaminated drinking water. Our audit found that many municipalities had water rates too low to maintain safe water systems. In response, the Governor created an emergency response task force that used our data to make recommendations for the worst water systems. Currently, there is a proposed bill for the task force to develop a comprehensive infrastructure plan for water in the state.

New Audit Program Initiatives

Our office has also developed new audit program initiatives to ensure we stay abreast of national audit trends in the auditing field.

Medicaid Audit Unit. As Medicaid funding is a large portion of our state budget, we developed a Medicaid Audit Unit focusing on data analysis to provide evaluations on the state's Medicaid program. This unit collaborates with other audit sections in LLA, such as financial and investigative audit, and has produced 13 reports between 2016 and 2018, over half (7) of which were conducted by performance auditors. Medicaid performance audits include an evaluation of the eligibility process and evaluations on provider improper payments.

Data Analytics Positions. During the evaluation period, our office also created a data analytics manager position and a senior data analyst position in order to further the data analysis work we have incorporated into our audits. These positions assist the Medicaid Audit Unit, conduct data-intensive audits on other agencies, and assist performance audit teams in conducting complex data analyses, often using data analytics software such as Audit Command Language (ACL) and SQL. For example, we issued reports on deceased individuals receiving Medicaid or food stamps using vital records data which resulted in the state improving its process to identify such individuals and ensure that allocated funds are spent on the citizens who need these vital services. A primary goal in creating these new positions is to create a data inventory of all state datasets that our office has in order to plan innovative audits that use multiple data sets from various agencies.

Research Methodologist Position. In 2016, our office created a research methodologist position, which allowed us to incorporate econometrics and other quantitative analytics into our audit work in order to increase the fiscal impact on the state. Our research methodologist has led our office in developing audit reports that utilize applied economic analysis to identify cost savings and revenues and evaluate program outcomes. During the evaluation period, our research methodologist was involved in 12 audits, including a report on the spending practices of the Bond Commission that resulted in the state changing its long-standing policy to use bond premiums for construction projects instead of funding recurring operating expenses. Our methodologist presented these audit findings and recommendations to the Bond Commission, and during the Governors' 2016 State of the State Address, he quoted directly from this report to exhort lawmakers to end the state's irresponsible practices of funding operations with non-recurring revenue over the past eight years. LLA's Research Methodologist was also nominated to sit on a task force to discuss Louisiana's tax credits and any changes that should be made in order to help the state fiscally.

Communicating Audit Results

Our office strives to present our audit findings and recommendations in a clear and concise manner that is useful for multiple audiences. We include a highlights page with all of our reports that briefly summarize our audit conclusions, which is an effective tool for Legislators and the media to quickly digest key audit issues. Our audit reports use charts and graphs to clearly visualize important information, and we focus on communicating a strong report message and on overall clarity and readability. We often present our audit conclusions to the Legislature. During the evaluation period, performance auditors presented to the Legislative Audit Advisory Council approximately 16 times, and are often requested to present in other legislative committees or hearings. For example, LLA auditors presented the audit on incarceration rates to the Judiciary Committee, Medicaid audit reports at Appropriations Committees and the Medicaid Fraud Task Force, and audit results from the appraisals of public service companies reports to Ways and Means. Legislators also often meet with our office to gain objective information on topics so they can understand issues and have enough information to make informed decisions.

Our audit results have also proven useful for stakeholder groups, and we have presented information to various stakeholder groups on issues important to our state. For example, our audit director presented to the Health Equity Summit on the imbalance between nursing home placement and the use of home- and community-based services, and we presented our report on how to reduce workers compensation costs to Louisiana Association of Self-Insured Employees' annual professional development seminar.

We have attached three of our performance audit reports that we feel represent the type of work our office conducts: *Evaluation of Strategies to Reduce Louisiana's Incarceration Rate and Costs for Nonviolent Offenders*, *Access to Comprehensive and Appropriate Specialized Behavioral Health Services in Louisiana*, and *Louisiana Tax Commission: Appraisal of Public Service Companies* (see Attachment C for copies of these reports). These audits show the various approaches our office takes in performance auditing, such as approaching a problematic area from a comprehensive research-based and data-driven lens, evaluating how the state delivers services to vulnerable citizens and if the services they receive are of quality, and whether local governments are receiving accurate tax revenue in order to fund needed services.

AUDIT IMPACT

One of our goals in performance audit is to provide information that is valuable to the audited entity, Legislators, and the public. We work closely with agencies to develop recommendations that are feasible and would address deficiencies identified in our audits. We also make recommendations to the Legislature for issues that are outside of agencies' control. Our audits address three key areas in order to make the most impact on the state:

- **Improving the integrity or oversight of agencies and programs.** The Legislature and the public rely on our audit work to improve the transparency of state agencies and how they monitor their programs. Our reports are often cited by the media and during legislative sessions. Our report on the Department of Corrections' management of offender data resulted in significant media attention regarding state offenders being held in prisons past their release dates, and we received calls from concerned citizens and advocacy groups. The Governor recently announced that he is requesting that the Legislature require the Department of Corrections, courts, and local sheriffs to address this problem (see Attachment D for news coverage on audits). We also issued a report on the Board of Pharmacy's oversight of the Prescription Monitoring Program (PMP) which found that the Board did not ensure the PMP database, used to track opioid prescriptions, was complete and accurate. As a result of our analysis and audit recommendations, the Board worked to resolve the issues we identified and addressed a system error contributing to missing prescription information.

Our office also issued a report on how the Medicaid program could strengthen its eligibility determination process and found that Louisiana did not use any tax data to verify income and household size, and it used a higher threshold of variability (25%) between what individuals reported and what state wage records showed. As a result of the report recommendations, the Department of Health changed its verification methodology to 10% to align with other states, which resulted in \$1.3 million in savings to date. We also issued a report on the Louisiana State Board of Dentistry and found that they took inconsistent enforcement action and were not inspecting dental offices as required to maintain public safety. As a result of our report and legislative testimony, the Legislature moved the Board's domicile from New Orleans to Baton Rouge so that it could exert increased accountability of the Board.

- **Identifying fiscal impacts, including improper payments and cost savings.** Our audits identified over \$714 million in cost savings, revenue generation, and potential improper payments over the past four years. For example, our audit on the Inventory Tax Credit identified \$32.8 million that the state could save per year by amending the tax credit law. In addition, this report identified \$157 million in potential excess tax credits granted to businesses over an eight year period. As a result, this report was the impetus for Act 5 of the 2016 Second Extraordinary Session that eliminated the refundability of the inventory tax credit for manufacturers that also participate in the state's industrial tax

exemption program, which will save the state \$57 million annually. Because of this audit, companies are now required to support their reported inventory amounts. We also issued a report on the Louisiana Tax Commission's assessment of public service companies which found that the Commission's appraisal methodology undervalued these companies and resulted in an approximate \$246 million in lost tax revenues to local governments annually.

Our audits also identify potential improper payments made on behalf of the state. For example, we issued a report on Non-Emergency Medical Transportation which found \$1.7 million in transportation to medical providers that did not have a resulting medical service. We also issued a report on home- and community-based services that found workers who provided \$2.5 million in services although they were on the state's abuse registry.

- **Providing information to improve legislative- and agency-decision making.** Our audits provide necessary information for the Legislature and state agencies to make informed decisions affecting state government. Our report on sexual harassment policies led to the state developing a new sexual harassment policy and the Legislature passed Act 270 of the 2018 Regular Session that addressed all of our audit recommendations. We also issued a series of reports on the oversight of secure care juvenile justice facilities in order to set a baseline regarding the safety of facilities and their rehabilitation and treatment programs, as well as inform the Task Force on Secure Care Standards and Auditing. The task force developed comprehensive standards for all secure care facilities in the state. LLA was asked to serve on the task force and help educate task force members.

In addition, we issued a report on the status and reasons for delays regarding the Comite River Diversion Canal Project after devastating flooding occurred in the capital area causing \$10 to \$15 billion in damages, and auditors presented results to the Comite River Diversion Canal Task Force. The state was able to secure funding to move the project forward after years-long delays. We also issued a report on oyster lease practices as Louisiana leads the nation in pounds of oysters produced per year. We found that raising Louisiana's oyster lease rate to the average of other states would generate \$1.2 million in revenue and lifting the moratorium on new oyster leases would generate \$1.3 million per year. As a result of this report, Act No. 343 of the 2015 Regular Session increased the oyster lease rate in the state and dedicated these additional revenues to enhancing the state's public oyster seed grounds, and in 2016 legislation was passed establishing a framework to lift the moratorium.

FURTHERING THE FIELD OF LEGISLATIVE EVALUATION

LLA's performance auditors participated in furthering the field of legislative evaluation in a variety of ways. LLA was heavily involved with the National Legislative Program Evaluation Society (NLPES), the National State Auditor's Association (NSAA), the National Association of State Auditors, Comptrollers, and Treasurers (NASACT), and the Institute of Internal Auditors (IIA).

- **NLPES Executing Committee and Professional Development Subcommittee.** LLA's Performance Audit Director, Karen Leblanc, is part of NLPES's Executive Committee and has been part of the Professional Development Subcommittee since 2017.
- **NLPES Awards.** During the evaluation period, LLA has received Certificate of Impact awards from NLPES for each year. These reports addressed incarceration rates in Louisiana (2018), the inventory tax credit (2017), oyster lease practices (2016), and the regulation of oil and gas wells (2015). LLA also received the Excellence in Research Methods award in 2016 for our report on the Louisiana Lottery.

- **NLPES Professional Development Seminars.** In 2018, LLA hosted the NLPES Professional Development Seminar in New Orleans. It was one of the highest attended conferences, with approximately 170 attendees, and it received an overall rating of 4.5/5. LLA performance audit staff moderated panels and served as panelists for sessions including Creative Data Analytics, Selecting Meaningful Audit Topics, Obtaining Stakeholder Input, Trends in Research Methodologies, Core Competencies for Auditors, and Investigative Techniques in Auditing. In addition, our performance auditors have participated in the 2015, 2016, and 2017 NLPES conferences by serving on panels and presenting on topics such as delivering feedback to audit staff, audit topic selection, generational differences in the workplace, and data analytics.
- **NLPES Listserv.** Audit staff subscribes to the NLPES listserv and regularly seeks input from other evaluators, responds to listserv questions and requests, and shares audit report findings.
- **Peer Review.** Two of our performance audit managers serve as leads, concurring reviewers, and/or team members for NLPES and NSAA peer review teams. Collectively, the two managers have participated in nine peer reviews for other states between 2015 and 2018.
- **IIA Local Chapter.** One of our performance audit managers served as the local Baton Rouge IIA chapter Co-Vice President of Programs for 2016-2017 and on the Board of Governors for 2018-2019. In addition, our staff regularly attends IIA monthly meetings and has given presentations at these meetings. For example, performance auditors presented on the role of performance auditing in the legislative process, as well as on using data analytics to protect tax dollars.
- **NSAA and NASACT.** Daryl Purpera, the Legislative Auditor, has served on the NSAA Executive Committee since 2017, as the Secretary/Treasurer in 2017 and as the President-Elect in 2018. He also has been the Performance Audit Committee Chairman from 2014 to present. In addition, he has served on the NASACT Executive Committee since 2017.
- **Training Other Audit Shops.** LLA performance auditors hosted training for other state audit shops. In April 2017, we developed and conducted a week-long training for the Mississippi Office of the State Auditor. We began this training by giving the auditors an overview of the new Medicaid Audit Unit and the techniques it uses to identify potential Medicaid fraud. We then covered our entire performance evaluation process, including detailed presentations on planning, fieldwork, and reporting processes, four hours of data analytics tools training, and using econometrics techniques in performance auditing. In addition, North Carolina auditors came to our office for training on developing a Medicaid Audit Unit. Auditors discussed steps our office took to create the Medicaid Audit Unit, how we use Medicaid and other data sources to evaluate the Medicaid program, lessons learned, and challenges and obstacles we have faced and overcome.
- **Presentations to Other Professional Organizations.** Our performance auditors regularly present about performance auditing to other professional organizations to educate and engage with our national and local community. For example, our research methodologist presented an NLPES webinar on our audit report on the Louisiana Lottery Corporation. In 2017, performance auditors also presented the evaluation of the internal audit function in state agencies to the Louisiana Association of College and University Auditors. Performance auditors presented at the Louisiana State University Masters of Public Administration Colloquium, giving an overview of performance auditing. In addition, LLA staff presented techniques for performing data analytics and forensic audits to the Society of Louisiana Certified Public Accountants (see Attachment E for a list of all presentations to professional organizations).